FINAL TRANSCRIPT

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GMTN - Q4 2005 GANDER MOUNTAIN CO Earnings Conference Call

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PRESENTATION

Operator

Good morning, everyone and welcome to the Gander Mountain Company fourth quarter earnings release conference call. This call is being recorded. At this time, I would like to turn the call over to our Director of Investor Relations, Ms. Shannon Burns. Please go ahead.

Shannon Burns - *Gander Mountain Co. - Director, Investor Relations*

Thank you, [Melissa]. Good morning. I'm Shannon Burns, Director of Investor Relations at Gander Mountain. Welcome to the Gander Mountain fourth quarter conference call.

Joining us on our call today are Mark Baker, President and CEO of Gander Mountain, Rick Vazquez, Executive Vice President of Merchandising and Marketing, and Dennis Lindahl, Executive VP and CFO. Mark will discuss business trends, Rick will review some of the product initiatives that will drive sales in 2006, and Dennis will review our financial results. We'll take your questions after that. We expect the call to last an hour.

As a reminder, the question and answer session is available to all interested parties, although questions will be limited to investors and analysts. We also remind you that the media is attending the call in a listen-only mode.

This conference call is being broadcast real-time on the internet at www.gandermountain.com. We will also offer an internet replay of the call, which will be available shortly after the call is concluded and it will remain on our website for approximately 90 days. The transcript of this call will be posted under ‘Archives’ in the Investor Relations section of our website.

Please remember that our discussion today may include forward-looking statements relating to our estimates and expectations that involve risks and uncertainties. Our actual results could differ materially from those projected in any forward-looking statements. Additional information concerning important factors that could cause our actual results to differ materially from these forward-looking statements are described in the ‘Risks and Factors Affecting Current and Future Results’ section of our annual report on Form 10-K as filed with the Securities and Exchange Commission, as well as in our subsequent reports filed with the SEC. These reports are available at the Investors Relations section of our website at www.gandermountain.com and at the SEC's website at www.sec.gov.

We caution you that forward-looking statement reflect our current views with respect to future events and speak only as of the time they are made, and we undertake no obligation to update them in light of new information or future events.

Before turning the call over to Mark, I would like to update you briefly on certain pending legal matters. Regarding the consolidated securities class action litigation, as we reported on January 19, 2006, the district court dismissed that complaint with prejudice. However, on February 16th, the plaintiffs appealed the order dismissing the case. We expect the appeal to be heard in late summer or early fall.

Regarding the companion derivatives case, the district court granted our motion and dismissed this case without prejudice on August 30, 2005. The plaintiffs have brought motion to file an amended complaint, and that motion is still pending. Beyond these facts, we will not comment on pending legal matters.

I'll now turn the call over to Mark.

Mark Baker - *Gander Mountain Co. - President and CEO*

Good morning and welcome to Gander Mountain's fourth quarter earnings call. I'd like to welcome our shareholders, analysts and all other participants.

As you know, Gander Mountain has the nation's largest retail network of stores for hunting, fishing, camping, and marine outdoor lifestyle products. With these services in 98 stores and over 18 states, we are the fastest growing retailer in this category with more stores than the next three competitors combined in the underserved outdoor lifestyle market.

We are very pleased to talk to you this morning about our record fourth quarter results and our plans to keep the momentum building in 2006. We achieved an 18% increase in sales by adding successfully to our new store base, achieving a 37% increase in operating income by effectively managing our product margins and our costs. We achieved the highest operating margin and the highest EBITDA margin in the company's history.

To reach that level, we improved our product margins by selling a better mix of products and having the right products in the right stores to minimize clearance. We maximized utilization of our labor dollars by using improved tools to optimize the labor levels to the correct customer traffic levels. We also reduced the hours absorbed by non-selling tasks. We reallocated our marketing dollars for greater effectiveness at a reduced total cost. By careful control of G&A expenses, we were able to leverage those costs as well.

These achievements are the early results of initiatives we talked about in our last call. They are ongoing initiatives. We expect to see further improvement in our results as we aggressively pursue these and other programs designed to drive sales and improve profitability.

Three years ago, we embarked on this journey to transform Gander Mountain from a group of 50 small-format stores into a large-format value retailer with national reach. In 2005, we made significant progress toward this goal. One, we achieved over 800 million sales from the 98 stores. We are beginning to realize the benefits of scale as a result of our growth, including improved relationships with our vendors.

Two, we opened 19 new stores in 2005, including replacing two of our older stores with newer, larger stores, and entered four new states, Arkansas, Kansas, Maryland and North Carolina. We are proving the portability and the widespread acceptance of our brand. As we enter new markets, we are [enthusiastically welcomed by hunting, fishing, camping and boating enthusiasts who recognize the broad assortments, quality, the value our stores bring to these markets.

Third, we added significantly to the assortment of marine products we offer in our stores and tested the sales and rental of boats in selected markets. We will continue to broaden our range of products to best meet the needs of our customers and to focus particularly on products that customers need in the first half of the year, which has seasonally lower sales, in an effort to reduce our loss in that period.

Fourthly, in the fourth quarter we demonstrated our ability to improve margins by reporting a 37% increase in income from operations, despite a 7% decline in comparable store sales.

Focusing for a few minutes on the fourth quarter, we were disappointed by our comparable store sales decline. However, it was an improvement over third quarter results as customers recovered from their initial impact of devastating hurricanes and their fears about energy prices. It is important to note that our comparable store sales declined only by the low to mid single digits in November and December. Hunters responded positively to our broad assortments and value pricing, we had strong sales leading into the deer-hunting season, particularly in the Midwest. We also experienced a solid holiday season as our consumers came to our stores to find great gifts for their family and friends.

In January we saw a large drop in comparable store sales, in part because we were considerably less promotional than we had been in the past in 2005 -- January of 2005. With less inventory to sell through, we did not have as much clearance activity as we had in the prior year. While this contributed to the decline in comparable store sales, we realized a product margin improvement of over 200 basis points, trading sales growth for a margin growth. In addition, the warm January weather caused sales of ice fishinng gear and cold weather apparel and footwear to drop over 40%. On a positive note, warm weather enabled sport-shooting enthusiasts to get out earlier than usual, which benefited sales of shooting supplies and ammunition. It also got the fishing activity started earlier than usual in our southern markets.

These positives illustrate the advantages of our increasing geographic diversity. As of this spring, we will have over 16 stores and over 1.1 million square feet in states that we consider southern. This is barely a quarter of our total square footage, but these stores are beginning to impact our sales patterns.

Expanding our store base is an important Gander Mountain growth strategy. We have reached sufficient scale that we're beginning to realize the benefits of that strategy. For 2006, we have decided to slow the pace of our store growth, only opening six to eight stores, two of them replacement stores, in order to focus more energy on the initiatives to improve profitability. These include measures aimed at increasing sales per square foot and improving our profit margins. Rick Vazquez, executive vice president of merchandising and marketing, is going to address some of those initiatives in a few moments.

We continue to believe that we have an opportunity for over 300, Gander Mountain stores in the U.S. While certainly there has been rapid square footage growth in this segment in the past two years, that has not changed our perspective on this potential. With our low cost structure we can move into small to midsize cities that are great markets for us, and we can successfully build multiple stores in one market, as we have in the Twin Cities and Houston, for example.

Before I turn the call over to Rick I want to reemphasize some key points. · We are committed to our strategy. · We believe the outdoor retail sector is underserved at retail and provides tremendous growth opportunities. · We are confident that our stores offer the best combination of assortment, service and value of any of the major competitors in this space. · Our base of nearly 100 stores provides the customers with the most convenient outdoor lifestyle experience in the business. · And we firmly believe that we can bring this business to a very attractive level of profitability. .,.

And now I'll turn the call over to Rick Vazquez, executive vice president of merchandising and marketing, who'll discuss some of the initiatives to drive sales and margin in 2006

Rick Vazquez - *Gander Mountain Co. - EVP, Merchandising & Marketing*

Thank you, Mark, and good morning to everyone. I am pleased to have a chance to share my observations with you. I have now been at Gander Mountain for six months, and I am energized by the enthusiasm of the people here and the opportunities that we have.

Gander Mountain has a great vehicle for growth in the stores we already have built, to say nothing of the potential to build another 200 or more stores. Our stores have a loyal customer following and have great reputation for providing a huge assortment of products and of services at a great value. We have an opportunity to build on that loyal customer base by providing more of the products and services that our customers want to buy.

Let me share with you some of the things that differentiate Gander Mountain from the competition and will enable our continual ability to gain market share. · We have an advantage with our model in that we can locate our stores in secondary markets convenient to where our customers live and where they enjoy the outdoors. · Number two; we provide the services that our customers need on a continual basis. · Our format is very portable to markets as proven by the instant acceptance that we have experienced. · We carry the leading products from the leading national brands that our customers expect, a complete outfitter to carry. · We round our national brands with our own brand products to ensure that we offer -- that we are offering a full assortment to our customers. · And finally, our nearly 5,500 associates provide a level of service with a level of knowledge and a passion that is unparalleled in the industry.

Distinction and innovations are the keys to success for any great retailer. Driving newness is one of the guiding principles we live by. Let me share with you some of the things that we are doing with our product assortment this year. Much of the excitement centers on new products, some of which are exclusive to Gander Mountain. Our buying team works closely with our vendor partners to bring new products to market better and faster. We have introduced a vast array of new products in the fishing category, from new reels to rods to tackle boxes, lures and more.

As the dominant retailer of firearms, we are always adding new firearms to our already huge assortment. For our hunting customers we have introduced a number of new products for the spring turkey season, from a broad selection of new turkey calls to technically advanced new fieldwear for the hunter. We can't wait till fall, when we have many new items for the fall season.

We challenge ourselves with every new product to introduce new items that are technically advanced, providing high quality at the best value for the customer. Building on the success of the marine categories in 2005, we are continuing the expansion of our assortment of marine products and accessories. In 2006, we are continuing to test the sale of fishing and family recreation boats. We just announced a partnership with Crystal-Pierz, a leading boat retailer, that enables us to use their experience and expertise to build that business. This clearly indicates our confidence and confidence and commitment to the boat business.

In apparel, our new products focus on delivering high performance to our customers at great value. As trends in apparel continue to favor lines with advanced technical attributes, we benefit from that trend by offering our customers the most advanced products. This past winter we introduced our very successful Guide Series, our GSX line, an exclusive line of high performance apparel. Our Guide Series Extreme [GSX] line was designed in collaboration with Will Steger, the polar explorer, to ensure that we were offering our customers the best assortment of gear to handle the cold. We are extending the Guide Series GSX line in spring, introducing technical apparel for spring and summer that provides advanced features for our customers. Our staff of hunting and fishing professionals work with our design teams to ensure that these items meet all the needs of the outdoor enthusiast. We are also finding great success in outfitting the growing number of women and youth participating in the outdoor sports. We are focused on providing those customers technical apparel designed just for them.

With the benefit of scale, we can work with our vendors to develop the products our customers want. We provide vendors with the quickest route to market for their new products. They truly value working with Gander Mountain because no other retailer can offer them 98 test labs for their new products. Our network of conveniently located stores is a favorite place for vendors to put their products on the shelf.

Our brand strategy continues to be built on the strength of the leading national brands consumers demand. Our owned brand strategy is driven by the needs of consumers and voids in the marketplace. This enables us to offer a complete assortment to our customers. The owned brand programs also allow us to improve our margins while offering products our customers appreciate for the high quality and value. In the fourth quarter our owned brand sales as a percent of total sales jumped 380 basis points, from 8.7% to 12.5% of sales. At the same time, the owned brand margin increased 350 basis points.

Providing expert services is another component of providing our customers everything they need. Our convenient locations make it easy for our customers to take advantage of the services of our gunsmiths and archery technicians. With a gunsmith shop in every store, we are the largest employer of certified gunsmith in the country. We serviced over 85,000 firearms in 2005. We also offer ATV and marine engine shops in our large-format stores, and our technicians are qualified to repair all major brands of ATVs. A new partnership with an aftermarket parts supplier has enhanced the profitability of this business.

I believe strongly in the everyday low price model. Our customers appreciate the fact that they can always get the best prices as well as the best assortment at our stores. They do not have to wait for a sale in order to get the right price. Additionally, when we get a great hot buy from our manufacturers, we will pass the savings on to the customers.

We have reemphasized the importance of localization by hiring three new regional product managers to focus on product localization, especially in fishing. This is where we find that the greatest proportion of products needs to be localized to maximize our response to local preferences and seasonal differences. These product managers will report to the regional vice presidents to keep control at the local level and a divisional vice president at the corporate level. This is a strong commitment for the company to think nationally and act locally.

In 2006, we also plan to streamline our marketing program for greater efficiency at a lower total cost. You will see less advertising early in the year and more during the back half. This will align better with the selling seasons of our business. All of the campaigns will be locally aligned, timed to coincide with the relevant seasons or activities for that specific market. Our advertising will emphasize our everyday low price strategy, our complete assortment, and our valuable services. With all these great products and services, we are still the value leader in this segment.

In summary, in 2006 you will see the ongoing improvement in our assortment, emphasizing innovation and differentiation as we continually assess our customers' needs and respond to those needs. You will see more localization and more of our owned brand products as our customers have told us that they appreciate the quality and value of those brands. You will see more effective advertising programs that highlight our products, services, and overall price advantage.

And now I will turn the call over to Dennis Lindahl, our CFO, who will go into more details on the financials.

Dennis Lindahl - *Gander Mountain Co. - CFO*

Thanks, Rick, and good morning, everyone. In the fourth quarter, revenue increased 17.5% as a result of new store growth, while comparable store sales declined 7.4%. Fourteen stores entered the comp store base, and the Fridley store left the comp base as it is being replaced with a new large format store this spring. The total number of stores in the comp store base increased to 78, which includes 27 of our large-format stores, up from 13 of the large-format stores in the third quarter.

Operating income increased 37% in the fourth quarter to $26 million.

We earned a pretax profit of $22.2 million in the fourth quarter, an increase of 26% over the pretax profit of $17.5 million in the 2004 quarter.

For the year, sales increased 24.9% on new store openings and a comparable store sales decline of 6%. The pretax loss for the fiscal year was $13.3 million, compared to a $1.6 million profit for fiscal 2004. The prior year's income statement has been reclassified to conform to the current year presentation, but there was no impact on income as previously reported.

Turning to store productivity metrics for the quarter, total square footage at the end of the fourth quarter increased 33% from last year to five million square feet. We did not open any new stores in the fourth quarter of 2005 or 2004. The average square footage per store was 51,000 square feet at the end of the quarter compared with 46,000 last year. Our average store size will continue to increase as we expect most new stores to be in the 60 to 65,000 square foot range. However, we will occasionally open larger or smaller stores as we size our new stores appropriately for each market or take advantage of opportunities to use recycled real estate.

Our average customer ticket increased 3% from $56.60 to $58.30 for the quarter, while the average ticket at our comp stores was $56.30, unchanged from the fourth quarter of 2004. The average ticket at our larger stores is nearly $11 higher than at our smaller stores, with our power shop, which includes ATVs and boats, actually accounting for only about $2.50 of the higher average ticket at the large stores. For the full year, the average ticket increased 4%, from $52.90 to $55.00, again with the higher average ticket at our larger stores.

Sales per square foot was $180 in fiscal 2005 compared to $205 in fiscal 2004 as a result of a decline in comparable store sales and the impact of lower sales per square foot in our less mature new stores.

Our base product margin increased approximately 140 basis points in the quarter due in part to higher penetration of owned brand products as well as less clearance activity. Despite this improvement, gross margin was 27% in the recent quarter compared to 27.1% in the fourth quarter of 2004. Major factors offsetting the base product margin improvement were: · Store occupancy costs were de-leveraged at a lower comp store sales and lower sales per square foot at our newer, less mature stores by approximately 100 basis points. · Other margin declined in the quarter by approximately 50 basis points. Factors impacting other margin include reduced gift card breakage and net revenues from our co-branded credit card compared to a year ago.

Our freight and distribution costs improved slightly as a percentage of sales as we resolved the issues of the distribution center that impacted the third quarter. The distribution center is operating effectively, and we anticipate further cost savings as the result of the investment we made in the more efficient material handling equipment. Our 2006 supply chain initiatives include further evaluation of our distribution network, which we now believe will support our store growth plans through at least 2007.

Turning to expenses, store operating expenses declined by 100 basis points, from 15.6% to 14.6%. The primary factors were more efficient use of labor and more focused advertising. As Mark mentioned, we have developed better tools for adjusting staffing levels in line with current trends in sales and we have streamlined non-selling tasks. We have focused our marketing expenditures to increase the efficiency of those dollars.

General and administrative expenses for the quarter declined 30 basis points from 3.5% of sales to 3.2%, as we realized benefits of scale and leveraged our corporate expenses.

There were no pre-opening expenses in the fourth quarter of 2005 compared to $277,000 in the last quarter of 2004. Pre-opening expenses for the year were approximately 20% lower per store this year than last year, and we opened with approximately a 7% reduction in equipment and fixtures and a 20% lower investment in inventory.

Net interest expense was $3.9 million for the fourth quarter versus $1.5 million in the comparable quarter last year, as borrowings on our credit facility increased to $175 million at the end of the period, up from $114 million at the end of the fourth quarter, and we received $20 million in funding from the placement of convertible debt in August of 2005. In addition, our weighted average interest rate increased by approximately 230 basis points over last year.

No income tax benefits were recorded in either year as the realization of the loss was uncertain for financial reporting purposes.

EPS for the fourth quarter was $1.55 per basic share and $1.45 for share on a fully diluted basis compared to earnings per share of $1.23 basic last year and $1.21 fully diluted. The weighted average number of shares for the 2005 quarter was 14.3 million for basic earnings per share and 15.5 million fully diluted, with the difference arising primarily from the shares associated with the convertible debt.

For the full year, the loss per share was $0.93 on a basic and fully diluted basis for fiscal 2005 against a loss of $0.25 per share for fiscal 2004. Pro forma EPS for fiscal 2004, which is more meaningful, was income of $0.18 per share basic and $0.17 per share on a fully diluted basis. Weighted average number of shares for the year was 14.3 million basic and fully diluted.

On the balance sheet, inventory per square foot in open stores at the end of the fiscal year was $62, down 10% from $69 per square foot the prior year. This improvement reflects the success of our efforts to reduce inventory at all our stores, lower levels of clearance inventory as we complete our peak selling season, and our more effective targeting of inventory in recently opened stores. We continue to be confident of the quality of our inventory.

Capital expenditures were $49 million in fiscal 2005 and 2004. These expenditures include the new store openings, as well as costs associated with store remodels. We opened 19 stores in each of the past two years.

Other long-term liabilities, consisting primarily of capital lease obligations and deferred rent liability, increased to $36.9 million at the end of the fourth quarter, primarily as a result of additional tenant improvement moneys received from landlords for new leases. As of January 28th, 2006, the company had approximately $19 million of availability under its credit facility and was in compliance with all covenants of the agreement.

On March 3rd, 2006, the company amended and restated its credit facility. The company's revolving credit facility provides a maximum credit ceiling of $275 million, which may be increased to $300 million subject to certain terms and conditions. The principle purpose of the amendment was to add a $20 million term loan to the credit facility. 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. There are no other material changes to the terms and conditions of the previous agreement.

We've always indicated that we will obtain financing in advance of our needs. This facility, together with operating cash flow, will provide the company flexibility to fund its growth in 2006, six to eight new stores, with total capital expenditures expected to be approximately $25 million.

On the subject of guidance, we continue to be focused on the long-term growth of this company. Long-term growth and the value realization that it brings does not come in smooth quarterly increments. We've talked today about some of the initiatives we have launched to drive both increased sales and increased profitability. We will report back to you on how we are progressing with these initiatives. You will see their impact on our financial results over time, although perhaps not every quarter.

We need to reduce our reliance on fourth quarter sales by building our marine and other spring businesses. Even as we add more stores over time, we need to lose less money in the first quarter. Over time, we need to achieve at least breakeven results in the second quarter and eventually make money as we build our spring businesses. As we develop a larger store base and more diverse geographic markets, these goals become more attainable. In addition, we will continue to evaluate the timing of our entry into direct marketing.

Most important, we need to maximize the huge opportunity we have in the second half of the year. To accomplish that we have initiatives underway to – · increase sales by providing the right assortment of exciting new products for our customers, · improve product margin, · streamline our supply chain, · reduce inventory per store, · fine-tune store labor costs by eliminating non-selling tasks, and · control corporate expenses.

The results we reported in the fourth quarter are evidence of the early success of these initiatives. We believe that we can continue to increase sales and improve margins as we move towards those goals. We plan to give you concrete evidence to back up that belief in the coming quarters as we report to you on our progress with these initiatives.

And now we'll be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. [OPERATOR INSTRUCTIONS]

We'll take Paul Swinand with Stephens Inc.

Paul Swinand - *Stephens Inc. - Analyst*

Good morning, everyone, and congratulations.

Mark Baker - *Gander Mountain Co. - President and CEO*

Thank you.

Paul Swinand - *Stephens Inc. - Analyst*

First I just wanted to talk a little bit about the comps and the productivity. I know you did address some of that in your opening remarks about things you're doing with the advertising and all, but what else can you do to drive the comp and productivity? And can you sustain -- I guess if comps can stay even or modestly positive for next year, would that get you to where you need to be, at least for the short term?

Mark Baker - *Gander Mountain Co. - President and CEO*

This is Mark. Obviously any retailer that looks to the long term, you have to drive productivity out of the unit and typically it comes from increased sales. We think we've seen as we've built these stores and expanded our geographic reach is our opportunity to continue to add bandwidth, as Dennis mentioned and Rick, in front half particularly, whether it's marine or other outdoor activities. As we learn more about those markets and participate longer in some of these new markets, we will drive productivity, in other words more comparable store sales, out of those stores as we have those learnings and can apply them.

We have shown in the past when we had our -- the first 50 stores, we drove double digit comp stores year on year when things were generally normal in terms of weather patterns. But over time, as we've been more geographically diverse, we think we can drive reasonable low single digit comps and over time in this business. We've just got to make sure that the businesses we are doing -- and we've abandoned some sales if you will as we didn't try to cycle the clearance activity of January. So you won't see it necessarily smoothly, as Dennis points out, from quarter to quarter necessarily, but over time we believe that our business and our destination and our services provide the opportunity to talk to customers about more of their spend in the outdoor activities. So we do look forward to that.

Paul Swinand - *Stephens Inc. - Analyst*

Okay. And just kind of subset on the comp, was there any -- I know you haven't broken this out in the past, but going to try. Can you comment either on percentage of the comp that was due to cannibalization or can you comment perhaps on the 27 large format stores and how they comped, either of those?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think that we have in the past made comments, but we believe that the cannibalization and competition over an annual basis probably impacts us by 1, 2, 3%. Obviously it may or may not have a larger impact on short periods of time when a large competitor opens next to us, but in general I think we've made those kinds of comments that over the course of a year it probably is 1, 2, 3%. It's just difficult for us to analyze it with our cannibalization of our own as well as the competition entering. We think it's in that range.

Paul Swinand - *Stephens Inc. - Analyst*

Okay. And the large stores, the large format stores, any comment there?

Mark Baker - *Gander Mountain Co. - President and CEO*

One of the things that I've said before, Paul, is that if I had it to do over again I would tell you that the challenge on cycling these new stores as they come out of the first 12 months, we go into comp in 15 and we have seen that our business, our outdoor business is such a unique business and such a destination, whether again it's in Paducah or Amarillo or Greensboro, North Carolina, that until you get through the second season we don't get to a kind of a steady state. But we have seen stores that now are coming on their 25th, 26th, 27th, 28th, 29th month and they are in the comp positive range.

Paul Swinand - *Stephens Inc. - Analyst*

Okay, great. And then a question on the new stores. I noticed you didn't have any new store opening costs. Is that -- you're not opening any new stores in first quarter, then, is that fair to guess?

Dennis Lindahl - *Gander Mountain Co. - CFO*

We actually have two stores opening in the end of the first quarter, but at this point in time, through January, we had not incurred any of the new store opening costs. I think we've announced one in Blaine, Minnesota, one in Tyler, Texas, and later this spring we'll be opening in Morrisville, North Carolina. Those two will be open in April and the third will be in the second quarter.

Paul Swinand - *Stephens Inc. - Analyst*

Okay, fair enough. And now one more question and I'll let somebody else take a turn. You did get the $20 million term loan and you've scaled back your new store opening plans a little bit from last year. If you had better cash flow, though, would you be in a position to open more stores? Would that be part of the strategy?

Mark Baker - *Gander Mountain Co. - President and CEO*

Paul, Mark here. I would tell you that what we have decided, as we started to see the early stages of our scale, you've heard me talk about before that we've always believed that this business, to get to reasonable levels of profitability and return, we needed to be bigger than we have been in the past. We're starting to see the early stage of that. But also, as we had made investments last year in our DC [distribution center] and supply chain, we also realized we have to make some infrastructure supporting improvements and the continuation of those things, make sure that we are 200, 300 stores and we can support that growth. So the easy answer would be if I had more money would I grow faster? We certainly maybe say we take a look at it. But the right thing for our business right now is to focus on the reasonable growth and the profitability and making sure infrastructure is in place to grow.

Paul Swinand - *Stephens Inc. - Analyst*

Got it. Thank you very much.

Operator

We'll go next to Bob Simonson with William Blair.

Bob Simonson - *William Blair - Analyst*

Good morning. Dennis, a couple of questions. Do you have an estimate for option expense in this new year?

Dennis Lindahl - *Gander Mountain Co. - CFO*

Bob, I think it'll be approximately $1 million.

Bob Simonson - *William Blair - Analyst*

Okay. And what's the amount of the tax loss carry-forward at this point?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think that we would be between $30 and $40 million.

Bob Simonson - *William Blair - Analyst*

Okay. I noticed that there's been quite a bit of each of your outright purchases or option exercising recently. Do you have a count as to what -- how many shares or what percent of your 14.3 million primary shares are now controlled by officers and directors and insiders?

Mark Baker - *Gander Mountain Co. - President and CEO*

I think, Bob, we'll end up reporting that on the 10-K. I don't think we have that laying right here on the table, but we'll get that to you if you need it for your model.

Bob Simonson - *William Blair - Analyst*

Okay.

Mark Baker - *Gander Mountain Co. - President and CEO*

But all the officers and directors have made purchases generally throughout the year. No purchases or transactions are made since I think the beginning of December last year because we're not in a transaction period. So there have been very few options actually exercised.

Bob Simonson - *William Blair - Analyst*

Okay. And Mark or Rick, could you talk a little bit more or update on the direct marketing potential and effort that you're going to try to put together?

Mark Baker - *Gander Mountain Co. - President and CEO*

Dennis said that we're going to continue to evaluate the timing and the methods by which we will evolve direct marketing, Bob, and to say more than that, we really want to focus on the retail side of this business and spend our human and financial capital around that. But boy, we've spent more time thinking about and evaluating how we perceive the best operators on the business and at a later point we'll discuss that more clearly.

Bob Simonson - *William Blair - Analyst*

Okay. I'll sign off and if I think of another one I'll come back on. Thanks.

Mark Baker - *Gander Mountain Co. - President and CEO*

Thanks, Bob.

Operator

We'll go next to Mitch Kaiser with Piper Jaffray.

Mitch Kaiser - *Piper Jaffray - Analyst*

Good morning, everyone.

Mark Baker - *Gander Mountain Co. - President and CEO*

Hi, Mitch.

Mitch Kaiser - *Piper Jaffray - Analyst*

I was just curious, I know that you're not going to provide guidance, but I just wonder if we could get an estimate for maybe what CapEx would be for next year?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I mentioned it would be about $25 million.

Mitch Kaiser - *Piper Jaffray - Analyst*

I'm sorry that I missed that. You've done a very good job on managing store operating expense. As we think about that next year, would we -- should we look for further improvement on a per store basis or just give me a sense how we should be just conceptually thinking about that if you would.

Rick Vazquez - *Gander Mountain Co. - EVP, Merchandising & Marketing*

Mitch, I believe that we still have opportunities to manage the stores more effectively. We have opportunities to reduce our non-selling tasks at the store level, so we have an opportunity to reduce labor as we go forward. And as Rick indicated, our advertising and marketing is included in our store operating expenses and we're going to streamline and probably more directly identify the needs there, so there may be some reductions in store operating expenses related to that category.

Mitch Kaiser - *Piper Jaffray - Analyst*

Okay. And then you mentioned that in the fourth quarter advertising expense was less than last year. Could you give us a sense for how much less?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think that it could have been -- just hang on a minute, Mitch.

Mitch Kaiser - *Piper Jaffray - Analyst*

Okay. Tell you what, why don't I ask another one while we're going there? Owned inventory, if you look at the inventory less payables, I realize that you've built out, I think you said private label is 380 basis points higher but it still looks like that ratio is expanding there. Is there anything in terms of vendor relationships or anything like that that's changed or is it simply the expansion of private label?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think a couple of things happened, Mitch, to -- if you're looking at inventory and payables that are on the balance sheet. One is we did have more owned brand purchases in the fourth quarter. The second is as we managed through the November and December and January timeframe, we brought in less receipts during that period of time because we obviously had shortfalls of sales in the third quarter. So during the third quarter we had a little extra inventory, we had less receipts. And so from an overall standpoint, we have not seen any changes to terms and conditions with our significant vendors as it relates to payment.

Mitch Kaiser - *Piper Jaffray - Analyst*

Okay, good. Very good. And then, I don't know if you listened to a sporting goods retailer conference call yesterday, but they alluded to the fact that maybe you guys are going to be more promotional next year than compared to last year. I was just wondering if I could get your kind of thoughts or response to that?

Mark Baker - *Gander Mountain Co. - President and CEO*

Mitch, you know we still look at ourselves as quite a bit different than the general sporting goods business, and the products that we sell, we don't see that kind of overlap in product offering of any significance. So we while heard that comment, we don't take it much to heart in our category because we have such a different and much higher end product offering.

Mitch Kaiser - *Piper Jaffray - Analyst*

Okay.

Dennis Lindahl - *Gander Mountain Co. - CFO*

Mitch, in response to your first question, we probably had about 100 basis points. But you have to also remember, I'm not going to break out, but we ran much less advertising in the January timeframe as it related to the clearance activity last year compared to this year. So I don't want you to think that we weren't promoting in the November and December timeframes on a broad basis. Part of the reduction came in the January timeframe.

Mitch Kaiser - *Piper Jaffray - Analyst*

Okay. Sounds good. Thank you. Good luck.

Operator

We'll go next to Jeff Sonnek with Friedman Billings Ramsey.

Jeff Sonnek - *Friedman Billings Ramsey - Analyst*

Good morning, everyone. Can we get into this new partnership with Crystal-Pierz a little further? I mean how does that kind of work with your former strategy of kind of testing some of these stores with boats? And clearly they have a very broad product line, product offering and a ton of expertise, but a store within a store concept, what are some of the economics behind that, what's kind of the longer term strategy, when do we maybe see some of that start impacting the numbers, et cetera?

Mark Baker - *Gander Mountain Co. - President and CEO*

Jeff, as we put it up last year is we actually got a late start in entering the boat business. And call it nine or 10 stores in a full way with our boats from Genmar and Yamaha. We told the market and yourself that we need to understand how we can participate in the boat business, boat-selling business in a profitable way. We understand how to participate in the marine accessory business in a profitable way, but we really have to understand how to do this business.

And as we got into the business kind of a little bit of a late fashion last year, we've teamed up this year with Crystal-Pierz in just two stores. We'll still have seven or eight of our own stores selling boats with our own team and without the experience of a premier local sales shop such as Crystal-Pierz. They have agreed to work with us, allowing us to have access to some, what I'd call broader product lines, and for them to help us go to school, if you will, how do we become a value player in the boat selling business. And we're really excited about the partnership.

But I guess I'd still call it a test phase, and as we kind of figure out what the economics are so that we can make sure that before we go full scale on this thing it makes sense for us. That's a very early stage. So beyond commenting that we continue to experiment with how we participate in that business and build a front half business, which we will figure out, at this point in time we're just going to call it a test and report it as we get conclusions.

Jeff Sonnek - *Friedman Billings Ramsey - Analyst*

Okay. So just to be clear, that's only -- this is just a test in two of your stores or their two outlets?

Mark Baker - *Gander Mountain Co. - President and CEO*

Two of our locations in Minnesota.

Jeff Sonnek - *Friedman Billings Ramsey - Analyst*

Okay. And then can we -- or can you comment on kind of how things are progressing with the direct import program, how that's influencing private label? It was a positive last quarter as well.

Mark Baker - *Gander Mountain Co. - President and CEO*

I'm going to have Rick comment...

Jeff Sonnek - *Friedman Billings Ramsey - Analyst*

...there?

Mark Baker - *Gander Mountain Co. - President and CEO*

[inaudible - background noise]

Rick Vazquez - *Gander Mountain Co. - EVP, Merchandising & Marketing*

Yes, hi, Jeff. How you doing? This is Rick. I think it's progressing very well. We continue to state that, first and foremost, our strategy around brands is built around national brands, and we'll continue to do that because that's what our customers are asking for. And we augment where we have the voids in the marketplace for any one of a number of conditions with our owned brand products.

I think the thing that we're seeing is a greater ability to continue to look at products, listen to customers, listen to our pro staffers and what are some of the things that they're asking for that they need when they're out in the field performing their activities, and building products around that. What we're doing to strengthen that organization, we've recently brought in some additional talent to the team that's got vast experience in sourcing in Asia and actually all around the world for that matter. So we'll continue to look for those opportunities.

But I expect a lot out of that team and I expect a lot out of those categories and expect to continue to use that as not only an advantage in assortment completion but also an advantage in our gross margin and profitability.

Mark Baker - *Gander Mountain Co. - President and CEO*

Jeff, as you know, we've brought in a lot of product as we got scale. Just think back three years ago, the company's scale in terms of bringing in full containers and making reasonable deals was a little beyond its reach. Today, as we exceed $800 million in sales and look beyond, it's been the fastest growth of all of our sourcing activities, and we are just at the very beginning stages of our ability to bring real scale to our whole imports and our owned brand products. The Guide Series has been accepted in all of our new markets and obviously, very strongly accepted in our contiguous markets.

Jeff Sonnek - *Friedman Billings Ramsey - Analyst*

Can you comment on what that kind of might -- the longer term target, where you guys would like to see that program as a percentage of sales or the private label program, more generally speaking. If we're around 12% now, where does that go? I mean is it 15 plus?

Mark Baker - *Gander Mountain Co. - President and CEO*

We haven't really said that this is the bar which we're going to climb victory by, but we really see that as the biggest growth in our business. And again, part of it is understanding the local needs. Some of the areas in Texas require different product, and what Guide Series means to them could be different than what it does in North Carolina. But it certainly is at least in the teens type of opportunity and as we get past 12 we can head to something less than 20% in the next couple of years. But very, very significant growth in the 15 to 25.

Jeff Sonnek - *Friedman Billings Ramsey - Analyst*

And then finally, you commented on fixing some distribution bottlenecks. Can you review what happened in the third quarter and exactly kind of what you did within your existing systems to kind of make those changes so we may not see that going forward?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think that, as you recall, in the second quarter is when we installed and made some significant changes in our material handling equipment and the way we process inventory through the system. We thought that we had built it such that the capacity was there to handle the peaks that would come in the third quarter. It handled it; it didn't handle it as well as we would have liked. Since that point in time, we've had some other consultants. We've also done our own work internally, and we've made a significant number of changes to the way we process through the distribution center so that we're comfortable that we've corrected any errors that we might have had, and that we're capable to handle out into the future.

Mark Baker - *Gander Mountain Co. - President and CEO*

So the surge that we saw in that August, September as we prepared for our big seasons was something that was a little bit difficult, and we probably lost some days moving that stuff through there.

Dennis Lindahl - *Gander Mountain Co. - CFO*

Some of the other things, initiatives, the biggest initiative that will really help us as we convert additional vendors to EDI and get them EDI capable, we have the capacity in our distribution center for vendors that get us the product that is pre-identified for stores, we can get it out of their truck and into our shipping lane between nine and 10 minutes. That was never available to us before. So we're continuing to work with our vendors so that we have more of the product ready to go to the stores, and we can get it through our distribution center actually in somewhere between 10 and 15 minutes.

Jeff Sonnek - *Friedman Billings Ramsey - Analyst*

Great. Thank you.

Operator

We'll go next to Chris Sipple with Blue Lion Capital.

Chris Sipple - *Blue Lion Capital - Analyst*

Hi, guys. Just had a quick point of clarification on the share count, difference between basic and diluted. The 1.2 million shares for the convert, why would that be included in diluted share count when it's under the conversion price?

Dennis Lindahl - *Gander Mountain Co. - CFO*

Under the accounting rules with convertible debt in today's world, it's treated as a convertible regardless of what -- or it's treated as in the dilutive pool regardless of whether it's under [inaudible] or not.

Chris Sipple - *Blue Lion Capital - Analyst*

All right. Thanks, guys.

Operator

We'll go next to Sam Poser with Mosaic Research.

Sam Poser - *Mosaic Research - Analyst*

Good morning. I have a question. You mentioned how you were working on making your labor force more efficient. I wonder if you can give us a little more color on that?

Mark Baker - *Gander Mountain Co. - President and CEO*

Well, last year sometime about May or June, the first half of last year, midyear, we installed really a time and tracking mechanism to help us understand how much time was spent on tasks, how much was sales hours, where the customer activity was at any given hour of the day, and a scheduling system. And as we started to plot how to use that scheduling system, and with the change in some of the processes as we see how we're receiving goods to try and eliminate some of the tasks in terms of putting it in a backroom configuration and then pulling it from the backroom to the store floor for sale, we have and will continue to evaluate how we can, as I say, reduce the fingerprints on each carton from the time it comes from the distribution center to the time it's going through the cash register. So we put a team in place to be able to do that and also with the scheduler system really understand when our customer activities are at its peak. So the technology.

Dennis Lindahl - *Gander Mountain Co. - CFO*

In addition, we continue to add technology in our stores where they are able to perform some of the non-selling tasks out on the floor rather than having to do some of the tasks in the backroom, come back out to the floor and go back and forth. We really are adding some technology into our stores so we can be more efficient.

Sam Poser - *Mosaic Research - Analyst*

Can you give us some idea of how many -- how the hours may have changed from selling hours on a year over year basis by store or something like that?

Mark Baker - *Gander Mountain Co. - President and CEO*

I don't think we're going to break that out at this point in time. But as we will comment further as we go, we are not interested in reducing our selling and our service because we see that as a key commitment to our customer and a key advantage that we have. But we also want to make sure that the percentage of it is at its peak and we're going to continue to reduce task and more importantly to make sure that the selling hours are really aligned when the customers shop. But it is my belief that one of the strengths and again the brand that we have, the customer expects us to have knowledgeable sales people and we want to have more of them in front of the customer when they're there.

Sam Poser - *Mosaic Research - Analyst*

Thank you.

Operator

We'll go next to John Shanley with Susquehanna Financial.

John Shanley - *Susquehanna Financial - Analyst*

Good morning. Just have a quick question. With the tax loss carry-forward of $30 to $35 million that you mentioned, Dennis, is there a likelihood that the company will not have to pay taxes again in '06?

Dennis Lindahl - *Gander Mountain Co. - CFO*

That's correct.

John Shanley - *Susquehanna Financial - Analyst*

Okay. And on the boats that you're bringing in, can you tell me if the inventory of the boats from vendors like Crystal are going to be on your books or will they be on the suppliers books?

Dennis Lindahl - *Gander Mountain Co. - CFO*

In general, we own the boats that are in our stores. In most cases, they're on financing arrangements, but in most cases we continue to own the boats that are in our stores.

John Shanley - *Susquehanna Financial - Analyst*

Okay. So as you ramp up this boat program, since it's a relatively new venture for you, will we see an increase in the inventory because these are generally big ticket items,so it's got to be applicable to the boat positions that each of your stores have. Will that be meaningful?

Dennis Lindahl - *Gander Mountain Co. - CFO*

If you recall, we tested this boat strategy last year in seven or eight locations. We owned the boats at that point in time. We have only added one store in total to complement the stores that are selling boats so there's no -- there'll be no significant change in our inventory levels of boats this year versus last year, small, but nothing that you would hardly notice.

John Shanley - *Susquehanna Financial - Analyst*

Okay, so the Crystal deal that was announced this morning, that's...

Dennis Lindahl - *Gander Mountain Co. - CFO*

We will not...

John Shanley - *Susquehanna Financial - Analyst*

...really be that meaningful in terms of the number of units or number of stores it'll go into, is that correct?

Dennis Lindahl - *Gander Mountain Co. - CFO*

Right. And in addition to that, the number of boats in the stores will not necessarily increase significantly. It will increase, but we will also have access to their boats. They have dealerships and distributors -- dealerships not too far from our locations.

John Shanley - *Susquehanna Financial - Analyst*

Oh, I see. Okay, great. Thanks a lot.

Operator

We'll go next to John Pinto with Brightleaf Capital.

John Pinto - *Brightleaf Capital - Analyst*

Hi, guys. Thanks a lot. I guess a couple of quick questions on the large format stores. And I know that, I got on the call a little late, you talked about this a little bit. You said some of the large format stores are comping positively after 23, 24 months. Is there any insight you can give that can inform the new format stores or what to do with some of those that are still in their infancy?

Mark Baker - *Gander Mountain Co. - President and CEO*

John, as we look at our business and one of the great things about our business is that the overwhelming enthusiasm these customers come from in the first year or the first season of where they're interested, whether it's hunting or fishing or camping, the excitement that they have in coming to this store in the first location. So we've seen the challenges we've had on cycling that and what we have made commitments to and what we are, as Rick mentioned, in terms of having regional merchants that are going to be out there working in those stores to make sure that we can take the next level of learnings and apply them to make sure that we can find the adjacent products that can drive additional sales, incremental sales opportunity, in those markets. Also make sure that if we had any missteps in running out a product too soon in a season that we can drive additional sales opportunity through that.

And I think from an appropriate understanding of how to market to those consumers, we look forward to how do we drive additional sales. The realities we've seen, and again recall we're going to be, in our Geneva store, 36 months old here next month, so we've been at this for just a little less than three years right now and we are starting to see things that are encouraging to the degree that these stores, after they go their 25th month, have cycled completely, that they stabilized, and then start to pick up.

John Pinto - *Brightleaf Capital - Analyst*

And to the point where in the third year you can get a reasonable four-wall in those stores?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I'd like to comment. It depends on what you mean by reasonable. Most of our stores are very profitable the first year of operation and from then on. So to the extent that it all gets down to your definition of reasonable. Over time we fully expect that our store operating group needs to get to an operating profit of 10, 11, 12% and we try to get all of our stores in that range. But in the second year, the first year, the third year, we fully expect that there's opportunities for those stores to be reasonably profitable.

John Pinto - *Brightleaf Capital - Analyst*

Okay, so in the third year to get into the high single digits four-wall, I guess for your concept, at this stage reasonable would be that or maybe even approaching 10 on a four-wall basis. Is that what you're saying?

Dennis Lindahl - *Gander Mountain Co. - CFO*

Yes.

John Pinto - *Brightleaf Capital - Analyst*

And so is there -- and when you say some of the large format, can I -- can we take that to be over 50%?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think you're getting a little granular.

John Pinto - *Brightleaf Capital - Analyst*

All right. I'm just trying -- I'm trying to determine whether this is a -- whether I can [inaudible] economics on that comment or not. Is that something that I can kind of model in for myself on -- the third year of these stores I can model in an 8 to 10% four-wall or is that -- you're saying I shouldn't have that comfort yet?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think that -- I think that when we have talked in the past about a model, we've always talked that we fully expect cash on cash returns to be in excess of 30% and that probably requires we talk about store level contribution at 10, 11, 12%. I'm not going to comment specifically as to years or anything else, but in that range. And we say that they start out very much on track with where they would be over time.

John Pinto - *Brightleaf Capital - Analyst*

Okay. All right. In terms of the January and February, as you said, the comps were significantly down less clearance. Was there a positive gross profit dollar comp?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think, as I stated, our base margin for the month of January was in excess of 200 basis points over last year, so we saw a very significant improvement in product margin in the month of January, yes.

John Pinto - *Brightleaf Capital - Analyst*

But the sales were down?

Dennis Lindahl - *Gander Mountain Co. - CFO*

Yes.

John Pinto - *Brightleaf Capital - Analyst*

So on a gross profit dollar comp?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I don't -- I'm not going to respond to a single month.

John Pinto - *Brightleaf Capital - Analyst*

Okay. All right. Okay. All right. And then finally, inventory strategy. I know that you've been reducing inventory dollars per square foot. Should we expect that to level out over the course of this year or just kind of what's -- in general, how do you feel about your current inventory per store and how you see that for the year?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I think in general we are committing significant resources to enhance our supply chain. We're committing resources to make sure that we've got the right assortment in the stores. And over time we fully expect to be able to continue to reduce inventory in our stores. Our turns, if you were to calculate them, are sub two. We fully expect that we as a company should be able to be over two in the not too distant future with a goal higher than that, which with the combination of increased sales, we would still have some decrease in inventory on a store level basis to meet that objective.

John Pinto - *Brightleaf Capital - Analyst*

Okay. All right, great, guys. Thank you. Good luck.

Operator

We'll go next to Brett Hendrickson with Bonanza Capital.

Brett Hendrickson - *Bonanza Capital - Analyst*

Hey, folks, great job on the store operating expense this last quarter here. Can you hear me?

Mark Baker - *Gander Mountain Co. - President and CEO*

Yes, we can.

Brett Hendrickson - *Bonanza Capital - Analyst*

Hey, on the store operating expenses, was there any change year over year in Q4 in the mix of fulltime versus part-time employees that may have affected some of the benefit items?

Dennis Lindahl - *Gander Mountain Co. - CFO*

No.

Brett Hendrickson - *Bonanza Capital - Analyst*

Okay. That's all I had. Thanks, guys.

Operator

We'll go next to Bob Simonson with William Blair.

Bob Simonson - *William Blair - Analyst*

Yes, Mark, you talked about your strategy of putting more stores in the south where hopefully that'll diminish the loss the first half. Is it fair -- well, I guess it's fair to ask you, whether you want to answer it. The 16 stores that you have now-- can they achieve profitability in the first half of this year or next year if you want to weight them?

Mark Baker - *Gander Mountain Co. - President and CEO*

Bob, we have a lot of stores in a lot of markets that actually make money in the first half. What we're trying to do is make sure that the scale of our business can be supported in the front half. And we fully believe that the seasonality these stores in the south, and again we're relatively new in Texas and in Wichita and Little Rock and North Carolina, but we see so far that these stores can make a four-wall contribution in the front half because of their starting the fishing seasons earlier, obviously get started in the camping business earlier, and just the general outdoor activity is a little earlier in the business and, therefore, drives some additional sales. So we have seen that.

Bob Simonson - *William Blair - Analyst*

Okay. And again, on labor costs, I don't know, Dennis, if you want to go here, but your labor costs as a percent of store sales, if you have flat comps this year, would they go down as a percent of those sales?

Dennis Lindahl - *Gander Mountain Co. - CFO*

When you said this year, do you mean 2006?

Bob Simonson - *William Blair - Analyst*

Yes, versus '05. Could you get leverage on your labor costs this year versus last year on a comp store basis if the comp is flat?

Dennis Lindahl - *Gander Mountain Co. - CFO*

Yes.

Bob Simonson - *William Blair - Analyst*

Great. And a little housekeeping one, do you have an estimate for depreciation this year?

Dennis Lindahl - *Gander Mountain Co. - CFO*

I do have an estimate. You would know that, Bob. I don't know if I've got it right here in front of me. I think it'll be -- let's say it'll be between 20 and $25 million.

Bob Simonson - *William Blair - Analyst*

Very good. Thank you.

Dennis Lindahl - *Gander Mountain Co. - CFO*

I don't have a number right in front of me.

Bob Simonson - *William Blair - Analyst*

Okay, thanks.

Operator

We'll go next to Mitch Kaiser with Piper Jaffray.

Mitch Kaiser - *Piper Jaffray - Analyst*

One other question on the boats. I think in the past -- well, if you look back at ATVs you've mentioned that the actual time that you own the inventory is pretty short relative to what you've -- relative to the actual sale of that. Should we be thinking about that similarly for boats as well?

Dennis Lindahl - *Gander Mountain Co. - CFO*

Yes.

Mark Baker - *Gander Mountain Co. - President and CEO*

Mitch, we -- most all of these bigger products have floor plans so that our financial ownership is pretty minor, if at all. But obviously we track it as an owned position.

Mitch Kaiser - *Piper Jaffray - Analyst*

Yes, okay. I just wanted to make sure that I was aware of that. Thanks.

Mark Baker - *Gander Mountain Co. - President and CEO*

Is that it? Okay.

Operator

And it appears there are no further questions at this time. I'd like to turn the call back over to Mr. Mark Baker for any additional closing remarks.

Mark Baker - *Gander Mountain Co. - President and CEO*

That's okay, Melissa, thank you.

I want to close with a few thoughts: · We believe that our network of conveniently located stores offers the best assortment, best value in the outdoor lifestyle segment. The advantage of our retail network with multiple stores in each state is that will allow Gander Mountain to become the leading specialty purveyor of goods, services in this segment in all the states we enter. · We are excited to bring our brands in more new states. The portability of our brand has been proven over the last three years by the successes we have experienced in going from eight states to 18 states. · We are committed to our strategy of providing excellent service. A broad assortment of goods, services at a value price positions us to gain market share and be a winner. · We are committed to our customers, to our supplier partners, to our dedicated associates who provide great service every day. We are extremely gratified by our ability to recruit, retain and promote the best associates because they are the real drivers of our success. · Our management team is very excited about the product and category innovations that you will see this year in our stores.

We intend to realize the full potential of our business model and generate substantial returns for our stakeholders. Our majority shareholders and our directors share my confidence in the tremendous potential of our business and they believe we have a winning formula.

Thank you for joining us today. We look forward to speaking with you again after our first quarter.

Operator

Once again, that does conclude today's call. We appreciate your participation and you may now disconnect.
