VERTEX PHARMACEUTICALS INC / MA
Form 4
June 29, 2010

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Kelly Lisa

(Last) (First) (Middle)

C/O VERTEX PHARMACEUTICALS INCORPORATED, 130 WAVERLY STREET

(Street)

CAMBRIDGE, MA 02139

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
VERTEX PHARMACEUTICALS INC / MA [VRTX]

3. Date of Earliest Transaction (Month/Day/Year)
06/28/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)

SVP, Human Resources

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/28/2010		S (1)		876	D	$ 34.73 (2) (3)	34,563	D	
Common Stock								1,182	I	401(k)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form

SEC 1474 (9-02)

displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kelly Lisa C/O VERTEX PHARMACEUTICALS INCORPORATED 130 WAVERLY STREET CAMBRIDGE, MA 02139			SVP, Human Resources	

Signatures

Valerie L. Andrews, Attorney-In-Fact	06/29/2010
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** Transaction made pursuant to Ms. Kelly-Croswell's company approved trading plan established under Rule 10b5-1.
- **(2)** Open market sales reported on this line occurred at a weighted average price of $34.73 (range $34.40 to $35.11).
- **(3)** Ms. Kelly-Croswell undertakes to provide (upon request by the SEC staff, the issuer or a security holder of the issuer) full information regarding the number of shares sold at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. mes;margin-left:10pt;text-indent:-10pt;"> (Repayments) Borrowings under credit facility (41,499) 77,528 (6,451)

Proceeds from short term notes payable related parties

10,000

Proceeds from long term debt

53,082 5,300

Reductions in long term debt

(10,471) (3,874) (1,229)

Proceeds from sales of common stock, net of expenses

23,967 29,540

Proceeds from exercise of stock options and ESPP

407 3,290 289

Net cash (used in) provided by financing activities

(41,563) 153,993 27,449

Net (decrease) increase in cash

(967) 1,280 (238)

Cash, beginning of period

2,622 1,342 1,580

Cash, end of period

$1,655 $2,622 $1,342

See accompanying notes to consolidated financial statements.

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Gander Mountain Company

Consolidated Statements of Shareholders' Equity

(In Thousands, Except Share Data)

	Common Stock		Additional Paid-in Capital	Notes Receivable From Shareholders	Accumulated Deficit	Total Shareholders' Equity
	Shares	$				
Balance, January 28, 2006	**14,285,287**	**$ 143**	**$ 192,257**	**$ (4,100)**	**$ (38,475)**	**$ 149,825**
Net loss					(13,242)	(13,242)
Exercise of stock options	3,637		24			24
Stock purchase agreement	5,701,255	57	58,518			58,575
Common stock issued under employee stock purchase plans	37,609	0.4	266			266
Stock option expense			1,343			1,343
Balance, February 3, 2007	**20,027,788**	**$ 200**	**$ 252,408**	**$ (4,100)**	**$ (51,717)**	**$ 196,791**
Net loss					(31,814)	(31,814)
Cancellation of stock subscription notes	(428,928)	(4)	(4,096)	4,100		
Exercise of stock options	323,543	3	2,930			2,933
Stock purchase agreements	4,067,797	41	23,926			23,967
Common stock issued under employee stock purchase plans	58,864	0.6	355			356
Stock option expense			1,587			1,587
Balance, February 2, 2008	**24,049,064**	**$ 241**	**$ 277,110**	**$**	**$ (83,531)**	**$ 193,820**
Net loss					(15,497)	(15,497)
Exercise of stock options	2,877		16			16
Common stock issued under employee stock purchase plans	134,165	1.0	390			391
Vesting of restricted shares	9,630					
Stock option expense			1,175			1,175
Balance, January 31, 2009	**24,195,736**	**$ 242**	**$ 278,691**	**$**	**$ (99,028)**	**$ 179,905**

See accompanying notes to consolidated financial statements.

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Gander Mountain Company

Notes to Consolidated Financial Statements

Note 1. Nature of Business

Gander Mountain Company (the "Company") operates the nation's largest retail network of stores specializing in hunting, fishing, camping, marine and outdoor lifestyle products and services. Since its origin in 1960, the Company's brand name has had a heritage of strong appeal and relevance to consumers who participate in outdoor sports and recreation activities. The Company's core strategy and focus is to provide its target customer with a unique retail experience founded upon the Company's "We Live Outdoors" culture and theme. The Company has transformed its market position from a traditional specialty store to a large-format, category-focused store by opening large-format stores and increasing the selling space within its existing stores. The large-format strategy has allowed the Company to offer its customers a broader and deeper assortment of merchandise. The Company offers competitively priced hunting, fishing, camping and boating equipment, accessories and related technical apparel and footwear, as well as gunsmith and archery services. Its stores feature national, regional and local brands as well as its owned brands, and the Company's associates provide knowledgeable customer service. The Company has offered ATVs since fiscal 2004 and power boats since fiscal 2006, as well as related services. Beginning in fiscal 2007 and continuing through fiscal 2008, the Company began scaling back its market position and inventory levels in these products due to a lack of profitability and general economic concerns. The Company will totally exit the power boats and ATV product categories before the end of fiscal 2009.

As of January 31, 2009, the Company operated 118 stores, including three outlet centers, in 23 states: Alabama, Arkansas, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Texas, Tennessee, Virginia, West Virginia and Wisconsin.

On December 6, 2007, the Company completed the acquisition of all of the outstanding equity securities of Overton's Holding Company ("Overton's"). Overton's is a leading internet and catalog marketer of specialty water sports and related marine accessories. Overton's product line is extensive, ranging from water skis, wakeboards, dive gear, apparel and footwear to marine electronics, GPS devices, boat maintenance and repair, trailers, and boat and truck accessories. Overton's products are sold under two principal brands, Overton's® and Consumers Marine®, through catalogs, websites (*www.Overtons.com* and *www.Consumersmarine.com*) and three product showrooms. The acquisition of Overton's has enabled the Company to accelerate its strategy to reach customers through an integrated, multi-channel approach utilizing catalogs, websites and retail stores. Overton's will continue to operate under the "Overton's®" brand and as a wholly-owned subsidiary of the Company. The consolidated financial statements include the accounts of Overton's since its acquisition date.

In August 2008, the Company launched a new internet and catalog operation under its Gander Mountain brand that offers an assortment of the products available in its retail stores. While the Gander Mountain product assortment continues to grow, this component of the Company's direct business will provide it future growth as it seeks to build market share in the internet and catalog market channels. Together, the Overton's and Gander Mountain brands comprise the Company's Direct segment.

The Company has evaluated its operating and reporting segments in accordance with SFAS No. 131 and has considered the discrete financial information reviewed by the chief operating decision maker in making decisions regarding allocation of resources and in assessing performance. With the acquisition of Overton's, the Company has two reportable segments: Retail and Direct. The Retail segment sells its outdoor lifestyle products and services through the retail stores. The Direct segment is

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business (Continued)

the internet and catalog operations of Overton's and the internet and catalog operations of the new Gander Mountain brand.

The following table shows the Company's sales during the past three fiscal years by product category:

Category(1)	Fiscal 2008	Fiscal 2007	Fiscal 2006
Hunting	43.1%	43.0%	45.1%
Fishing and Marine(2)	21.6%	16.0%	14.6%
Camping, Paddlesports and Backyard Equipment	6.7%	7.2%	7.7%
Apparel and Footwear	21.4%	24.0%	25.1%
Powersports	5.0%	6.8%	4.3%
Other	1.3%	1.8%	2.3%
Parts and services	0.9%	1.2%	0.9%
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, but not Gander Mountain's direct business sales, for fiscal 2008 and for two months of fiscal 2007, have been included in the Fishing and Marine category. Gander Mountain's direct business sales have been included in their respective product categories.

For historical trend purposes, the table below reflects sales by product category for the comparable annual periods of the Retail segment only and does not include sales of the Direct segment.

Retail segment only Category	Fiscal 2008	Fiscal 2007	Fiscal 2006
Hunting	46.4%	43.2%	45.1%
Fishing and Marine	15.4%	15.5%	14.6%
Camping, Paddlesports and Backyard Equipment	7.3%	7.3%	7.7%
Apparel and Footwear	23.1%	24.1%	25.1%
Powersports	5.4%	6.8%	4.3%
Other	1.4%	1.9%	2.3%
Parts and services	1.0%	1.2%	0.9%
Total	100.0%	100.0%	100.0%

Fiscal Year The Company's year-end is the Saturday closest to the end of January, electing a 52 or 53 week year. The fiscal year ended February 3, 2007 (fiscal 2006) included 53 weeks. The fiscal years ending January 31, 2009 (fiscal 2008) and February 2, 2008 (fiscal 2007) included 52 weeks.

Reclassifications Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported net income, cash flows, or financial position.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business (Continued)

Cost of Sales and Selling, General and Administrative Expenses The classification of these expenses varies across the retail industry. The following describes the primary costs classified in each of the Company's major expense categories:

Cost of sales:

Retail segment includes costs of product sold and the following:

- freight costs associated with moving merchandise from vendors to the Company's distribution center and to its retail stores,
- vendor income that is not reimbursement of specific, incremental and identifiable costs,
- markdowns and changes in reserve balances for products with market value lower than cost,
- shrink,
- distribution center costs, which includes all costs to operate the distribution center including freight expenses associated with replenishment of product to the stores, labor and occupancy costs, and
- store occupancy costs such as rent, taxes and common area maintenance charges.

Direct segment includes costs of product sold and freight expenses associated with delivery of product direct to consumers.

Selling, general and administrative expenses:

Beginning with the filing of its form 10-K for fiscal 2007, the Company changed the presentation of the consolidated statement of operations as a result of the acquisition of Overton's, a direct marketing company. Previously, the Company presented two operating expense captions: "Store Operating expenses" and "General and Administrative expenses." These two captions are now combined into the caption "Selling, General and Administrative expenses." This reclassification has been made for all years presented.

Retail segment includes:

- marketing and advertising expenses,
- compensation and benefit expenses for the stores and corporate office,
- other store operating expenses such as depreciation, supplies, store maintenance, credit card fees, and other direct store expenses,

expenses of the corporate offices in St. Paul, MN, and

expenses associated with shared service and corporate functions such as merchandising/buying, information technology, human resources and finance/accounting.

Direct segment includes:

catalog production and distribution expenses and other marketing expenses,

compensation and benefit expenses for the order fulfillment center and call center,

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business (Continued)

- expenses of the Direct segment corporate office in Greenville, NC, and

- expenses associated with shared service and corporate functions of the Direct segment such as merchandising/buying, information technology, human resources and finance/accounting.

Note 2. Summary of Significant Accounting Policies

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates relate primarily to the valuation of receivables and inventories, the recorded amounts of certain accrued liabilities and forecasted financial information in connection with asset impairment testing. Ultimate results could differ from those estimates.

Cash and Cash Equivalents Cash equivalents represent short-term investments with a maturity of three months or less from the time of purchase and are carried at cost, which approximates market.

Accounts Receivable Accounts receivable consist primarily of third-party credit card receivables, earned but unbilled vendor allowances and receivables from landlords. The allowance needed against these receivables for expected losses is not material.

The Company also has amounts due from vendors for returned products and certain vendor allowances reflected as reductions in accounts payable in the Company's balance sheets because the Company has the right of offset against amounts owed to vendors for merchandise purchases. An allowance is recognized for these receivables in an amount equal to the anticipated future write-offs based on historical experience and other factors. The allowances for these amounts due to the Company were $274,000 and $437,000 as of January 31, 2009 and February 2, 2008, respectively.

Inventories Inventories are stated at the lower of weighted average cost (which approximates the first-in, first-out cost) or market. Inventories consist of the direct cost of merchandise including freight. Inventories are net of shrinkage, certain vendor allowances, and other valuation reserves. Valuation reserves are established based primarily on forecasted consumer demand, inventory aging and obsolescence.

Property and Equipment Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. Major additions, replacements and improvements are capitalized. Depreciation and amortization have been computed using the straight-line method for financial reporting purposes and an accelerated method for income tax reporting purposes.

Leasehold improvements are amortized over the shorter of their useful life or the initial lease term of the lease, without considering renewal periods. The Company will include a renewal period in determining the amortizable life of leasehold improvements in situations where a material investment in a leased property is made substantially after the initial lease term has begun. The Company will

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

consider the number of years remaining on the initial lease term and other circumstances as appropriate. Estimated useful lives by major asset category are as follows:

Asset Category	Life (in years)
Building	40
Furniture and equipment	3 - 10
Leasehold improvements	Initial lease term
Computer software and hardware	3 - 8

Long-Lived Assets All long-lived assets are reviewed at least annually or when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. An impairment loss is recognized when estimated undiscounted cash flows to be generated by those assets are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount is reduced to its estimated fair value. Fair value is based on appraisals or other reasonable methods to estimate value. The Company follows the requirements of Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Goodwill and Other Intangible Assets Goodwill represents the excess of purchase price over fair value of net assets acquired. Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, prohibits the amortization of goodwill and intangible assets with indefinite useful lives. SFAS No. 142 requires that these assets be tested annually for impairment, or more frequently if events or changes in circumstances indicate that the asset may be impaired, in the same manner as other long-lived assets. The Company tested its goodwill in the fourth quarters of fiscal 2008, 2007 and 2006 with the fiscal 2008 test resulting in an impairment charge of $6.5 million. Refer to Note 4 of our consolidated financial statements for additional discussion regarding goodwill and other intangible assets.

Intangible assets with indefinite lives are tested for impairment at least annually or whenever an event has occurred that would more likely than not reduce fair value below the carrying amount. The fair value of the Company's intangible assets are estimated and compared to their carrying value. The Company estimates the fair value of these intangible assets based on an income approach using the relief-from-royalty method. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. This approach is dependent on a number of factors, including estimates of future growth and trends, royalty rates in the category of intellectual property, discount rates and other variables. The Company recognizes an impairment charge when the estimated fair value of the intangible asset is less than the carrying value.

Subsequent to the acquisition of Overton's, the Company determined that it has two reporting units for purposes of impairment testing Retail and Direct.

Stock-Based Compensation Effective the beginning of fiscal 2006, the Company adopted the fair-value recognition provisions of the Financial Accounting Standards Board's Statement No. 123 (revised 2004), *Share-Based Payment*, which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors including employee stock option awards and employee stock purchases made under the Company's employee stock purchase plan. The Company adopted the provisions of SFAS No. 123R, using the modified-prospective

Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

transition method. Under this transition method, stock-based compensation expense was recognized in the Company's financial statements for granted, modified, or settled stock options and for expense related to the employee stock purchase plan.

Net Income (Loss) per Share Statement of Financial Accounting Standards No. 128, *Earnings per Share* (EPS), requires dual presentation of basic EPS and diluted EPS on the face of all statements of operations. Basic EPS is computed as net income (loss) available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and convertible securities.

Outstanding options and convertible securities to purchase shares of the Company's common stock were not included in the diluted EPS calculation for all years presented in the financial statements, as they were antidilutive. The shares of common stock subject to potential issuance as a result of these outstanding securities totaled 2,236,847; 3,507,113; and 3,945,475 as of January 31, 2009, February 2, 2008 and February 3, 2007, respectively.

Revenue Recognition Revenue from retail sales is recognized at the time of sale. Revenue generated from sales is reduced by a reserve for estimated returns. The estimated returns reserve is based upon historical experience. Revenue from layaway sales is recognized upon receipt of final payment from the customer. Revenue does not include sales tax as the Company considers itself a pass-through conduit for collecting and remitting sales tax.

For internet and catalog generated revenue, the Company recognizes revenue at the time of shipment from its distribution center or from its factory direct vendors' distribution center. The Company records sales generated as a result of the Company's factory direct or drop ship arrangements when the third-party factory direct vendor confirms to the Company the shipment to the Company's customer. The Company's sales terms are FOB Shipping Point and as such, title passes to the customers upon shipment. With respect to Direct segment sales where shipment occurs from the Company's supplier's facilities, the Company recognizes revenue on a gross basis in accordance with guidance in EITF 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent.*

Freight charges billed to customers in the Direct segment are included in net sales and freight expense incurred with shipping products to customers is included as a component of cost of goods sold in the accompanying consolidated statements of operations.

The Company offers a co-branded credit card to its customers through a third party who manages the program and directly extends the credit. In exchange for providing access to customers, the Company receives royalties for each activated account and rebates for customer purchases in Gander Mountain and non-Gander Mountain stores. These revenues are recognized when earned and included in sales in the accompanying statement of operations. The estimated cost of discounts offered in conjunction with the credit card program is recognized as a reduction of sales as customers earn the discounts.

Revenues from cash received from gift certificates and gift cards are deferred and are recognized when redeemed for merchandise. Prior to their redemption, the gift certificates and gift cards are recorded as a liability.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Vendor Incentives The Company receives incentives in the form of reductions to amounts owed and/or payments from vendors related to volume rebates, new store purchases, cooperative advertising allowances, and other purchase discounts. The Company accounts for vendor incentives in accordance with Emerging Issues Task Force No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor*. Under this guidance, the presumption is that cash consideration received from a vendor should be classified as a reduction of cost of sales when the inventory is sold. If the consideration received represents a payment for assets delivered to the vendor, it should be classified as revenue. If the consideration is a reimbursement of a specific, incremental, identifiable cost incurred in selling the vendor's product, the cost should be characterized as a reduction of the cost incurred.

Leases The Company leases all of its store locations, distribution or fulfillment centers and corporate offices. The Company accounts for its leases under the provisions of Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, subsequent amendments, and appropriate ETIF guidance, which require that the Company's leases be evaluated and classified as operating or capital leases for financial reporting purposes. All store leases, except for one, are treated as operating leases for financial reporting purposes.

Certain leases have scheduled rent increases. In addition, certain leases include an initial period of free or reduced rent as an inducement to enter into the lease agreement ("rent holidays"). The Company recognizes rent expense for rent escalations and rent holidays on a straight-line basis over the initial term of the lease (or useful life if applicable), beginning on the earlier of the commencement date of the lease or the date when the Company takes possession of the building for construction of leaseholds or the initial setup of fixtures and merchandise. Certain leases also stipulate that additional rent is paid when sales at those leased stores exceed a specified threshold. The additional rent expense under these leases was not material in any fiscal years presented.

Historically, the Company typically has received tenant improvement allowances from the property landlord to fund leasehold improvements. Such allowances were minimal in all years presented. The Company records these allowances in a deferred rent liability account. These credits are amortized on a straight-line basis, as a reduction to rent expense, over the same period as rent expense described above.

Extended Warranty Program The Company's vendors are primarily responsible for warranty claims. Warranty costs relating to merchandise and services sold under warranty, which are not covered by vendors' warranties, are estimated based on the Company's historical experience and are recorded in the period the product is sold. In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* FIN 45 provides guidance on the recognition and disclosure of certain types of guarantees, including product warranties.

The Company offers a limited extended warranty program primarily for firearms. Prior to October 2007, customers could purchase one year of coverage above and beyond the manufacturer's warranty period. Beginning in October 2007, a one-year extended warranty has been included in the purchase of a firearm. Under the terms of the old and new warranty programs, revenue has been deferred and is recognized over the expected service delivery periods. The deferred revenue amount for warranties at January 31, 2009 and February 2, 2008 was $363,000 and $741,000, respectively.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Store Closures In accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, the Company establishes reserves for closing expenses when these liabilities are incurred. Reserves for store closures are established by calculating the present value of the remaining lease obligation, if any, adjusted for estimated sub-tenant rental income and any contractual lease buyouts. Expenses associated with these costs are reflected in "exit costs, impairment and other charges" on the accompanying statement of operations. The remaining lease obligation is inclusive of the net future minimum lease payments plus estimated common area maintenance charges, less any remaining accrual for straight-line rent. Store furniture and equipment are either transferred at historical cost to another location, written down to their net realizable value and sold or written down to zero if the Company does not expect to transfer or sell the assets. When a store is identified for closure, the amortization of store leasehold improvements is accelerated over the estimated remaining life of the store. Refer to Note 11 for a discussion of these charges.

Gift Cards Revenues from cash received from gift cards and gift certificates (gift cards) are deferred and are recognized upon redemption. In the fourth quarter of fiscal 2005, the Company changed its method of extinguishing unredeemed gift card liabilities pursuant to guidance and views published by the Securities and Exchange Commission (the Commission) in December 2005. The Company now records the extinguishment of unredeemed gift card liabilities based on actual redemptions for the purchase of goods or services. Previously, the Company recorded the extinguishment of unredeemed gift card liabilities at the point of gift card issuance. The difference between these methods was not material and accordingly, there was no material impact on net earnings, cash flows or financial position as a result of the change.

Based on guidance and views published by the Commission, the Company records the extinguishment of unredeemed gift card liabilities as revenue in the accompanying statement of operations. Unredeemed gift cards recorded as revenue as described above totaled $2,042,000, $1,310,000 and $1,247,000 in fiscal 2008, 2007 and 2006, respectively. Fiscal 2008 includes $888,000 of revenues due to an approximately 100 basis point increase in the Company's estimated breakage rate.

Advertising Costs Advertising costs are expensed as incurred and included in selling, general and administrative expenses in the accompanying statement of operations. Gross advertising expense, including the amortization of catalog costs of the Direct segment, was $37,243,000, $26,295,000 and $23,004,000 for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. Certain advertising allowances received from non-merchandise vendors are recorded as a reduction to advertising expense and were $260,000, $77,500 and $147,000 for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. Included in "Prepaids and other current assets" in the Company's balance sheet are prepaid advertising expenses of $3,636,000 and $4,087,000 as of January 31, 2009 and February 2, 2008, respectively.

The Direct segment incurs significant catalog costs in conducting the direct marketing business, typically in the first and second quarter of the fiscal year related to Overton's activities and in the third and fourth quarters of the fiscal year since the launch of the catalog and internet operations of the Gander Mountain brand. In accordance with Statement of Position 93-7, *Reporting on Advertising Costs,* these costs are prepaid and amortized ratably over the life of the catalog based on historically based revenue patterns.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Store Pre-opening Expenses All start-up costs, such as payroll, rent, travel, and marketing costs, associated with the opening of new stores are expensed as incurred.

Income Taxes Under Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. Deferred income taxes are provided for temporary differences between the financial reporting and tax bases of assets and liabilities at currently enacted tax rates. A valuation allowance for deferred income tax assets is recorded when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

Fair Value of Financial Instruments The carrying amounts of the Company's financial instruments, primarily debt instruments, approximate fair value at January 31, 2009 and February 2, 2008.

Software Implementation Costs The Company capitalizes the costs of external contractors as well as labor costs associated with the implementation of significant information technology infrastructure projects. This is based on external costs and on actual internal labor rates per person including benefits, for all the time spent in the implementation of the software in accordance with Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* In fiscal 2008, fiscal 2007 and fiscal 2006, the Company recorded approximately $4,974,000, $3,063,000 and $967,000, respectively, in costs for its significant software implementation project, including $172,000, $213,000 and $78,000 in internal labor costs, respectively.

Recent Accounting Pronouncements are as follows:

FIN 48 In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold for tax positions taken or expected to be taken in a tax return. The recognition threshold requires that the Company determine whether it is more likely than not that a tax position will be sustained upon examination, and then the position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed on the Company's tax returns that do not meet these recognition and measurement standards. FIN 48 was effective as of the beginning of the first quarter of fiscal 2007. As of January 31, 2009 and February 2, 2008, the Company does not believe that reserves for uncertain income tax positions need to be recorded pursuant to FIN 48. As a result, and due to the Company's full valuation allowance, it does not have any unrecognized tax benefits. Thus, the Company's adoption of FIN 48 did not have a material impact on the Company's financial position or results of operations. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

SFAS No. 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements, as the FASB

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. However, a Financial Accounting Standards Board Staff Position issued in February 2008, delayed the effectiveness of SFAS No. 157 for one year, but only as applied to nonfinancial assets and nonfinancial liabilities. The Company adopted SFAS No. 157 as of February 3, 2008, except as it applies to those nonfinancial assets and liabilities affected by the one-year delay. The adoption of the applicable provisions of SFAS No. 157 did not have a material impact on the Company's results of operations, cash flows, or financial position. The Company does not expect the adoption of the remaining provisions of SFAS No. 157 to have a material impact on its results of operations, cash flows, or financial position.

SAB No. 108 In September 2006, the Commission issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 was effective for fiscal 2006. The adoption of this statement did not have a material impact on the Company's results of operations, cash flows or financial position.

SFAS No. 159 In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits the Company to choose to measure certain financial assets and liabilities at fair value that are not currently required to be measured at fair value (the "Fair Value Option"). Election of the Fair Value Option is made on an instrument-by-instrument basis and is irrevocable. At the adoption date, unrealized gains and losses on financial assets and liabilities for which the Fair Value Option has been elected would be reported as a cumulative adjustment to beginning retained earnings. The Company has elected not to adopt SFAS No. 159.

SFAS No. 141R In December 2007, the FASB issued FAS No. 141R, *Business Combinations,* which replaces FAS No. 141. FAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired and the liabilities assumed. In addition, under SFAS No. 141(R) adjustments associated with changes in tax contingencies that occur after the one -year measurement period are recorded as adjustments to income. This statement is effective for all business combinations for which the acquisition date is on or after the beginning of an entity's first fiscal year that begins after December 15, 2008; however, the guidance in this standard regarding the treatment of income tax contingencies is retrospective to business combinations completed prior to January 1, 2009. The Company will adopt SFAS No. 141(R) for any business combinations occurring after January 1, 2009.

SFAS No. 161 In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, *an amendment of SFAS No. 133*. SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand the effect these instruments and activities have on an entity's financial position, financial performance and cash flows. Entities are required to provide enhanced disclosures about: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and how derivative instruments and related hedged items affect an entity's financial

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company will adopt SFAS No. 161 beginning in the first quarter of fiscal 2009. The Company does not expect SFAS No. 161 to have a material impact on its results of operations, cash flows, or financial position.

FSP No. FAS 142-3 In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*. FSP No. FAS 142-3 requires companies estimating the useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use about renewal or extension as adjusted for entity-specific factors. FSP No. FAS 142-3 is effective as of the beginning of fiscal 2009. The Company is currently evaluating the potential impact, if any, of the adoption of FSP No. FAS 142-3 on its consolidated financial statements.

Note 3. Business Acquisitions

Overton's Holding Company

On December 6, 2007, the Company completed the acquisition of all of the outstanding equity securities of Overton's Holding Company ("Overton's") pursuant to a Securities Purchase Agreement among the Company, Overton's and the sellers named therein. As a result of this transaction, Overton's became a wholly owned subsidiary of the Company. The total purchase price for the acquisition was $72.3 million, including the repayment of Overton's existing long term indebtedness at closing and direct costs of the acquisition. The Company financed this purchase price with the new term loan described in Note 5, the equity financing described in Note 7 and borrowings under the Company's revolving credit facility.

The acquisition of Overton's enabled the Company to accelerate its strategy to reach customers through an integrated, multi-channel approach utilizing catalogs, websites and retail stores. Overton's continues to operate under the Overton's brand as a wholly-owned subsidiary of the Company.

In November 2008, a previous non-compete agreement entered into by Overton's was terminated. As a result, there are no further restrictions on the Company's ability to utilize the Overton brand in connection with the marketing and selling of hunting related products or the driving of consumer traffic to the Company's retail stores.

Overton's results of operations are included in the Company's statement of operations from the acquisition date. The transaction was accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. The acquisition of Overton's was not material to Gander Mountain Company and therefore the Company has not provided pro-forma financial information. The total $72.3 million purchase price was comprised of the following (in thousands):

Cash paid	$70,000
Present value of deferred payments	1,479
Direct costs	853
Total Purchase Price	$72,332

The deferred payments require a $900,000 payment in each of June 2009 and June 2010. The liability was discounted using a long term borrowing rate with an adjustment for risk premium. Direct

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 3. Business Acquisitions (Continued)

costs include mainly legal and accounting fees, business valuation and other external costs directly related to the acquisition.

Purchase price allocation: In accordance with SFAS No. 141, the total purchase price was allocated to Overton's net tangible and intangible assets and liabilities based upon their fair values as of December 6, 2007. This allocation was preliminary. The excess purchase price over the value of the net tangible and identifiable intangible assets was recorded as goodwill. The Company employed the services of an independent valuation specialist to assist in the valuation and allocation of goodwill resulting from the acquisition. The following represents the original allocation in fiscal 2007 of the purchase price to the acquired net assets of Overton's and the associated estimated useful lives (amounts in thousands):

	Amounts	Estimated Useful Life
Net tangible assets	$11,487	
Property and equipment	1,020	2 - 5 years
Tradenames/Trademarks	21,223	Indefinite
Noncompete agreement	1,927	3 years
Customer relationships	1,506	7 years
Goodwill	42,282	Indefinite
Deferred tax liabilities	(7,113)	
	$ 72,332	

This allocation was adjusted in the second quarter of fiscal 2008, based on the final valuation by the independent appraiser. It resulted in the following adjustments made only to goodwill and intangible assets:

Asset	Purchase Price Allocation February 2, 2008	Purchase Price Allocation August 2, 2008	Increase (Decrease)
		(in thousands)	
Customer relationships	$ 1,506	$ 754	$ (752)
Noncompete agreement	1,927	1,178	(745)
Tradenames	16,251	13,159	(3,092)
Trademarks	4,972	4,207	(765)
Goodwill	42,282	47,640	5,358
Goodwill and Intangible Assets	$ 66,938	$ 66,938	$

The noncompete agreement and the customer relationships intangible assets were determined by management to have finite lives. The useful life of the customer relationships was estimated to be seven years based on management's previous experience with customers' buying habits. The useful life of three years for noncompete agreements was based on the expiration term of the noncompete contract that was executed with the prior owners and management. None of the amortizable assets are expected to have a residual value at the end of their respective useful lives. It was determined that the tradenames/trademarks intangible asset had an indeterminate life as the Company believes it will derive

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 3. Business Acquisitions (Continued)

value from the utility of the Overton's brand for the foreseeable future. The Company will continue to use the Overton's long-standing brand awareness and reputation in growing and expanding its Direct business. The intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives.

Acquisition of Retail Competitor

In September 2007, the Company acquired a competitor's business consisting of a retail store that was selling similar outdoor lifestyle products and which was located within close proximity to one of the Company's retail stores. The purchase price paid in cash was $7.1 million including transaction costs. The acquisition was accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. The purchase price allocation resulted in an excess of purchase price over net tangible assets acquired of $3.7 million. An impairment charge was taken in the fourth quarter of fiscal 2008 and this goodwill was written-off. Refer to Note 4 for a further discussion.

The Company closed the competitor's store and transferred the operation and assets to the Company's location soon after the purchase. Results of the acquired business have been included in the Company's operations from the date of the acquisition.

Note 4. Goodwill and Intangible Assets

The Company accounts for goodwill according to the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets.* As of January 31, 2009 and February 2, 2008, the reported goodwill and intangible assets are as follows:

	Gross cost by reporting segment			Less: Accumulated amortization			
	Retail	**Direct**	**Total**	**Retail**	**Direct**	**Total**	**Net Amount**
As of January 31, 2009:							
Goodwill(1)(2)	$	$47,114	$47,114	$	$	$	$47,114
Tradenames/Trademarks(1)		17,366	17,366				17,366
Noncompete agreement	400	1,178	1,578		(458)	(458)	1,120
Customer relationships		754	754		(110)	(110)	644
Goodwill and intangible assets	$400	$66,412	$66,812	$	$(568)	$(568)	$66,244

Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 4. Goodwill and Intangible Assets (Continued)

	Gross cost by reporting segment			Less: Accumulated amortization			Net
	Retail	Direct	Total	Retail	Direct	Total	Amount
As of February 2, 2008:							
Goodwill(1)(2)	$8,064	$42,282	$50,346	$(1,543)	$	$(1,543)	$48,803
Tradenames/Trademarks(1)		21,223	21,223				21,223
Noncompete agreements	1,046	1,927	2,973	(484)	(100)	(584)	2,389
Customer relationships		1,506	1,506		(20)	(20)	1,486
Goodwill and intangible assets	$9,110	$66,938	$76,048	$(2,027)	$ (120)	$(2,147)	$73,901

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(1) These assets have indefinite lives and are not amortized for financial reporting purposes.

(2) Goodwill amounts prior to the Overton's acquisition will continue to be amortized for tax purposes. The Company's Retail segment also continues to amortize goodwill for tax purposes. The Company's amortizable goodwill for tax purposes is approximately $14.9 million as of January 31, 2009.

As of January 31, 2009, the Company expects amortization expense for intangible assets in future periods to be as shown below (in thousands):

Fiscal Year	Amortization Amount
2009	$ 888
2010	421
2011	94
2012	94
2013	94
thereafter	173
	$ 1,764

In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, goodwill is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired.

The Company's goodwill impairment testing followed the two step process defined in SFAS No. 142. The first step in this process compares the fair value of the reporting unit to its carrying value. If the carrying value of the reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the impairment. In the second step, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit to determine an implied goodwill value. This allocation is similar to a purchase price allocation performed in purchase accounting. If the carrying amount of the reporting unit goodwill exceeds the implied goodwill value, an impairment loss should be recognized in an amount equal to that excess. For the year ended January 31, 2009, the Company recorded a non-cash impairment charge for its goodwill in its Retail reporting unit of $6.5 million. The fair value of the Direct reporting unit exceeded its carrying value by approximately

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 4. Goodwill and Intangible Assets (Continued)

6% and did not require step two to be performed. There was no goodwill impairment charge in fiscal 2007 or fiscal 2006.

The fair value of the Retail and Direct reporting units determined under step 1 of the goodwill impairment test was based on a discounted cash flow analysis using forward-looking projections of estimated future operating results and was supported by a methodology under the market approach using revenue and earnings before interest, taxes, depreciation and amortization multiples. The discount rates used represented our best estimate of a weighted-average cost of capital and were determined with the assistance of an independent valuation expert.

Management's determination of the fair value of each reporting unit incorporates multiple assumptions, including expected future cash flows, the level of the Company's share price, future business growth, earnings projections and the weighted average cost of capital used for purposes of discounting. The Company has reconciled the Company's fair value to its market capitalization as of the date of the impairment testing. Assumptions in estimating future cash flows are subject to a high degree of judgment and complexity. Decreases in business growth, decreases in earnings projections and increases in the weighted average cost of capital will all cause the fair value of the reporting unit to decrease. The Company makes every effort to forecast these future cash flows as accurately as possible with the information available at the time the forecast is developed. However, changes in the assumptions and estimates may affect the carrying value of goodwill, and could result in additional impairment charges in future periods. Factors that have the potential to create variances between forecasted cash flows and actual results include but are not limited to (i) future sales volumes and expense forecasts, (ii) working capital and capital expenditures needs and (iii) risk-adjusted discount rates.

The activity in the Company's goodwill and intangible asset accounts for fiscal 2007 and fiscal 2008 was as follows:

	Retail segment			**Direct segment**			
	Goodwill	**Intangibles**	**Total**	**Goodwill**	**Intangibles**	**Total**	**Consolidated**
Balances, February 3, 2007	$ 2,837		$ 2,837	$	$	$	$ 2,837
Purchase of competitor	3,389	250	3,639				3,639
Purchase of Overtons				42,282	24,656	66,938	66,938
Acquisition of dealerships	295	312	607				607
Amortization					(120)	(120)	(120)
Balances, February 2, 2008	$ 6,521	$ 562	$ 7,083	$42,282	$ 24,536	$66,818	$ 73,901
Final purchase price allocation Overton's				5,358	(5,358)		
Deferred taxes related to Overton's				(1,543)		(1,543)	(1,543)
Amortization		(162)	(162)		(448)	(448)	(610)
Additional costs	(7)		(7)	1,017		1,017	1,010
Impairment charge	(6,514)		(6,514)				(6,514)
Balances, January 31, 2009	$	$ 400	$ 400	$47,114	$ 18,730	$65,844	$ 66,244

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 5. Credit Facility

The Company has maintained a revolving credit facility with Bank of America, N.A. since 2001. On August 15, 2007, the Company agreed with Bank of America, N.A., as agent, and the lenders named therein, to increase its revolving credit facility to $345 million from $275 million, with an option to increase the revolving facility by another $55 million subject to certain terms and conditions. The amended facility also extended the maturity date for the revolving and term loan, by three years, to June 30, 2012. The actual availability under the credit facility is limited to specific advance rates on eligible inventory and accounts receivable. Typically, availability will be highest in the latter half of the fiscal year as inventory levels and advance rates increase. Interest on the outstanding indebtedness under the revolving portion of the credit facility currently accrues at the lender's prime commercial lending rate, or, if the Company elects, at the one, two, three or six month LIBOR plus 1.25% to 1.75%, depending on the Company's EBITDA, as defined in the credit agreement. The Company's obligations under the credit facility are secured by interests in substantially all of its assets.

Term Loan A. In addition to the revolving credit facility, the Company's credit facility includes a $20 million term loan. The amount of the term loan is not deducted in determining availability under the revolving credit facility, except to the extent that the balance of the term loan exceeds approximately 4% to 5% of the eligible borrowing base. The term loan matures on June 30, 2012 and bears interest at either (a) 1.25% over the higher of (i) Bank of America's prime rate or (ii) the federal funds rate plus 0.5%, or (b) LIBOR plus 2.75%. This additional financing was obtained to maintain the liquidity levels necessary to fund continued growth and seasonal cash flow needs.

The table below summarizes pertinent information regarding the Company's credit facility with Bank of America, N.A. for the three years ended January 31, 2009:

	January 31, 2009	February 2, 2008	February 3, 2007
		(in 000's)	
Maximum credit facility available	$ 345,000	$ 345,000	$ 275,000
Revolver and Term Loan A balance	$ 204,514	$ 246,013	$ 168,485
Term loan B balance (in long-term)	$ 37,500	$ 40,000	$
Outstanding letters of credit	$ 9,735	$ 7,271	$ 9,619
Borrowing availability	$ 23,318	$ 22,313	$ 51,299
Interest rate at year end on credit facility	3.0%	6.3%	7.3%
Agreement maturity	June 2012	June 2012	June 2009

Credit Facility Amendment and Long Term Note Payable in Connection with Overton's Acquisition

On December 6, 2007, the Company entered into a Fourth Amended and Restated Loan and Security Agreement with Bank of America, N.A., as agent ("Bank of America"), Bank of America Securities, LLC, as the lead arranger, Wells Fargo Foothill, Inc., as the syndication agent, the CIT Group/Business Credit, Inc., as collateral agent, General Electric Capital Corporation, as documentation agent, and the lenders named therein. The amendment and restatement was effected in order to add an additional $40.0 million term loan ("Term Loan B") to the Company's secured credit facility to finance the acquisition of Overton's and to make certain other amendments, including reducing permitted capital expenditures and replacing former covenants relating to minimum operating cash flow and EBITDA with a minimum excess availability reserve covenant.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 5. Credit Facility (Continued)

Term Loan B has a four year maturity. As of January 31, 2009, the required principal payments remaining under Term Loan B are reflected in the table in Note 6 below. Interest on Term Loan B will be on a tiered schedule ranging from LIBOR plus 3.375% to LIBOR plus 3.875%, based on the principal amount outstanding. Term Loan B may be prepaid at any time without penalty, provided that any such prepayments are subject to specified minimum availability tests. The Company will not have the ability to exercise the $55.0 million accordion feature under its revolving credit facility while Term Loan B is outstanding. All of the proceeds of Term Loan B were used by the Company to finance the acquisition of Overton's. The amendment and restatement does not change the interest rates applicable to revolving advances or the Company's previously outstanding term loan.

David C. Pratt, the Company's chairman and interim chief executive officer, and Holiday Stationstores, Inc., an affiliate of Ronald A. Erickson, the Company's vice chairman, and Gerald A. Erickson, a director of the Company, provided guaranties of the Term Loan B to Bank of America in connection with the financing. Mr. Pratt is guaranteeing up to $40.0 million while Holiday is separately guaranteeing up to $9.9 million of the Term Loan B. Neither Mr. Pratt nor Holiday received any consideration in exchange for their guaranties.

Covenants

Effective with the December 6, 2007 amendment, financial covenants under the credit facility require that availability under the line of credit not fall below 5% of the lower of the borrowing base, as defined, or the credit facility limit. This availability test is applied and measured on a daily basis. The 5% requirement increases to 7.5% in August 2009. The covenants also limit the Company's annual capital expenditures. The credit facility also contains other covenants that, among other matters, restrict the Company's ability to incur substantial other indebtedness, create certain liens, engage in certain mergers and acquisitions, sell assets, enter into certain capital leases or make junior payments, including cash dividends. The Company was in compliance with all covenants as of January 31, 2009 and February 2, 2008.

Note 6. Long Term Debt

The Company's long term debt consists of the following, as of:

	January 31 2009	February 2, 2008
	(in 000's)	
Term loan B	$ 37,500	$ 40,000
Equipment financing notes	13,492	16,659
Capitalized lease obligations	13,390	14,213
Term notes related parties	10,000	
Obligation from acquisition	1,649	1,548
Total debt obligations	76,030	72,420
Less: amounts due within one year	(25,628)	(8,247)
Long term debt	$ 50,402	$ 64,173

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 6. Long Term Debt (Continued)

Term Loan B The Company secured a $40 million term loan with a final maturity date of September 30, 2011, in connection with the acquisition of Overton's. Refer to *Credit Facility Amendment and Long Term Note Payable in Connection with Overton's Acquisition* in Note 5 for a more detailed discussion. As of January 31, 2009, the required principal payments remaining under Term Loan B are reflected below.

Due Date	Principal Due (in 000's)
July 31, 2009	$ 2,500
December 31, 2009	5,000
July 31, 2010	5,000
December 31, 2010	6,250
March 31, 2011	6,250
June 30, 2011	6,250
September 30, 2011	6,250
	$ 37,500

Equipment financing notes. During fiscal 2007, the Company entered into agreements with two banks that allowed it to finance capital expenditures of certain new stores under long-term, secured financing arrangements. In June 2007, in exchange for $7.3 million, the Company issued a promissory note carrying a fixed interest rate of 8.7% and a five year repayment term. In September 2007, in exchange for $5.5 million, the Company issued a promissory note carrying a fixed interest rate of 8.0% and a four year repayment term. Monthly payments of principal and interest are made under these notes, which are secured by certain property and equipment of 18 new stores opened in fiscal 2007, 2006 and 2005.

In July 2006, the Company completed the purchase of an aircraft and financed $5.3 million of the $5.7 million purchase price with a term note. The term note matures in seven years and has a 7.26% fixed annual interest rate. The note is collateralized by the aircraft.

Capitalized lease obligations. The Company leases certain technology equipment and leasehold improvements under leases that have been accounted for as capital leases. The leases vary from one to 15 years in term and require monthly payments of principal and interest. The Company also entered into a lease agreement in fiscal 2004 for a retail store that requires a maximum $150,000 quarterly payment obligation for 20 years from lease inception. The agreement also provides a bargain purchase option at the end of the lease term, as defined. The required payment obligation is reduced by allowable sales tax credits that the Company earns under a related site development agreement.

Short Term Notes Payable Related Parties. In June 2008, Bank of America, N.A. adjusted the Company's advance rates downward, on average approximately 160 basis points, in response to general retail environment conditions. In order to maintain appropriate levels of availability under its secured credit facility, on June 9, 2008, the Company entered into a $10 million term loan with its two major shareholders. Amounts advanced under the agreement had an original maturity date of December 31, 2008, bear interest at LIBOR plus 1% and may be prepaid and re-borrowed without penalty until the maturity date. The maturity date was extended to March 31, 2009 and thereafter extended to June 30, 2009. There were no material transaction costs associated with the extension.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 6. Long Term Debt (Continued)

The loans are unsecured and the loan agreement contains no restrictive covenants. Proceeds from the loans were used to reduce outstanding borrowings under the credit facility. The lenders under the agreement are Gratco LLC, an affiliate of David Pratt, the Company's chairman and interim chief executive officer, and Holiday Companies, an affiliate of Ronald A. Erickson, the Company's vice chairman, and Gerald A. Erickson, a director of the Company.

Acquisition obligation In connection with the acquisition of Overton's, the Company incurred an obligation consisting of a $900,000 payment due June 2009 and a $900,000 payment due June 2010. The outstanding balance at January 31, 2009 represents the present value of that obligation using a 10% discount factor.

Note 7. Equity Financing

Unregistered Sale of Equity Securities Issued in Connection with the Acquisition of Overton's

On December 6, 2007, the Company entered into Stock Purchase Agreements (the "Stock Purchase Agreements") with Gratco, LLC ("Gratco"), an entity controlled by David C. Pratt, the Company's chairman and its current interim chief executive officer, and with Holiday Stationstores, Inc, ("Holiday") an entity controlled by Ronald Erickson and Gerald Erickson, members of the Company's board of directors. Pursuant to the agreements, the Company 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 for a purchase price of $18.1 million and Holiday purchased 1,002,797 shares for a purchase price of $5.9 million. The net proceeds were used to partially fund the purchase price of the Company's acquisition of Overton's.

Unregistered Sale of Equity Securities and Conversion of Convertible Subordinated Note

On December 8, 2006, the Company agreed with the holder of its $20.0 million floating rate convertible subordinated note due August 15, 2010 to amend and restate the note in order to (i) eliminate the right to convert the note into shares of the Company's common stock and to (ii) eliminate the floating rate feature of the note and fix the interest rate at 6.75% per year, a reduction of 25 basis points. The holder of the note was a trust, the annual income beneficiary of which is the Company's chairman and its current interim chief executive officer, David C. Pratt. Following the amendment of the note, the trust assigned the note to a newly formed limited liability company managed by Mr. Pratt and comprised of certain Pratt family trusts, the current beneficiaries of which are Mr. Pratt or members of his immediate family.

On December 11, 2006, the Company entered into a stock purchase agreement pursuant to which it sold 5,701,255 shares of its common stock to the limited liability company for an aggregate purchase price of $50.0 million, or $8.77 per share. The per share price of the stock purchase was equal to the closing bid price per share of the Company's common stock on the Nasdaq Global Market on December 11, 2006. The purchase price for the shares was paid by surrendering the note for cancellation of the $20 million in principal due thereunder and by delivering $30 million in cash for the balance of the purchase price. The net proceeds from the stock purchase, after deducting the expenses incurred to complete the deal, were approximately $29.5 million, and were used to reduce outstanding borrowings under the Company's credit facility.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 7. Equity Financing (Continued)

The modifications to the note and subsequent tendering and cancellation of the note in a short time period was deemed to be an in-substance conversion and, in effect, represented a modification to the conversion price. Accordingly, the Company recorded a non-cash debt conversion charge in fiscal 2006 in the amount of $9.0 million. This charge was required because the note was tendered as consideration for equity shares and the Company issued additional shares beyond the number of shares issuable in the original note agreement. U.S. generally accepted accounting principles require that the resulting incremental 1.03 million shares issued, valued at the $8.77 fair value, be reflected as a debt conversion charge in the Company's statement of operations.

Note 8. Shareholders' Equity

Upon completion of the Company's initial public offering in April 2004 and the filing of its Amended and Restated Articles of Incorporation in connection therewith, the authorized capital stock of the Company consisted of 100,000,000 shares of common stock, par value $.01 per share, and 5,000,000 shares of preferred stock, par value $.01 per share.

Common Stock Holders of the Company's common stock are entitled to one vote per share in the election of directors and on all other matters on which shareholders are entitled or permitted to vote. Holders of common stock are not entitled to cumulative voting rights. Therefore, holders of a majority of the shares voting for the election of directors can elect all the directors. Subject to the terms of any outstanding series of preferred stock, the holders of common stock are entitled to dividends in amounts and at times as may be declared by the board of directors out of funds legally available. Upon the Company's liquidation or dissolution, holders of common stock are entitled to share ratably in all net assets available for distribution to shareholders after payment of any liquidation preferences to holders of preferred stock. Holders of common stock have no redemption, conversion or preemptive rights.

In November and December 2007, the Company accepted the tender of outstanding shares of common stock in exchange for the cancellation of the outstanding notes receivable from three shareholders and former officers of the Company that became due and payable. Accordingly, and in accordance with the original purchase agreement, the Company has cancelled and removed $4,100,000 of notes receivable and decreased its common stock and additional paid-in-capital accounts. The Company cancelled 428,928 shares of outstanding common stock in connection with this event.

Preferred Stock The Company's 5,000,000 authorized shares of preferred stock can be issued in one or more series and with the designation and preferences for each series as are stated in the corporate resolutions providing for these preferences and designations, adopted by the Company's board of directors. The Company's articles of incorporation authorize its board of directors to determine the voting, dividend, redemption and liquidation preferences and limitations pertaining to the series. The board of directors, without shareholder approval, may issue preferred stock with voting rights and other rights that could adversely affect the voting power of the holders of the Company's common stock and could have certain anti-takeover effects. The Company has no present plans to issue any shares of preferred stock.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 9. Stock-Based Compensation

Plans The Company provides to its employees, including executive management and members of the Company's board of directors, stock-based compensation awards as a long-term incentive. The Company has issued options to purchase shares of common stock at various times and under different stock option plan and non-plan programs.

In February 2004, the Company adopted the 2004 Omnibus Stock Plan, which, as amended, authorizes the granting of stock-based awards up to 4,000,000 shares of common stock. This plan was originally approved by shareholders in March 2004 and an amendment and restatement of this plan, including an increase in the number of available shares, was approved by shareholders in June 2005. Under this plan, awards may be made to employees, directors, and consultants. The types of awards that may be granted under the plan include restricted and unrestricted stock, incentive and nonstatutory stock options, stock appreciation rights and other stock awards. Under this plan, as of January 31, 2009, there were 2,117,632 options to purchase common stock outstanding, with a weighted average exercise price of $8.59 and a weighted average remaining life of 6.4 years. The options granted under this plan, for which the vesting was not accelerated, typically vest in three or four equal annual increments from the date of grant.

In February 2002, the Company implemented the 2002 Stock Option Plan, a compensatory nonqualified stock option plan for certain store and office management personnel. As of January 31, 2009, there were 119,215 options outstanding under this plan to purchase the Company's common stock with the ability to exercise being contingent upon the attainment of a $32.06 per share price for its common stock as of the end of a fiscal year based upon the higher of the closing price on the last day of the fiscal year or a five-day trailing average stock price taken at that time. The options have a 10-year life and vest in equal annual increments over three years beginning June 30, 2004, subject to the Company meeting the targeted stock price of $32.06 per share at a fiscal year end. The exercise price is $4.47 per share. The Company is no longer authorized to grant any awards under the 2002 Stock Option Plan.

Certain approved awards were granted in fiscal 1998 and fiscal 2002 and were not under a specific option plan program. As of February 2, 2008, the Company had outstanding 620,916 options to purchase common stock from these non-plan awards. These awards were forfeited and cancelled in fiscal 2008.

As of January 31, 2009 and February 2, 2008, there were a total of 2,236,847 and 3,507,113 options to purchase common stock outstanding, respectively, under all of the Company's stock option plans and non-plan stock options, with a weighted average exercise price of $10.06 and $10.14, respectively, and a weighted average remaining life of 6.6 and 7.0 years, respectively.

Stock-Based Compensation Expense Under SFAS 123R, the amount of compensation expense for stock-based awards to be recognized during a period is based on the portion of the awards that are ultimately expected to vest. The Company estimates option forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ significantly from those estimates. Cost is recognized using a straight-line amortization method over the requisite service period, which typically is the vesting period.

For purposes of determining the estimated fair value of stock-based payment awards on the date of grant under SFAS 123R, the Company uses the Black-Scholes Model. The Black-Scholes Model requires the input of certain assumptions that involve judgement. Because the Company's employee

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 9. Stock-Based Compensation (Continued)

stock options have characteristics significantly different from those of publicly traded options, and because changes in the input assumptions can affect the fair value estimate materially, the existing models may not provide a reliable single measure of the fair value of the Company's employee stock options. The Company will continue to assess the assumptions and methodologies used to calculate estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time. These changes could result in modifications to these assumptions and methodologies and thereby materially impact the Company's fair value determination. The fair value of each option grant under the Black-Scholes option-pricing model for the three years ending January 31, 2009 was based on the following assumptions:

	January 31, 2009	February 2, 2008	February 3, 2007
Average risk-free interest rate	3.07%	4.06%	4.69%
Expected dividend yield	0.0%	0.0%	0.0%
Expected stock price volatility	60%	50 - 60%	50%
Expected life of stock options (years)	6	5 - 6	5

A summary of the activity of the Company's stock option plans for each of the three fiscal years in the period ended January 31, 2009 is presented below:

	Fiscal 2008		Fiscal 2007		Fiscal 2006	
	Number of Shares Under Option	Weighted-Average Exercise Price	Number of Shares Under Option	Weighted-Average Exercise Price	Number of Shares Under Option	Weighted-Average Exercise Price
Outstanding beginning of year	3,507,113	$ 10.14	3,945,475	$ 10.16	3,680,804	$ 10.84
Granted	112,000	4.64	565,500	11.35	705,709	6.89
Exercised	(2,877)	5.59	(323,543)	9.07	(3,637)	6.67
Forfeited	(1,379,389)	6.43	(680,319)	7.83	(437,401)	10.72
Outstanding end of year	2,236,847	$ 10.06	3,507,113	$ 10.14	3,945,475	$ 10.16
Weighted-average fair value of options granted during the year		$ 2.68		$ 5.60		$ 3.38
Aggregate intrinsic value of options exercised		$ 2,250		$ 1,237,108		$ 9,975

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 9. Stock-Based Compensation (Continued)

The following tables summarize information about stock options outstanding, including those issued to management and other executives, as of January 31, 2009:

		All Options Outstanding		
Range of Exercise Prices	**Number Outstanding**	**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value**	**Weighted-Average Remaining Contractual Life**
$ 3.00 - 7.99	857,784	$ 5.61	$	6.8 Years
8.00 - 11.99	840,687	10.40		6.9 Years
12.00 - 15.99	126,226	12.71		7.8 Years
16.00 - 19.99	295,000	16.00		5.2 Years
20.00 - 23.99	77,150	21.45		5.5 Years
24.00 - 24.40	40,000	24.40		5.2 Years
$ 3.00 - 24.40	2,236,847	$ 10.06	$	6.6 Years

		Currently Exercisable		
Range of Exercise Prices	**Number Outstanding**	**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value**	**Weighted-Average Remaining Contractual Life**
$ 3.00 - 7.99	586,984	$ 5.98	$	7 Years
8.00 - 11.99	662,879	10.39		6.6 Years
12.00 - 15.99	58,168	12.75		7.2 Years
16.00 - 19.99	295,000	16.00		5.2 Years
20.00 - 23.99	77,150	21.45		5.5 Years
24.00 - 24.40	40,000	24.40		5.2 Years
$ 3.00 - 24.40	1,720,181	$ 10.75	$	6.4 Years

As of January 31, 2009, there was approximately $1.2 million of total unrecognized stock-based compensation expense related to unvested option awards. Unrecognized stock-based compensation is expected to be recognized over a weighted-average period of 2.2 years.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 10. Selected Balance Sheet Information (in thousands)

	January 31, 2009	February 2, 2008
Property and equipment consists of:		
Building	$ 6,972	$ 6,972
Furniture and equipment	153,612	141,827
Leasehold improvements	66,329	66,102
Computer software and hardware	60,959	52,179
	287,872	267,080
Less: Accumulated depreciation and amortization	(125,692)	(98,395)
Property and equipment, net	$ 162,180	$ 168,685

	January 31, 2009	February 2, 2008
Other assets consists of:		
Deferred loan costs	$ 6,790	$ 6,666
Other	167	1,295
	6,957	7,961
Less: Accumulated amortization	(5,021)	(4,385)
Other assets, net	$ 1,936	$ 3,576

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 10. Selected Balance Sheet Information (in thousands) (Continued)

Depreciation and amortization expense for property and equipment, including property under capital leases, totaled $30,725,000, $26,788,000 and $21,975,000, for fiscal 2008, 2007 and 2006, respectively. As of January 31, 2009 and February 2, 2008, the cost of assets recorded under capital leases was $21,500,000 and $17,419,000, respectively, with related accumulated depreciation of $3,741,000 and $2,400,000, respectively.

	January 31, 2009	February 2, 2008
Accrued and other current liabilities consist of:		
Gift cards and gift certificate liabilities	$ 24,853	$ 29,223
Payroll and related fringe benefits	7,196	8,393
Sales, property and use taxes	9,138	5,219
Reserve for store exit costs	210	3,612
Lease related costs	1,874	1,593
Insurance reserves and liabilities	2,335	1,979
Advertising and marketing	133	1,745
Interest	742	938
Other accruals and current liabilities	8,975	7,904
Accrued and other current liabilities	$ 55,456	$ 60,606

	January 31, 2009	February 2, 2008
Other long-term liabilities consist of:		
Deferred rent	$ 25,753	$ 25,898
Insurance reserves and other liabilities	1,645	1,499
Other long-term liabilities	$ 27,398	$ 27,397

Note 11. Exit Costs, Impairment and Other Charges

The Company presented this caption in the consolidated statement of operations to aggregate various charges related to exiting certain stores, impaired assets or other charges for assets no longer used, as well as severance charges. The Company believes it is more meaningful to present these expenses on a separate line in the consolidated statement of operations when such expenses are material. Accordingly, the Company has reclassified these expenses in fiscal 2006 from selling, general

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 11. Exit Costs, Impairment and Other Charges (Continued)

and administrative expenses. Exit costs, impairment and other charges for each of fiscal 2008, fiscal 2007 and fiscal 2006 are detailed in the table below.

	Fiscal 2008	Fiscal 2007	Fiscal 2006
		in 000's	
Expense Summary			
Exit costs and asset impairment charges	(242)	$2,882	$458
Powersports related costs	952	696	
Severance costs	158	1,636	
Web site development costs	39	1,279	
Exit costs, impairment and other charges	$ 907	$6,493	$458

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 the Company's powersports products and reductions in the workforce at its headquarters location in St. Paul. In addition, the Company recorded severance costs earlier in fiscal 2007 relative to two executive terminations. Also, as a result of the Overton's acquisition in December 2007, the Company wrote-off certain assets, whose use was discontinued, related to capitalized web site development costs that began earlier in fiscal 2007. The Company continued to incur similar type costs associated with these same activities in fiscal 2008, primarily because costs subsequent to the closing of a store will continue as sub-lease income is not sufficient to offset the closed-stores' costs in total and because the Company incurred exit costs associated with three stores closed and replaced by two new large-format stores in the first quarter of fiscal 2008.

Exit costs and asset impairment charges. Two unprofitable stores were closed in the fourth quarter of 2007. Additionally, during the first quarter of fiscal 2008, the Company closed three stores that were replaced by two new large-format stores. At the cease-use date the Company estimated the lease termination costs for the closed stores including future minimum lease payments, taxes, insurance and maintenance costs from the date of closure to the end of the remaining lease term. The calculation also includes a reduction for one of the stores for estimated sub-lease income. The liability for lease termination costs is discounted using a risk-adjusted risk-free rate. Asset impairment charges include the write-off of remaining net book value of fixed assets to their salvage value of zero. Other costs included in this category include accretion expense on liabilities for lease termination charges and other on-going residual costs of closed stores.

During the third quarter of fiscal 2008, in an effort to improve gross margins in clearance activities, the Company re-opened one previously closed store and later re-opened two additional stores as retail outlet centers. The Company previously recorded charges and liabilities for the estimated present value of cash flows for the remaining lease terms for these three stores. The utilization of these assets and leases under an alternative use such as outlet centers was not considered or contemplated at the time we recorded the original charges. The Company believes the outlet center strategy will help achieve margin improvement and accordingly, the Company has reversed the lease termination liabilities of these three stores based on the expected cash flows of the stores as outlet centers. The

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 11. Exit Costs, Impairment and Other Charges (Continued)

reversal resulted in a credit to exit costs, impairment and other charges of $1.8 million in the third quarter of fiscal 2008.

Powersports related costs. In fiscal 2007, the Company began reducing the number of stores which carry and sell power boats and ATVs. This was based on evaluations of all stores' market potential with an intention to remain focused on those markets that would maximize profitability in this product line. Accordingly, it was necessary to record an impairment charge for the remaining net book value of certain equipment no longer used by those affected stores. This charge was $696,000 for fiscal 2007.

In fiscal 2008, the Company decided it would continue this reduction in all stores which carry and sell these products. The Company expects to sell-through all remaining inventories of power boats and ATVs throughout fiscal 2009. Beginning in the fourth quarter of fiscal 2008, the Company has adjusted the estimated life of fixed assets and certain intangible assets associated with the powersports product lines, resulting in $475,000 in accelerated depreciation and amortization charges in the fourth quarter of fiscal 2008. The Company expects to record accelerated depreciation and amortization charges throughout fiscal 2009.

Severance Severance charges in fiscal 2007 amounted to $1,636,000 and included reductions in workforce in the general and administrative support areas and the termination of two executive officers. Severance was recorded in accordance with SFAS No. 146. The Company also incurrenced severance charges in fiscal 2008 related to an executive termination.

Web site development costs Beginning in the second quarter of fiscal 2007, the Company incurred and capitalized costs in connection with the preparation to launch a direct channel product offering through an e-commerce web site. This development continued into the fourth quarter of fiscal 2007. As the opportunity to acquire a company that would accelerate the direct channel strategy and provide significant e-commerce fulfillment capacity materialized and was consummated, it rendered the assets resulting from the development efforts useless and the net book value was written off to zero. Accordingly, the Company incurred a charge of $1,279,000 in fiscal 2007, of which $894,000 was in the fourth quarter. The Company also incurred a small charge in fiscal 2008.

The activity in the Company's reserve for exit costs and other charges for fiscal 2008 is shown below:

	FY 2008 in 000's
Reserve for exit costs and other charges	
Balance February 2, 2008	$ 3,612
Credits for three relocated stores, net	(1,206)
Accretion	209
Other expenses	759
Payments/reductions	(3,164)
Balance January 31, 2009	$ 210

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 12. Self-Insurance Reserves

The Company is self-insured for a portion of its workers' compensation, health, general liability, auto, and property insurance. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering the frequency and severity of claims, claim development history and settlement practices. The estimated accruals for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. As of January 31, 2009 and February 2, 2008, these reserves were $3,271,000 and $3,029,000, respectively, and, were included in accrued liabilities and other long term liabilities in the balance sheet. The Company's liability for workers' compensation is discounted at a rate of 7% for the three years ending January 31, 2009, as payments are projected to be made over an extended period of time.

Note 13. Income Taxes

Under SFAS No. 109, "Accounting for Income Taxes," income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes.

The Company's tax provision in fiscal 2008 and fiscal 2007 primarily represents minimum or net worth taxes due in various states. Some states have adopted an adjusted gross receipts tax. The Company has no provision for Federal income tax for the three fiscal years ending January 31, 2009 due to accumulated operating losses. The Company determined that realization of the tax benefit related to the net deferred tax assets was uncertain. Accordingly, a valuation allowance was recorded for the entire balance of the net current and non-current deferred tax assets as of January 31, 2009 and February 2, 2008. The Company's effective tax rate for the three years ending January 31, 2009 differs from statutory rates as follows:

	January 31, 2009	February 2, 2008	February 3, 2007
Federal statutory tax rate	34.0%	34.0%	34.0%
State and local income taxes, net of federal benefit	(1.5)%	(1.3)%	6.0%
Other, net	(2.1)%	(0.9)%	0.0%
Valuation allowance	(35.0)%	(34.2)%	(40.0)%
Effective income tax rate	(4.6)%	(2.4)%	0.0%

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 13. Income Taxes (Continued)

Components of deferred tax assets are as follows: (*in 000's*)

	January 31, 2009	February 2, 2008
Net current deferred tax assets (liabilities):		
Compensation-related	$ 1,345	$ 1,260
Inventory valuation	1,955	3,293
Insurance	1,239	1,072
Gift cards	2,508	1,985
Deferred revenue	145	296
Sales returns	253	297
Prepaid Expenses	(1,240)	(1,152)
Other	651	(40)
Total current deferred tax assets	6,856	7,011
Valuation allowance	(6,856)	(7,011)
Net current deferred tax assets	$	$
Net noncurrent deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 37,570	$ 34,561
Tax credit carryforwards	68	134
Fixed assets	(21,545)	(19,947)
Rent expense	4,655	4,568
Intangible assets	(1,805)	(5,995)
Other	9	10
Total noncurrent deferred tax assets	18,952	13,331
Valuation allowance	(24,906)	(20,444)
Net noncurrent deferred tax assets (liabilities)	$ (5,954)	$ (7,113)

The Company has federal net operating loss carry-forwards of approximately $100.1 million expiring between 2021 and 2029.

The Company determined that a "change in ownership," within the meaning of Section 382 of the Internal Revenue Code, occurred effective February 8, 2005. This change in ownership imposes a limitation on the amount of the Company's net operating losses that it may deduct for tax purposes in any given year. The amount of its net operating loss carry-forwards subject to the Section 382 limitation was $4.4 million at January 31, 2009. Unrestricted net operating losses carry-forwards were $95.7 million. The Company does not expect this limitation to materially impact its future tax provision for financial reporting purposes.

Note 14. Commitments and Contingencies

Operating Leases The Company leases retail, distribution center and corporate office properties under operating leases that have initial or remaining noncancellable terms exceeding one year. Most of the leases contain escalation clauses and require payment of real estate taxes, utilities and common

Explanation of Responses:

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 14. Commitments and Contingencies (Continued)

area maintenance costs. Most of the retail store property leases typically include one or more renewal options of typically 5 year periods each. Lease expense under these agreements was $75,631,000, $62,874,000 and $54,003,000 in fiscal 2008, 2007 and 2006, respectively. The Company recognizes rent expense on a straight-line basis beginning on the earlier of the commencement date of the lease or the date when it takes possession of the building for construction of leaseholds or the initial setup of fixtures and merchandise, and recognizes the excess of this expense over the cash payments as deferred rent in the "Long term liabilities" caption in the accompanying balance sheets.

Capital Leases The Company leases certain technology equipment and leasehold improvements under leases that have been accounted for as capital leases. The leases vary from one to 15 years in term and require monthly payments of principal and interest. The Company also entered into a lease agreement in fiscal 2004 for a retail store that requires a maximum $150,000 quarterly payment obligation for 20 years from lease inception. The agreement also provides a bargain purchase option at the end of the lease term, as defined. The required payment obligation is reduced by allowable sales tax credits that the Company earns under a related site development agreement. The Company can not estimate the amount of these future credits and accordingly, has not reduced the obligations disclosed in the table below.

Aggregate minimum lease and debt obligations as of January 31, 2009, under the Company's operating leases, capital leases and term notes, are as follows (in thousands):

	Total	Operating Leases	Capital Leases	Term Loan B	Short-Term Note	Equipment Notes	Acquisition Payments
Fiscal 2009	$104,699	$ 74,730	$ 4,349	$ 9,833	$ 10,425	$ 4,462	$ 900
Fiscal 2010	94,406	74,431	1,616	13,037		4,422	900
Fiscal 2011	95,674	72,891	866	19,350		2,567	
Fiscal 2012	72,650	71,203	866			581	
Fiscal 2013	74,734	70,058	866			3,810	
Thereafter	413,666	406,685	6,981				
	855,829	769,998	15,544	42,220	10,425	15,842	1,800
Less: Interest(1)	(9,801)		(2,156)	(4,720)	(425)	(2,349)	(151)
Outstanding principal obligations	$846,028	$769,998	$13,388	$37,500	$ 10,000	$ 13,493	$ 1,649

(1) The interest obligation component on the variable-rate Term Loan B was calculated using 6.40%, the rate in effect at January 31, 2009.

Purchase commitments In the ordinary course of business, the Company utilizes standby and documentary letters of credit in connection with the importing of merchandise, as well as for insurance purposes. The Company also contracts for the purchase of various other goods and services, related primarily to marketing, advertising and information technology. These commitments are not recorded in the Company's financial statements in accordance with U.S. generally accepted accounting principles, as the goods or services under these commitments have not been received or consumed. As of January 31, 2009 and February 2, 2008, these outstanding commitments totaled $15.2 million and $11.7 million, respectively.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 14. Commitments and Contingencies (Continued)

The Company typically enters into arrangements with vendors for the purchase of merchandise. Because these purchase orders do not contain any termination payments or other penalties if cancelled, they are not included in the amount of outstanding commitments described above. In accordance with U.S. generally accepted accounting principles, these obligations are not recorded in the Company's financial statements.

Numerous states have passed legislation requiring the assessment of sales and use taxes on all goods sold within the state, including mail order sales. The Company contends that these assessments are unconstitutional and plans to vigorously contest any assessments. There are no current assessments for sales and use taxes against the Company, and the Company has made no provision in the consolidated financial statements for assessments.

Legal Proceedings Various claims, lawsuits or other proceedings 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, the Company is not a party to any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its financial condition or results of operations.

Note 15. Employee Benefit Plans

The Company has a profit sharing and 401(k) savings plan that qualifies under Section 401(k) of the Internal Revenue Code covering substantially all full time employees. Under the profit sharing portion of the plan, annual contributions are discretionary and determined by management. The plan's 401(k) feature allows employees to make pretax contributions to their 401(k) accounts, of which the Company matches 100% of the first 3% of a participant's annual salary contributed to their account and 50% of the next 2% of the participant's annual salary contributed to their account. Company contributions to the plan under both the profit sharing feature and 401(k) feature were $1,090,000, $1,373,000 and $1,054,000, in fiscal 2008, 2007, and 2006, respectively.

Overton's also offers a 401(k) retirement savings plan. All employees who meet certain age and employment service requirements are eligible to participate. Participating employees may elect to contribute 1% to 17% of their annual earnings, subject to tax law ceilings. The Company matches 100% of the first 3% of compensation that a participant contributes to the savings plan. Additional employer contributions can be made at the discretion of the board of directors. Company contributions for the 401(k) match were $125,900 and $13,000 in fiscal 2008 and fiscal 2007, respectively.

In February 2005, the Company's board of directors approved the establishment of an employee stock purchase plan (ESPP) that enables substantially all full time employees to purchase common stock of the Company by contributions through payroll deductions. Purchases of common stock are made from accumulated employee contributions at the end of designated six-month purchase periods. Pursuant to the terms of the ESPP, the Company has currently established a 15% discount from the stock price on the designated purchase date. During fiscal 2008, fiscal 2007 and fiscal 2006, there were 134,165; 58,864 and 37,609 shares of common stock, respectively, issued under the plan at an average price of $2.91, $6.06 and $7.04 per share, respectively. The ESPP was temporarily discontinued after the December 2008 stock purchase.

Refer to Note 9, *"Stock-Based Compensation,"* for information on employee stock options.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 16. Supplemental Cash Flow Information

Interest paid under all debt instruments as well as capitalized lease obligations was $17,572,000, $18,335,000 and $18,903,000 for fiscal 2008, 2007 and 2006, respectively. Income taxes paid approximated the tax provision reflected in the Company's consolidated statements of operations for all years presented.

Non-cash transactions: In December 2006, the Company issued 2,280,502 shares of common stock as consideration for the cancellation of the Company's outstanding $20 million note payable.

During fiscal 2008, fiscal 2007 and fiscal 2006, the Company purchased information technology equipment totaling $4.1 million, $3.6 million and $2.4 million, respectively, financed through capital lease transactions. Capital lease purchases are excluded from the caption "purchases of property and equipment" in the Company's statements of cash flows as they did not require the use of cash.

Note 17. Related-Party Transactions

In December 2007 and December 2006 the Company engaged in equity and debt financing transactions with entities controlled by the Company's current chairman of the board and interim chief executive officer and entities controlled by two other members of the Company's board of directors. These transactions are described in more detail in Notes 5 and 7.

Historically, but largely diminished since fiscal 2005, the Company has had significant transactions with Holiday Companies for various services. The Company believes that the terms and prices of any of these related party arrangements are no less favorable to the Company than would be the terms of comparable arrangements conducted at arms-length between unrelated parties.

There were no material amounts due to Holiday Companies at either January 31, 2009 or February 2, 2008. Other related party transactions of the Company include:

The Company continues to lease retail space in one store location from Holiday Companies at current market rates. Total occupancy charges paid to Holiday Companies were $260,000, $241,000 and $345,000 in fiscal 2008, 2007 and 2006, respectively.

Holiday Companies guarantees future lease obligations of certain stores totaling $9,573,000 and $23,415,000 as of January 31, 2009 and February 2, 2008, respectively. The Company does not pay a fee for these guarantees.

During fiscal 2008, fiscal 2007 and fiscal 2006, the Company paid or accrued to Rex Realty, Inc., a company owned by the Company's chairman of the board and interim chief executive officer, approximately $240,000, $176,000 and $160,000, respectively, for aircraft fuel and other expenses related to the Company's use of Rex Realty Inc.'s corporate aircraft.

As of January 31, 2009 and February 2, 2008, the Company subleased aircraft hangar space from the Holiday Companies at an annual rate of $35,000.

Note 18. Earnings Per Share

Basic and diluted loss applicable to common shareholders per share is based upon the weighted average number of shares outstanding. All potentially dilutive stock options and convertible securities to purchase shares of the Company's common stock have been excluded from the calculation of weighted average shares outstanding for all years presented because their inclusion would have an

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 18. Earnings Per Share (Continued)

anti-dilutive effect on loss per share. These shares of common stock subject to potential issuance as a result of these securities totaled 2,236,847; 3,507,113 and 3,945,475 as of January 31, 2009, February 2, 2008 and February 3, 2007, respectively.

Note 19. Involuntary Conversion of Property and Equipment

In June 2006, the Company incurred significant flood damage to the Company's Binghamton, New York store. The building was damaged and its contents were essentially declared a total loss. The Company was adequately insured to enable it to recover the retail value of its merchandise inventory and replace all of its property and equipment that was destroyed. For fiscal 2006, the Company recorded a gain from this involuntary conversion of assets of approximately $1,400,000. The insurance proceeds were reinvested in the store which re-opened on September 29, 2006.

Note 20. Segment Reporting

Since the acquisition of Overton's, the Company has two reportable segments: Retail and Direct. The Retail segment sells its outdoor lifestyle products and services through its 118 retail stores, including three outlet centers, 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, as well as the internet and catalog operations of Gander Mountain launched in fiscal 2008. The Company evaluated its operating and reporting segments in accordance with SFAS No. 131 and has considered the discrete financial information reviewed by the Company's 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.

For the Retail segment, operating expenses primarily consist of distribution center expenses associated with moving product from the Company's distribution center to its retail stores, occupancy costs of the retail stores, store labor, advertising, depreciation, and all other store operating expenses, as well as all expenses associated with the functional support areas such as executive, merchandising/buying, human resources, information technology, and finance/accounting.

For the Direct segment, operating expenses primarily consist of catalog expenses, e-commerce advertising expenses, and order fulfillment expenses, as well as all expenses associated with the functional support areas of the Direct segment such as merchandising/buying, information technology, and finance/accounting.

Segment assets and liabilities are those assets and liabilities directly used in the operating segment. For the Retail segment, assets primarily include inventory in the retail stores, fixtures, and leasehold improvements. For the Direct segment, assets primarily include inventory, goodwill and intangible assets, deferred catalog costs and fixed assets.

The accounting policies of the segments, where applicable, are the same as those described in the summary of significant accounting policies in the notes to consolidated financial statements.

Prior to December 6, 2007, the Company operated under one segment, Retail. Results by business segment are presented in the following table for fiscal 2008 and fiscal 2007.

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 20. Segment Reporting (Continued)

Statement of Operations data:

	13 Weeks Ended January 31, 2009			13 Weeks Ended February 2, 2008		
	Retail	Direct	Total	Retail	Direct	Total
Sales	$322,031	$12,083	$334,114	$312,064	$ 5,540	$317,604
Depreciation and amortization	7,801	287	8,088	7,659	185	7,844
Exit costs, impairment & other charges	927		927	4,285		4,285
Goodwill impairment charge	6,514		6,514			
Income (loss) from operations	19,719	(2,907)	16,812	12,455	(565)	11,890
Net income (loss)	$ 16,584	$ (3,547)	$ 13,037	$ 7,025	$(1,206)	$ 5,819

	52 Weeks Ended January 31, 2009			52 Weeks Ended February 2, 2008		
	Retail	Direct	Total	Retail	Direct	Total
Sales	$978,675	$85,894	$1,064,569	$963,863	$ 5,540	$969,403
Depreciation and amortization	30,120	1,402	31,522	27,470	185	27,655
Exit costs, impairment & other charges	907		907	6,493		6,493
Goodwill impairment charge	6,514		6,514			
Income (loss) from operations	6,090	(2,892)	3,198	(10,754)	(565)	(11,319)
Net income (loss)	$ (9,357)	$ (6,140)	$ (15,497)	$ (30,608)	$(1,206)	$ (31,814)

	As of January 31, 2009			As of February 2, 2008		
	Retail	Direct	Total	Retail	Direct	Total
Balance Sheet data:						
Total assets	$517,812	$95,308	$613,120	$587,320	$92,612	$679,932
Inventories	334,868	23,259	358,127	384,510	19,173	403,683
Goodwill & acquired intangible assets	400	65,844	66,244	7,083	66,818	73,901
Long term debt	$ 20,402	$30,000	$ 50,402	$ 26,673	$37,500	$ 64,173

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Gander Mountain Company

Notes to Consolidated Financial Statements (Continued)

Note 21. Summary of Quarterly Results (Unaudited)

The following tables present selected quarterly consolidated financial data for the periods ended as indicated (in thousands, except per share data). All fiscal quarters presented include 13 weeks. The Company's fiscal quarters end on the Saturday closest to the end of April, July, October and January.

	Fiscal 2008				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Sales	$207,662	$252,873	$269,920	$334,114	$1,064,569
Gross profit	42,029	67,483	69,760	91,217	270,489
Income (loss) from operations	(19,331)	(180)	5,897	16,812	3,198
Net income (loss)	(24,445)	(4,854)	765	13,037	(15,497)
Income (loss) applicable to common shareholders per share:					
Basic and Diluted	$ (1.02)	$ (0.20)	$ 0.03	$ 0.54	$ (0.64)

	Fiscal 2007				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Sales	$175,749	$216,511	$259,539	$317,604	$969,403
Gross profit	33,877	51,536	70,094	85,247	240,754
Income (loss) from operations	(18,730)	(5,004)	525	11,890	(11,319)
Net income (loss)	(22,831)	(9,659)	(5,143)	5,819	(31,814)
Income (loss) applicable to common shareholders per share:					
Basic and Diluted	$ (1.14)	$ (0.48)	$ (0.25)	$ 0.25	$ (1.52)

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, our management conducted an evaluation, under the supervision and with the participation of our interim chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the officers concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by our company in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Commission rules and forms. Furthermore, our interim chief executive officer and chief financial officer concluded that our disclosure controls and procedures are also effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our interim chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting and the report of our independent registered public accounting firm relating thereto included in Item 8 of this Form 10-K are incorporated herein by reference.

Changes in Internal Controls over Financial Reporting

Our management, with the participation of the interim chief executive officer and chief financial officer, performed an evaluation as to whether any change in the internal controls over financial reporting (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934) occurred during the the fourth fiscal quarter of fiscal 2008. Based on that evaluation, the interim chief executive officer and chief financial officer concluded that no change occurred in the internal controls over financial reporting during the period covered by this report that materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item 10 relating to our directors is incorporated herein by reference to the section titled "Proposal 1 Election of Directors" in our proxy statement, which will be filed no later than 120 days after January 31, 2009. The information required by this Item 10 relating to our executive officers is set forth under the heading "Executive Officers" in Item 1 of this report. The information required by this Item 10 under Item 405 of Regulation S-K is incorporated herein by reference to the section titled "Section 16(a) Beneficial Ownership Reporting Compliance" of our proxy statement, which will be filed no later than 120 days after January 31, 2009. The information required by this Item 10 under Item 407(d)(4) and (d)(5) of Regulation S-K is incorporated herein by reference to the Section titled "Proposal 1 Election of Directors Committees of Our Board of Directors Audit Committee" of our proxy statement, which will be filed no later than 120 days after January 31, 2009.

We have adopted a code of business conduct and ethics for the guidance of our directors, officers, and partners, including our principal executive, financial and accounting officers and our controller. Our code of business conduct and ethics, along with other corporate governance documents, is posted on our website at *www.GanderMountain.com*. We intend to post on our website any amendments to, or waivers from, our code of business conduct and ethics. A copy of the code of business conduct and ethics can be obtained without charge by sending a written request to our Secretary at 180 East Fifth Street, Suite 1300, St. Paul, MN 55101.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item 11 is incorporated herein by reference to the sections titled "Executive Compensation," and "Proposal 1 Election of Directors Compensation Committee Interlocks and Insider Participation," of our proxy statement, which will be filed no later than 120 days after January 31, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information related to security ownership required by this Item 12 is incorporated herein by reference to the section titled "Security Ownership of Principal Shareholders and Management" of our proxy statement, which will be filed no later than 120 days after January 31, 2009.

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The following table provides information as of January 31, 2009 for our compensation plans under which securities may be issued:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	2,236,847	$ 10.06	1,001,318
Equity compensation plans not approved by security holders			
Total	2,236,847	$ 10.06	1,001,318

(1) Consists of our 2002 Stock Option Plan, 2004 Omnibus Stock Plan and Employee Stock Purchase Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item 13 is incorporated herein by reference to the sections titled "Certain Relationships and Related Party Transactions," "Proposal 1 Election of Directors Directors and Director Nominees" and "Proposal 1 Election of Directors Director Independence" of our proxy statement, which will be filed no later than 120 days after January 31, 2009.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item 14 is incorporated herein by reference to the sections titled "Proposal 2 Ratification of the Independent Registered Public Accounting Firm Fees Billed By Ernst & Young LLP" and "Proposal 2 Ratification of the Independent Registered Public Accounting Firm Approval of Independent Registered Public Accounting Firm Services and Fees" of our proxy statement, which will be filed no later than 120 days after January 31, 2009.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

The following documents are filed as part of this report:

1. *Financial Statements.*

The following described financial statements are included in this report under Item 8:

Report of Independent Registered Public Accounting Firm on Financial Statements

Consolidated Balance Sheets as of January 31, 2009 and February 2, 2008

Consolidated Statements of Operations for the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007

Consolidated Statements of Cash Flows for the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007

Consolidated Statements of Shareholders' Equity for the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007

Notes to Consolidated Financial Statements

2. *Financial Statement Schedule.* The following financial statement schedule is filed herewith:

Schedule II Valuation and Qualifying Account

Valuation and Qualifying Accounts
(in 000's)

Description	Balance at Beginning of Period	Additions Charged to cost, expense	Deductions	Balance at end of period
Accounts Receivable Reserves(1) :				
2008	$ 437	$ 280	$ 443	$ 274
2007	150	287		437
2006	970	150	970	$ 150
Inventory Reserves:				
2008	2,418	1,413	1,506	$ 2,325
2007	1,972	706	260	$ 2,418
2006	1,702	1,563	1,293	$ 1,972
Sales Returns Reserves:				
2008	620		102	$ 518
2007	580	40		$ 620

2006	$ 500	$ 80	$	$ 580

(1) Represents reserves for doubtful accounts related to amounts due from vendors that are reflected as reductions in accounts payable in our balance sheets as we have the right-of-offset against amounts owed to vendors for merchandise purchases.

3. *Exhibits.* The exhibits filed with this report are set forth on the exhibit index filed as a part of this report immediately following the signatures to this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 30, 2009.

GANDER MOUNTAIN COMPANY
(Registrant)

By: /s/ DAVID C. PRATT

David C. Pratt
Chairman of the Board and
Interim Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned directors of GANDER MOUNTAIN COMPANY, a Minnesota corporation, do hereby make, constitute and appoint DAVID C. PRATT, ROBERT J. VOLD and ERIC R. JACOBSEN, and each or any one of them, the undersigned's attorney-in-fact, with full power of substitution, for the undersigned in any and all capacities to sign and affix the undersigned's name as such director and/or officer of said company to an Annual Report on Form 10-K or other applicable form, and all amendments thereto, to be filed by said company with the Securities and Exchange Commission, Washington, D.C., under the Securities Exchange Act of 1934, as amended, with all exhibits thereto and other supporting documents, with said Commission, granting unto the attorney-in-fact, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on April 30, 2009.

Name	Title
/s/ DAVID C. PRATT David C. Pratt	Chairman of the Board and Interim Chief Executive Officer (Principal Executive Officer)
/s/ ROBERT J. VOLD Robert J. Vold	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ RONALD A. ERICKSON Ronald A. Erickson	Vice-Chairman of the Board
/s/ KAREN M. BOHN Karen M. Bohn	Director
/s/ MARSHALL L. DAY Marshall L. Day	Director

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Name	Title
/s/ RICHARD C. DELL Richard C. Dell	Director
/s/ GERALD A. ERICKSON Gerald A. Erickson	Director

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of the Registrant(1)
3.2	Amended and Restated Bylaws of the Registrant(2)
4.1	Specimen of common stock certificate(3)
4.2	Form of promissory note pursuant to the Term Loan Agreement dated as of June 9, 2008 among the Registrant, GRATCO LLC and Holiday Companies(17)
10.1	Stock Purchase Agreement, dated November 11, 2006, among the Registrant and the investors named therein(4)
10.2	Fourth Amended and Restated Loan and Security Agreement, dated December 6, 2007, among Gander Mountain Company, Bank of America, N.A., as agent, Bank of America Securities, LLC, as the lead arranger, Wells Fargo Foothill, Inc., as the syndication agent, The CIT Group/Business Credit, Inc., as collateral agent, General Electric Capital Corporation, as documentation agent, and the lenders named therein(5)
10.3	Term Loan Agreement, dated as of June 9, 2008, among the Registrant, GRATCO LLC and Holiday Companies(6)
10.4	Registration Rights Agreement among the Registrant and the shareholders listed in the schedule thereto dated March 11, 2004(7)
10.5	Description of Fiscal 2008 Executive Cash Incentive Program(14)
10.6	Employment Agreement dated January 9, 2009, by and between the Registrant and Michael Owens(11)
10.7	Intercreditor Agreement among Fleet Retail Finance, Inc., in its capacity as agent, Holiday Companies and the Registrant dated as of December 19, 2001(8)
10.8	Trademark Collateral Security and Pledge Agreement between the Registrant and Fleet Retail Finance, Inc. dated as of December 19, 2001(9)
10.9	Noncompetition Agreement between the Registrant and Cabela's Incorporated dated May 16, 1996(10)
10.10	Form of Employment Agreement for the Registrant's Executive Vice Presidents(12)
10.11	Form of Employment Agreement for the Registrant's Senior Vice Presidents(13)
10.12	Revised Director Compensation Program(15)
10.13	2002 Stock Option Plan(18)
10.14	Amendment No. 1 to 2002 Stock Option Plan(19)
10.15	Amended and Restated 2004 Omnibus Stock Plan(20)
10.16	Form of Incentive Stock Option Agreement under 2004 Omnibus Stock Plan(21)
10.17	Form of Non-Statutory Stock Option Agreement (Employee) under 2004 Omnibus Stock Plan(22)
10.18	Form of Non-Statutory Stock Option Agreement (Director) under 2004 Omnibus Stock Plan(23)
10.19	Employee Stock Purchase Plan(24)
14	Code of Conduct of the Registrant (as amended through June 7, 2005)(16)
21	Significant Subsidiaries of the Registrant*
23	Consent of Ernst & Young LLP*
24	Powers of Attorney (included with signatures)
31.1	Rule 13a-14(a)/15d-14(a) Certification by Principal Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification by Principal Financial and Accounting Officer*
32	Section 1350 Certifications by Principal Executive Officer and Principal Financial Officer*

Management compensatory plan or arrangement.

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*
Filed herewith.

(1)
Incorporated by reference to Exhibit 3.3 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on March 15, 2004.

(2)
Incorporated by reference to Exhibit 3.4 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on March 15, 2004.

(3)
Incorporated by reference to Exhibit 4 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on March 15, 2004.

(4)
Incorporated by reference to Exhibit 10 to the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on December 13, 2006.

(5)
Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on December 7, 2007.

(6)
Incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q Report (File No. 0-50659) for the quarter ended May 3, 2008, filed with the Commission on June 17, 2008.

(7)
Incorporated by reference to Exhibit 10.19 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on March 15, 2004.

(8)
Incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on February 5, 2004.

(9)
Incorporated by reference to Exhibit 10.7 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on March 15, 2004.

(10)
Incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on February 5, 2004.

(11)
Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on January 13, 2009.

(12)
Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on March 7, 2006.

(13)
Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on March 7, 2006.

(14)
Incorporated by reference to Item 5.02 of the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on April 11, 2008.

(15)

Incorporated by reference to the description of this program included in the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on March 7, 2006.

(16)
Incorporated by reference to Exhibit 14 to the Registrant's Current Report on Form 8-K (File No. 0-50659), filed with the Commission on June 13, 2005.

(17)
Incorporated by reference to Exhibit 4.1 to the Registrant's Form 10-Q Report (File No. 0-50659) for the quarter ended May 3, 2008, filed with the Commission on June 17, 2008.

(18)
Incorporated by reference to Exhibit 99.2 to the Registrant's Registration Statement on Form S-8 (Registration No. 333-118909), filed with the Commission on September 10, 2004.

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(19)
Incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-112494), filed with the Commission on February 5, 2004.

(20)
Incorporated by reference to Exhibit B to the Registrant's definitive proxy statement for its 2005 annual meeting of shareholders (File No. 0-50659), filed with the Commission on Schedule 14A on May 6, 2005.

(21)
Incorporated by reference to Exhibit 99.4 to the Registrant's Registration Statement on Form S-8 (Registration No. 333-118909), filed with the Commission on September 10, 2004.

(22)
Incorporated by reference to Exhibit 99.5 to the Registrant's Registration Statement on Form S-8 (Registration No. 333-118909), filed with the Commission on September 10, 2004.

(23)
Incorporated by reference to Exhibit 99.6 to the Registrant's Registration Statement on Form S-8 (Registration No. 333-118909), filed with the Commission on September 10, 2004.

(24)
Incorporated by reference to Exhibit C to the Registrant's definitive proxy statement for its 2005 annual meeting of shareholders (File No. 0-50659), filed with the Commission on Schedule 14A on May 6, 2005.