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BIG BUCK BREWERY & STEAKHOUSE INC

Form 10QSB

November 10, 2003

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

## **FORM 10-QSB**

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**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 28, 2003**

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**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number 0-20845**

## **BIG BUCK BREWERY & STEAKHOUSE, INC.**

(Exact Name of Small Business Issuer as Specified in Its Charter)

**Michigan**

(State or Other Jurisdiction  
of Incorporation or Organization)

**38-3196031**

(I.R.S. Employer  
Identification No.)

**550 South Wisconsin Street  
Gaylord, Michigan 49734  
(989) 731-0401**

(Address of Principal Executive Offices and Issuer's  
Telephone Number, including Area Code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No .

As of November 10, 2003, the issuer had outstanding 861,997 shares of common stock.

Transitional Small Business Disclosure Format:

Yes  No .

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**PART I**

ITEM 1                      Financial Statements

**BIG BUCK BREWERY & STEAKHOUSE, INC.**

**Consolidated Balance Sheets**



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	September 28, 2003 (Unaudited)	December 29, 2002
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 676,763	\$ 1,516,821
Accounts receivable	153,374	145,811
Inventories	131,468	216,428
Prepays and other	543,021	478,182
Total current assets	1,504,626	2,357,242
PROPERTY AND EQUIPMENT	18,532,465	21,237,757
ASSETS HELD FOR SALE	1,778,681	
OTHER ASSETS, net	492,027	534,982
	\$ 22,307,799	\$ 24,129,981
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 968,283	\$ 1,016,370
Accrued expenses	2,166,432	1,448,647
Current maturities of long-term obligations	19,091,358	16,311,999
Total current liabilities	22,226,073	18,777,016
LONG-TERM OBLIGATIONS, less current maturities		3,378,737
Total liabilities	22,226,073	22,155,753
MINORITY INTEREST	427,013	449,452
<b>SHAREHOLDERS EQUITY:</b>		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$0.01 par value, 10,000,000 shares authorized; 861,997 shares issued and outstanding	8,620	8,620
Additional paid-in capital	14,905,621	14,905,621
Accumulated deficit	(15,259,528)	(13,389,465)
Total shareholders equity	(345,287)	1,524,776
	\$ 22,307,799	\$ 24,129,981

The accompanying notes are an integral part of these financial statements.



**BIG BUCK BREWERY & STEAKHOUSE, INC.**

**Consolidated Statements of Operations**

**(Unaudited)**



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	Three Months Ended		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
<b>REVENUE:</b>				
Restaurant sales	\$ 3,733,606	\$ 4,175,807	\$ 11,176,276	\$ 12,546,630
Wholesale and retail sales	24,783	41,326	79,482	109,046
Total revenue	3,758,389	4,217,133	11,255,758	12,655,676
<b>COSTS AND EXPENSES:</b>				
Cost of sales	1,334,364	1,427,197	3,915,787	4,202,821
Restaurant salaries and benefits	1,059,711	1,095,167	3,100,624	3,259,271
Operating expenses	915,099	983,626	2,974,097	2,867,333
Depreciation	313,956	339,640	963,819	1,000,790
Preopening expenses and store development costs				19,930
General and administrative expenses	303,636	434,332	913,689	1,373,426
Total costs and expenses	3,926,766	4,279,962	11,868,016	12,723,572
<b>LOSS FROM OPERATIONS</b>	<b>(168,377)</b>	<b>(62,829)</b>	<b>(612,258)</b>	<b>(67,895)</b>
<b>OTHER EXPENSE:</b>				
Interest expense	(429,246)	(439,245)	(1,233,043)	(1,319,845)
Other expense/amortization of financing cost	(65,443)	(89,624)	(47,194)	(287,110)
Other expense, net	(494,689)	(528,869)	(1,280,237)	(1,606,955)
<b>LOSS BEFORE INCOME TAXES AND MINORITY INTEREST</b>	<b>(663,066)</b>	<b>(591,698)</b>	<b>(1,892,495)</b>	<b>(1,674,849)</b>
<b>INCOME TAX EXPENSE</b>				
<b>LOSS BEFORE MINORITY INTEREST</b>	<b>(663,066)</b>	<b>(591,698)</b>	<b>(1,892,495)</b>	<b>(1,674,849)</b>
<b>MINORITY INTEREST SHARE OF JOINT VENTURE</b>	<b>6,598</b>	<b>5,868</b>	<b>22,439</b>	<b>8,958</b>
<b>NET LOSS</b>	<b>\$ (656,468)</b>	<b>\$ (585,830)</b>	<b>\$ (1,870,056)</b>	<b>\$ (1,665,892)</b>
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	<b>\$ (0.76)</b>	<b>\$ (0.67)</b>	<b>\$ (2.17)</b>	<b>\$ (1.92)</b>
<b>OUTSTANDING WEIGHTED AVERAGE SHARES</b>	<b>861,997</b>	<b>870,683</b>	<b>861,997</b>	<b>869,595</b>

The accompanying notes are an integral part of these financial statements.

**BIG BUCK BREWERY & STEAKHOUSE, INC.**



**Consolidated Statements of Cash Flows**



**(Unaudited)**

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	Nine Months Ended	
	September 28, 2003	September 29, 2002
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,870,056)	\$ (1,665,892)
Adjustments to reconcile net loss to cash flows used in operating activities -		
Depreciation and amortization	996,990	1,236,846
Minority interest's share of joint venture	(22,439)	(8,958)
Interest paid for with common stock		
Consulting services paid for with common stock		
Change in operating assets and liabilities:		
Accounts receivable	(7,563)	211,028
Inventories	84,960	16,337
Prepays and other	(64,839)	(80,616)
Accounts payable	(48,087)	(1,229,164)
Accrued expenses	717,786	147,365
Net cash used in operating activities	(213,248)	(1,443,054)
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(21,618)	(473,710)
Increase in other assets	(5,814)	(99,571)
Net cash used in investing activities	(27,432)	(573,281)
<b>FINANCING ACTIVITIES:</b>		
Borrowings under long-term debt		5,550,000
Payments on long-term debt and capital lease obligations	(599,378)	(2,118,060)
Proceeds from sale of common stock		2,621
Repurchase of common stock		(19,355)
Payment of deferred financing costs		(17,775)
Net cash provided by (used in) financing activities	(599,378)	3,347,431
<b>INCREASE (DECREASE) IN CASH</b>	<b>(840,058)</b>	<b>1,331,096</b>
CASH, beginning of period	1,516,821	96,453
CASH, end of period	\$ 676,763	\$ 1,427,549
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 595,775	\$ 665,182
Income taxes paid		

The accompanying notes are an integral part of these financial statements.

**BIG BUCK BREWERY & STEAKHOUSE, INC.**

Condensed Notes to Financial Statements

September 28, 2003

(1) Basis of Financial Statement Presentation

The accompanying unaudited financial statements included herein have been prepared by Big Buck Brewery & Steakhouse, Inc. in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although Big Buck believes that the disclosures made are adequate to make the information not misleading.

The financial statements for the nine months ended September 28, 2003 include the results of operations for the joint venture described in Big Buck's Annual Report on Form 10-KSB for the fiscal year ended December 29, 2002.

The unaudited balance sheet as of September 28, 2003, the unaudited statements of operations for the three and nine months ended September 28, 2003 and September 29, 2002, and the unaudited statements of cash flows for the nine months ended September 28, 2003 and September 29, 2002 include, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the financial results for the respective interim periods and are not necessarily indicative of results of operations to be expected for the entire fiscal year ending December 28, 2003. The accompanying interim financial statements have been prepared under the presumption that users of the interim financial information have either read, or have access to, the audited financial statements and notes in Big Buck's Annual Report on Form 10-KSB for the fiscal year ended December 29, 2002. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the December 29, 2002 audited financial statements have been omitted from these interim financial statements. It is suggested that these interim financial statements should be read in conjunction with the financial statements and the notes thereto included in Big Buck's Annual Report on Form 10-KSB for the fiscal year ended December 29, 2002.

ITEM 2

Management's Discussion and Analysis or Plan of Operation

*The following discussion contains various forward-looking statements within the meaning of Section 21E of the Exchange Act. Although we believe that, in making any such statement, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in the following discussion, the words anticipates, believes, expects, intends, plans, estimates and similar expressions, as they relate to us or our management, are intended to identify such forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from those anticipated. Factors that could cause actual results to differ materially from those anticipated, certain of which are beyond our control, are set forth in this section under the caption Cautionary Statement.*

*Our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking statements. Accordingly, we cannot be certain that any of the events anticipated by forward-looking statements will occur or, if any of them do occur, what impact they will have on us. We caution you to keep in mind the cautions and risks described in our Cautionary Statement and to refrain from attributing undue certainty to any forward-looking statements, which speak only as of the date of the document in which they appear.*

**Overview**

We operate restaurant-brewpubs under the name Big Buck Brewery & Steakhouse. Until May 1995 when we opened our first unit in Gaylord, Michigan, we had no operations or revenues and our activities were devoted solely to development. In March 1997, we opened our second unit in Grand Rapids, Michigan, and in October 1997, we opened our third unit in Auburn Hills, Michigan, a suburb of Detroit. In August 2000, we opened our fourth unit in Grapevine, Texas, a suburb of Dallas. This unit is owned and operated by Buck & Bass pursuant to our joint venture agreement with Bass Pro.

Due to continued operating losses, we closed our Grand Rapids unit in September 2003. We encountered more difficulty than we expected in attracting customers to this urban location due to its distance from the expressway and significant retail development to the west of the city. We lease the Grand Rapids site from an entity owned by one of our significant shareholders, who is also the landlord of our Auburn Hills unit. The lease has a remaining term of approximately three and one-half years. Annual rental payments under the lease approximate \$140,000 plus property taxes and other occupancy expenses. The landlord has a lien on all of the personal property and fixtures on the premises as security for these payments. The landlord also has the right to require us to repurchase the premises for \$1.4 million plus \$70,000 for each year since April 1997 on a pro rata basis. We are in negotiations with our landlord regarding termination of the Grand Rapids lease; however, we cannot currently estimate what, if any, the total costs or losses will be as a result of the closing and termination of this lease. During fiscal year 2002, we recorded non-cash asset impairment charges of \$800,000 to write-down the building and improvements of the Grand Rapids unit.

For the foreseeable future, we plan to focus on the following objectives:

refinancing of existing indebtedness,

continued implementation of cost controls, and

increasing sales through additional marketing efforts.

Our future revenues and profits will depend upon various factors, including market acceptance of the Big Buck Brewery & Steakhouse concept and general economic conditions.

**Three and Nine Months Ended September 28, 2003 and September 29, 2002**

Our operating results, expressed as a percentage of total revenue, were as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
<b>REVENUE:</b>				
Restaurant sales	99.3%	99.0%	99.3%	99.1%
Wholesale and retail sales	0.7	1.0	0.7	0.9
<b>Total revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>COSTS AND EXPENSES:</b>				
Cost of sales	35.5	33.8	34.8	33.2
Restaurant salaries and benefits	28.2	26.0	27.5	25.8
Operating expenses	24.3	23.3	26.4	22.7
Depreciation	8.4	8.1	8.6	7.9
Preopening expenses and store development costs	0.0	0.0	0.0	0.2
General and administrative expenses	8.1	10.3	8.1	10.9
<b>Total costs and expenses</b>	<b>(104.5)</b>	<b>(101.5)</b>	<b>(105.4)</b>	<b>(100.7)</b>
<b>LOSS FROM OPERATIONS</b>	<b>(4.5)</b>	<b>(1.5)</b>	<b>(5.4)</b>	<b>(0.7)</b>
<b>OTHER EXPENSE:</b>				
Interest expense	(11.4)	(10.4)	(11.0)	(10.4)
Other expense/amortization of financing cost	(1.7)	(2.1)	(0.4)	(2.3)
Minority interest's share of joint venture	0.2	0.1	0.2	0.1
Other expense, net	(12.9)	(12.4)	(11.2)	(12.6)
<b>NET LOSS</b>	<b>(17.4)%</b>	<b>(13.9)%</b>	<b>(16.6)%</b>	<b>(13.2)%</b>

**Results of Operations for the Three and Nine Months Ended September 28, 2003 and September 29, 2002****Revenues**

Revenues decreased 10.9% to \$3,758,389 in the third quarter of 2003 from \$4,217,133 in the third quarter of 2002, and decreased 11.1% to \$11,255,758 for the first nine months of 2003 from \$12,655,676 for the first nine months of 2002. The decreases were mainly due to a weak economy and a three-month closure of the expressway exit ramp leading to our Auburn Hills unit. Increased advertising during the first nine months of 2003 has not yielded increased revenues to date. We believe that increased spending on marketing, including the use of a sustained,

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professionally managed marketing program, will increase revenues at our existing units. Due to continued operating losses, we closed our Grand Rapids unit on September 21, 2003.

### **Cost of Sales**

Cost of sales, which consists of food, merchandise and brewing supplies, decreased 6.5% to \$1,334,364 in the third quarter of 2003 compared to \$1,427,197 in the third quarter of 2002, and decreased 6.8% to \$3,915,787 for the first nine months of 2003 compared to \$4,202,821 for the first nine months of



2002. As a percentage of revenues, cost of sales increased to 35.5% in the third quarter of 2003 as compared to 33.8% in the third quarter of 2002, and increased to 34.8% in the first nine months of 2003 as compared to 33.2% in the first nine months of 2002. The increases as a percentage of revenues were due to a decrease in menu prices as part of an effort to be more price competitive.

#### **Restaurant Salaries and Benefits**

Restaurant salaries and benefits, which consist of restaurant management and hourly employee wages and benefits, payroll taxes and workers compensation insurance, decreased 3.2% to \$1,059,711 in the third quarter of 2003 compared to \$1,095,167 in the third quarter of 2002, and decreased 4.9% to \$3,100,624 in the first nine months of 2003 compared to \$3,259,271 in the first nine months of 2002. As a percentage of revenues, restaurant salaries and benefits increased to 28.2% in the third quarter of 2003 as compared to 26.0% in the third quarter of 2002, and increased to 27.5% in the first nine months of 2003 as compared to 25.8% in the first nine months of 2002. The increases as a percentage of revenues were due to increases in workers compensation insurance, health insurance and lower than anticipated sales.

#### **Operating Expenses**

Operating expenses, which include supplies, utilities, repairs and maintenance, advertising and occupancy costs, decreased 7.0% to \$915,099 in the third quarter of 2003 compared to \$983,626 in the third quarter of 2002, and increased 3.7% to \$2,974,097 for the first nine months of 2003 compared to \$2,867,333 for the first nine months of 2002. As a percentage of revenues, operating expenses increased to 24.3% in the third quarter of 2003 as compared to 23.3% in the third quarter of 2002, and increased to 26.4% in the first nine months of 2003 as compared to 22.7% in the first nine months of 2002. The increases were due to increases in insurance cost and marketing and advertising expense.

#### **Depreciation**

Depreciation expenses decreased 7.6% to \$313,956 in the third quarter of 2003 compared to \$339,640 in the third quarter of 2002, and decreased 3.7% to \$963,819 for the first nine months of 2003 compared to \$1,000,790 for the first nine months of 2002. As a percentage of revenues, these expenses increased to 8.4% in the third quarter of 2003 from 8.1% in the third quarter of 2002, and increased to 8.6% in the first nine months of 2003 as compared to 7.9% in the first nine months of 2002. Our depreciation expenses change as our assets become fully depreciated.

#### **Preopening Expenses and Store Development Costs**

Preopening expenses and store development costs consist of expenses incurred prior to the opening of a new unit, including but not limited to wages and benefits, relocation costs, supplies, advertising expenses and training costs. We incurred no preopening expenses and store development costs in the third quarter of 2003, the first nine months of 2003 or the third quarter of 2002. We incurred preopening expenses and store development costs of \$19,930 for the first nine months of 2002 in connection with the Nashville unit.

**General and Administrative Expenses**

General and administrative expenses decreased 30.1% to \$303,636 in the third quarter of 2003 compared to \$434,332 in the third quarter of 2002, and decreased 33.5% to \$913,689 for the first nine months of 2003 compared to \$1,373,426 for the first nine months of 2002. The decreases reflected a decrease in professional fees related to the cessation of legal proceedings involving the Nashville site and the Grapevine unit and a reduction in corporate overhead. As a percentage of revenue, these expenses decreased to 8.1% in the third quarter of 2003 as compared to 10.3% in the third quarter of 2002, and decreased to 8.1% in the first nine months of 2003 as compared to 10.9% in the first nine months of 2002.

### **Interest Expense**

Interest expense decreased 2.3% to \$429,246 in the third quarter of 2003 compared to \$439,245 in the third quarter of 2002, and decreased 6.6% to \$1,233,043 for the first nine months of 2003 compared to \$1,319,845 for the first nine months of 2002. The decreases reflected the repayment of the Crestmark Bank note in February 2002 and a lower variable interest rate on the loan from United Bank and Trust Company. As a percentage of revenues, interest expense increased to 11.4% in the third quarter of 2003 from 10.4% in the third quarter of 2002, and increased to 11.0% in the first nine months of 2003 as compared to 10.4% in the first nine months of 2002.

### **Other Expense / Amortization of Financing Cost**

Other expense / amortization of financing cost includes miscellaneous income and amortization expense. These expenses were \$65,443 in the third quarter of 2003 as compared to \$89,624 in the third quarter of 2002, and \$47,195 for the first nine months of 2003 as compared to \$287,110 for the first nine months of 2002.

### **Liquidity and Capital Resources**

#### *Overview*

We have not made any required debt service payments to Wayne County Employees Retirement System ( WCERS ) since September 2001. On February 1, 2003, the entire \$8,912,786 principal amount of the secured debt held by WCERS became due and payable. As of November 10, 2003, we had defaulted on approximately \$10.8 million of principal and interest payments to WCERS and \$650,000 of principal payments to holders of our convertible subordinated promissory notes. We cannot assure you that we will have sufficient financial resources to repay existing indebtedness or to continue operations.

We used approximately \$213,248 and approximately \$1.4 million in cash for operating activities during the first nine months of 2003 and the first nine months of 2002, respectively. We had working capital deficits of approximately \$20.7 million at September 28, 2003, and approximately \$10.1 million at September 29, 2002. During the first nine months of 2003 and the first nine months of 2002, we spent \$27,400 and \$0.5 million, respectively, for equipment. At the direction of WCERS, we have been making interest and principal payments to United Bank and Trust Company. We have been making interest only payments to the holders of our convertible subordinated promissory notes.

In general, we have experienced operating losses in each quarterly and annual period since inception. We incurred net losses of approximately \$0.7 million for the third quarter of 2003 and approximately \$0.6 million for the third quarter of 2002. As of September 28, 2003, we had an accumulated deficit of \$15.3 million. We currently depend upon our existing units for all of our revenues. We expect to incur significant losses for the foreseeable future. We will need to generate significant increases in our revenues to achieve and maintain profitability. If our revenues fail to grow or grow more slowly than we anticipate, or our operating expenses exceed our expectations, our losses could significantly increase, which would harm our business, operating results, cash flows and financial condition. In addition, our failure to become and remain profitable may adversely affect the market price of our securities and our ability to raise capital and continue operations. The reports of our independent public accountants for the years ended December 29, 2002 and December 30, 2001 include explanatory paragraphs expressing doubt about our

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ability to continue as a going concern. In addition, our securities were delisted from The Nasdaq SmallCap Market on October 7, 2002, which may adversely affect our ability to raise capital.

Since inception, our principal capital requirements have been the funding of (a) our operations and promotion of the Big Buck Brewery & Steakhouse format and (b) the construction of units and the acquisition of furniture, fixtures and equipment for such units. Total capital expenditures for the Gaylord, Grand Rapids

and Auburn Hills units were approximately \$6.2 million, \$3.2 million and \$10.2 million, respectively. Total capital expenditures of Buck & Bass for the Grapevine unit were approximately \$7.6 million. Pursuant to our joint venture agreement with Bass Pro, we funded approximately \$6.4 million of that cost, including our \$1.5 million loan to Buck & Bass.

*Financing activities*



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We did not raise funds through financing activities in the first nine months of 2003. In February 2002, we received a \$500,000 advance from WCERS to cover unpaid real estate taxes in Michigan. In March 2002, we obtained a loan from United Bank and Trust Company for \$5,000,000 which matures in March 2004. The collateral of this loan is a \$5,000,000 letter of credit from WCERS. Of the proceeds of such loan, we had used approximately \$4,427,500 through November 10, 2003, for the following purposes:

\$200,000 to terminate our lease of the Nashville site,

\$500,000 to repay the advance from WCERS,

\$1,000,000 to repay our indebtedness to Crestmark Bank,

\$825,000 to settle the dispute between Buck & Bass and the general contractor of the Grapevine unit,

\$616,500 to make principal and interest payments to United Bank and Trust Company,

\$108,000 to pay Columbia Construction Services, an entity controlled by one of our directors, Mark S. Provenzano, for services rendered in connection with the Nashville site,

\$163,000 to pay certain accounts payable,

\$273,000 to pay property taxes, and

\$742,000 for other working capital purposes.

*Additional financing is required for debt repayment*





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Without additional financing, our leveraged position, requirements for payments to the holders of our secured and subordinated debt and requirements for payments on our loan agreement may require us to liquidate all or a portion of our assets. We had working capital deficits of approximately \$20.7 million at September 28, 2003 and approximately \$10.1 million at September 29, 2002. As of November 10, 2003, we had outstanding (1) convertible secured debt aggregating \$7,408,789, (2) non-convertible secured debt aggregating \$5,123,487, and (3) convertible subordinated debt aggregating \$650,000. The outstanding convertible secured debt and \$1.5 million of the outstanding non-convertible secured debt matured on February 1, 2003. Of the outstanding convertible subordinated debt, \$100,000 matured in November 2000, \$300,000 matured in October 2001, \$50,000 matured in January 2002, \$100,000 matured in July 2002 and \$100,000 matured in December 2002. Our outstanding debt must be repaid in full as follows:

Type of Debt	Principal Amount	Repayment Required
Convertible Secured Debt	\$ 7,408,789	Immediate
Non-Convertible Secured Debt	\$ 1,500,000	Immediate
Non-Convertible Secured Debt	\$ 3,623,487	March 2004
Convertible Subordinated Debt	\$ 650,000	Immediate

To fund the maturity of our outstanding debt, we must obtain additional financing or refinance the debt. However, we cannot assure you that we will be able to obtain the required funds or refinance the debt, which could materially adversely affect our business, operating results, cash flows and financial condition.

*WCERS payment defaults and covenant violations*



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We have not made any required debt service payments to WCERS since September 2001. On February 1, 2003, the entire \$8,908,789 principal amount of the secured debt held by WCERS became due and payable. As of November 10, 2003, we had defaulted on approximately \$10.8 million of principal and interest payments to WCERS. We cannot assure you that we will have sufficient financial resources to repay existing indebtedness or to continue operations.

Among other things, we agreed with WCERS that (1) we would not create, incur or suffer to be created or incurred or to exist, any lien of any kind upon any of our property or assets of any character whether then owned or thereafter acquired, or upon the income or profits therefrom except for certain permitted liens, (2) we would keep and maintain tangible net worth plus subordinated debt in an amount not less than \$8.5 million, (3) we would keep and maintain a minimum debt coverage ratio of 1.25 to 1.0 (excluding Grapevine pre-opening and financing costs), (4) we would maintain our then current cash flow position, and (5) we would not permit the difference between our current assets and our current liabilities (other than subordinated debt) to be less than \$500,000. We have notified WCERS that we have violated each of the foregoing covenants. On April 3, 2001, we entered into a letter agreement with WCERS pursuant to which the foregoing covenants were modified to provide that (1) we must maintain tangible net worth plus subordinated debt in an amount not less than \$6.25 million and (2) we had until January 1, 2002 to meet all other covenants set forth in the loan documents (unless modified by the parties in writing). We have notified WCERS that we have violated each of the foregoing covenants. On April 1, 2002, we entered into a letter agreement with WCERS pursuant to which the foregoing covenants were modified to provide that (1) we must maintain tangible net worth plus subordinated debt in an amount not less than \$4.5 million and (2) we had until January 1, 2003 to meet all other covenants set forth in the loan documents (unless modified by the parties in writing). We have notified WCERS that we have violated each of the foregoing covenants.

Because we have not made timely payments of principal and interest on our indebtedness to WCERS and are in violation of various covenants, we are in default under our agreements with WCERS. As a result, WCERS may, by notice in writing to us, declare all amounts owing with respect to the agreements to be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which we previously waived. Our assets are, as a consequence, subject to foreclosure by WCERS. Foreclosure by WCERS would force us to cease all operations. We cannot assure you that we will be able to repay or refinance our indebtedness to WCERS or regain compliance with the amended covenants.

*Grapevine covenant violations*



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The failure of Buck & Bass to achieve the required gross sales, the existence in the past of encumbrances upon the subleased premises and the failure of Buck & Bass to perform quarterly customer satisfaction surveys give Bass Pro the ability to declare an event of default under the sublease, terminate the sublease and demand all unpaid and reasonably calculable future rent over the balance of the sublease term. Pursuant to the limited partnership agreement, a material default under the sublease would also entitle Bass Pro to purchase our interest in the joint venture at 40% of book value, thereby eliminating our interest in the Grapevine unit. The termination of the sublease or the elimination of our interest in the Grapevine unit would have a material adverse effect on our business, operating results, cash flows and financial condition.

*Site repurchase obligations and closure of Grand Rapids unit*

Because annual gross sales did not exceed \$1.5 million for the lease year ended April 2003, the lessor of the Grand Rapids unit obtained the right to require us to repurchase such site for \$1.4 million, plus \$70,000 for each lease year on a pro rata basis.

Due to continued operating losses, we closed our Grand Rapids unit in September 2003. We encountered more difficulty than we expected in attracting customers to this urban location due to its distance from the expressway and significant retail development to the west of the city. We lease the Grand Rapids site from an entity owned by one of our significant shareholders, who is also the landlord of our Auburn Hills unit. The lease has a remaining term of approximately three and one-half years. Annual rental payments under the lease approximate \$140,000 plus property taxes and other occupancy expenses. The landlord has a lien on all of the personal property and fixtures on the premises as security for these payments. We are in negotiations with our landlord regarding termination of the Grand Rapids lease.

Because annual gross sales did not exceed \$8.0 million for the fourth and fifth years of the lease term, the lessor of the Auburn Hills unit obtained the right to require us to repurchase such site for \$4.0 million, plus \$200,000 for each lease year on a pro rata basis.

If either lessor elects to exercise his option to require us to repurchase a site, we would be forced to repurchase such site at a premium over its sale price. We cannot assure you that we will have sufficient funds to repurchase either site. If we are required to repurchase a site and cannot do so, it would have a material adverse impact on our business, operating results, cash flows and financial condition.

*Limitations on ability to incur additional indebtedness*





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We granted the following security interests to WCERS in connection with its provision of certain debt financing:

a pledge of our limited partnership interest in Buck & Bass,

a pledge of our shares of the issued and outstanding common stock of BBBP Management Company, and

a security interest, assignment or mortgage, as applicable, in our interest in all assets now or hereafter owned, ownership interests, licenses, and permits, including, without limitation, a mortgage encumbering the Gaylord, Auburn Hills and Grand Rapids sites.

We also granted to WCERS a right of first refusal pursuant to which WCERS may, for so long as the approximately \$5.8 million promissory note is outstanding or WCERS owns more than 15% of our common stock, elect to purchase securities offered by us, within 45 days of the receipt of notice by WCERS, at the same price and on the same terms and conditions as are offered to a third party.

Our agreement with WCERS imposes limitations on our ability to incur additional indebtedness. We agreed that we would not create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any indebtedness, except for indebtedness incurred in the ordinary course of business not to exceed at any time \$1.5 million in the aggregate. Any indebtedness not in the ordinary course of business or in excess of \$1.5 million requires the approval of WCERS. These restrictions may impede our ability to secure financing for continued operations. Our failure to raise capital when needed would have a material adverse effect on our business, operating results, cash flows and financial condition.

*Liquidity plans*



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We seek to refinance our indebtedness to WCERS. We hope to refinance such indebtedness at lower interest rates. We also plan to continue searching for ways of reducing our operating costs, including reduced general and administrative expenses.

### **Seasonality**

Our operating results are expected to fluctuate based on seasonal patterns. Based on our existing units, we anticipate that our highest revenues will occur in the second and third calendar quarters due to the milder climate during those quarters in Michigan. Because of the effect of seasonality on our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year and cannot be used to indicate financial performance for a full fiscal year.

### **Cautionary Statement**



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*Big Buck Brewery & Steakhouse, Inc., or persons acting on our behalf, or outside reviewers retained by us making statements on our behalf, or underwriters of our securities, from time to time, may make, in writing or orally, forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. This Cautionary Statement, when used in conjunction with an identified forward-looking statement, is for the purpose of qualifying for the safe harbor provisions of the Litigation Reform Act and is intended to be a readily available written document that contains factors which could cause results to differ materially from such forward-looking statements. These factors are in addition to any other cautionary statements, written or oral, which may be made, or referred to, in connection with any such forward-looking statement.*

*The following matters, among others, may have a material adverse effect on our business, financial condition, liquidity, results of operations or prospects, financial or otherwise. Reference to this Cautionary Statement in the context of a forward-looking statement or statements shall be deemed to be a statement that any one or more of the following factors may cause actual results to differ materially from those in such forward-looking statement or statements.*

**We may be unable to repay current maturities of existing indebtedness, forcing us to liquidate all or a portion of our assets.**

*Overview*



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Without additional financing, our leveraged position, requirements for payments to the holders of our secured and subordinated debt and requirements for payments on our loan agreement may require us to liquidate all or a portion of our assets. We had working capital deficits of approximately \$20.7 million at September 28, 2003, and approximately \$10.1 million at September 29, 2002. As of November 10, 2003, we had outstanding (1) convertible secured debt aggregating \$7,408,789, (2) non-convertible secured debt aggregating \$5,123,487, and (3) convertible subordinated debt aggregating \$650,000. The outstanding convertible secured debt and \$1.5 million of the outstanding non-convertible secured debt matured on February 1, 2003. Of the outstanding convertible subordinated debt, \$100,000 matured in November 2000, \$300,000 matured in October 2001, \$50,000 matured in January 2002, \$100,000 matured in July 2002 and \$100,000 matured in December 2002.

To fund the maturity of the outstanding debt, we must obtain additional financing or refinance the debt. However, we cannot assure you that we will be able to obtain the required funds or refinance the debt, which could materially adversely affect our business, operating results, cash flows and financial condition.



*Convertible Secured and Non-Convertible Secured Debt*



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We have not made any required debt service payments to WCERS since September 2001. On February 1, 2003, the entire \$8,908,789 principal amount of the secured debt held by WCERS became due and payable. As of November 10, 2003, we had defaulted on approximately \$10.8 million of principal and interest payments to WCERS. We cannot assure you that we will have sufficient financial resources to repay existing indebtedness or to continue operations. As of November 10, 2003, we were also in violation of various covenants under our agreements with WCERS.

Because we have not made timely payments of principal and interest on our indebtedness to WCERS and are in violation of various covenants, we are in default under our agreements with WCERS. As a result, WCERS may, by notice in writing to us, declare all amounts owing with respect to the agreements to be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which we previously waived. Our assets are, as a consequence, subject to foreclosure by WCERS. Foreclosure by WCERS would force us to cease all operations. We cannot assure you that we will be able to repay or refinance our indebtedness to WCERS or regain compliance with the amended covenants.

In March 2002, we obtained a loan from United Bank and Trust Company for \$5.0 million which matures in March 2004. The collateral of this loan is a \$5.0 million letter of credit from WCERS. We cannot assure you that we will be able to repay our indebtedness to United Bank.

*Convertible Subordinated Promissory Notes*



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To fund the maturity of the outstanding convertible subordinated promissory notes, we must obtain additional financing or refinance the debt. However, we cannot assure you that we will be able to obtain the required funds or refinance the debt, which could materially adversely affect our business, operating results, cash flows and financial condition. As of November 10, 2003, our outstanding convertible subordinated promissory notes had the following terms and conditions:

Principal Amount	Date of Issuance	Maturity Date	Shares Issuable Upon Conversion	Conversion Price
\$ 100,000	10 08-99	10-07-01	9,523 \$	10.5000
\$ 100,000	11-17-99	11-01-00	5,890 \$	16.9764
\$ 100,000	01-19-00	10-01-01	14,285 \$	7.0000
\$ 100,000	12-04-00	10-01-01	14,285 \$	7.0000
\$ 50,000	01-27-00	01-01-02	9,784 \$	5.1100
\$ 100,000	07-20-01	07-20-02	16,496 \$	6.0620
\$ 100,000	12-11-01	12-11-02	27,793 \$	3.5980

Because we have not made timely payments of principal on this indebtedness, the note holders may declare all amounts owing to be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which we previously waived. We cannot assure you that we will be able to repay or refinance this indebtedness.

**We have incurred losses and we expect to incur substantial future losses. This may prevent us from raising capital and continuing operations.**

In general, we have experienced operating losses in each quarterly and annual period since inception. We incurred net losses of approximately \$0.7 million for the third quarter of 2003 and approximately \$0.6 million for the third quarter of 2002. As of September 28, 2003, we had an accumulated deficit of 15.3 million. We currently depend upon our existing units for all of our revenues. We expect to incur significant losses for the foreseeable future. We will need to generate significant increases in our revenues to achieve and

maintain profitability. If our revenues fail to grow or grow more slowly than we anticipate, or our operating expenses exceed our expectations, our losses could significantly increase, which would harm our business, operating results, cash flows and financial condition. In addition, our failure to become and remain profitable may adversely affect the market price of our securities and our ability to raise capital and continue operations. The reports of our independent public accountants for the years ended December 29, 2002 and December 30, 2001 include explanatory paragraphs expressing doubt about our ability to continue as a going concern.

**If we are unable to obtain additional capital or secure refinancing, we may be required to scale back or cease operations.**

If additional capital does not become available to us, we may be required to scale back or cease operations. We cannot assure you that we will be able to secure additional financing or refinancing. If we are able to obtain financing or refinancing, we cannot assure you that it will be on favorable or acceptable terms. To obtain additional financing, we anticipate that we will be required to sell additional debt or equity securities. New investors may seek and obtain substantially better terms than those available in connection with open market purchases and our issuance of securities in the future may result in substantial dilution. To obtain refinancing, we may be required to agree to certain negative covenants with which we may be unable to comply. In addition, our securities were delisted from The Nasdaq SmallCap Market on October 7, 2002, which may adversely affect our ability to raise capital.

Our agreement with WCERS imposes limitations on our ability to incur additional indebtedness. We agreed that we would not create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any indebtedness, except for indebtedness incurred in the ordinary course of business not to exceed at any time \$1.5 million in the aggregate. Any indebtedness not in the ordinary course of business or in excess of \$1.5 million requires the approval of WCERS. We also granted to WCERS a right of first refusal pursuant to which WCERS may, for so long as the approximately \$5.8 million promissory note is outstanding or WCERS owns more than 15% of our common stock, elect to purchase securities offered by us, within 45 days of the receipt of notice by WCERS, at the same price and on the same terms and conditions as are offered to a third party. These restrictions may impede our ability to secure financing for continued operations. Our failure to raise capital when needed would have a material adverse effect on our business, operating results, cash flows and financial condition.

**We cannot assure you that future operations of any unit will be profitable.**

Future revenues and profits, if any, will depend upon various factors, including:

the quality of restaurant and brewery operations,

the acceptance of our food and beer, and

general economic conditions.

We cannot assure you that we will ever operate profitably.

**You may have difficulty reselling your securities.**

Our securities are subject to certain rules of the SEC relating to penny stocks. Such rules require broker-dealers to make a suitability determination for purchasers and to receive the purchaser's prior written consent for a purchase transaction, thus restricting the ability to purchase or sell the securities in the open market. In addition, trading in our securities is conducted in the over-the-counter market on the OTC Bulletin Board, which was established for securities that do not meet Nasdaq listing requirements. Selling our securities may be difficult because of the quantity of securities that may be bought and sold, the possibility that transactions may be delayed, and the low level of security analyst and news media coverage given to over-the-

counter stocks. These factors could contribute to lower prices and larger spreads in the bid and asked prices for our securities.

**Our interest in the Grapevine unit may be reduced or eliminated by Bass Pro.**

The failure of Buck & Bass to achieve the required gross sales, the existence in the past of encumbrances upon the subleased premises and the failure of Buck & Bass to perform quarterly customer satisfaction surveys give Bass Pro the ability to declare an event of default under the sublease, terminate the sublease and demand all unpaid and reasonably calculable future rent over the balance of the sublease term. Pursuant to the limited partnership agreement, a material default under the sublease would also entitle Bass Pro to purchase our interest in the joint venture at 40% of book value, thereby eliminating our interest in the Grapevine unit. The termination of the sublease or the elimination of our interest in the Grapevine unit would have a material adverse effect on our business, operating results, cash flows and financial condition.

**If Buck & Bass is required to pay more than the minimum annual base rent for the Grapevine site, funds available to us for other purposes will be reduced.**

Pursuant to a commercial sublease agreement, Buck & Bass leases the Grapevine site from Bass Pro over a 15-year term. Buck & Bass is obligated to pay annual percentage rent in the amount of 5.5% on gross sales less than \$11.0 million per year and 6.5% on gross sales in excess of \$11.0 million per year; provided, however, that the minimum annual base rent is \$385,000. Bass Pro may terminate the sublease in the event of a default which is not cured within the applicable grace period. In March 2000, we agreed with Bass Pro in writing to revise the definition of default under the sublease. As amended, the sublease provides that a default includes, but is not limited to:

the failure of Buck & Bass to remain open during all business days,

the failure of Buck & Bass to maintain on duty a fully trained service staff,

the failure of Buck & Bass to provide high quality food of the type provided at our Gaylord unit,

the failure of Buck & Bass to achieve gross sales in the first full calendar year immediately following the opening and for each calendar year thereafter of \$7.0 million,

Buck & Bass encumbering in any manner any interest in the subleased premises, or



the failure of Buck & Bass to conduct full and complete customer surveys no less frequently than each calendar quarter.

The minimum annual base rent is required whether the Grapevine unit is profitable or not. If Buck & Bass is required to pay in excess of the minimum annual base rent, the funds available to us for other purposes will be reduced. In the event of a default and termination of the joint venture agreement, our interest in the Grapevine unit would be eliminated. This would have a material adverse effect on our business, operating results, cash flows and financial condition.

**If we are required to pay more than the minimum annual base rent for the Auburn Hills site, funds available to us for other purposes will be reduced.**

In August 1997, we entered into a real estate purchase and leaseback agreement providing for the sale of the Auburn Hills site to one of our shareholders, Michael G. Eyde, for \$4.0 million. We lease the Auburn Hills site pursuant to a separate lease agreement which provides for a minimum annual base rent of \$400,000, and a maximum annual base rent of \$550,000, over a 25-year term. The lease may be extended at our option

for up to two additional ten-year terms. In addition to the annual base rent, we are obligated to pay annual percentage rent of 5.25% of gross sales at the site in excess of \$8.0 million per year.

Annual percentage rent is required whether or not such unit is profitable. If we are required to pay annual percentage rent, the funds available to us for other purposes will be reduced.

**If we default and the lessor of the Auburn Hills site terminates the lease, we would be unable to continue operating such unit.**

The Auburn Hills lessor may terminate in the event of a default which is not cured within the applicable grace period. A default is defined as:

our failure to make a rental payment within 30 days after receipt of written notice that a payment is past due, or

our failure to perform our obligations under the lease, other than rent payments, within 30 days after written notice of a curable violation;

provided, however, that if such default cannot be cured within the 30-day period, a default will be deemed to have occurred only if we have failed to commence a cure within such 30-day period. In the event of a default and termination of the lease, we would be unable to continue operating such unit, which would have a material adverse effect on our business, operating results, cash flows and financial condition.

**If we are required to repurchase the Grand Rapids site, we cannot assure you that we will have sufficient funds to do so. If we are required to repurchase the Auburn Hills site and cannot do so, we would be unable to continue operating such unit.**

Because annual gross sales did not exceed \$1.5 million for the lease year ended April 2003, the lessor of the Grand Rapids unit obtained the right to require us to repurchase such site for \$1.4 million, plus \$70,000 for each lease year on a pro rata basis.

Due to continued operating losses, we closed our Grand Rapids unit in September 2003. We encountered more difficulty than we expected in attracting customers to this urban location due to its distance from the expressway and significant retail development to the west of the city. We lease the Grand Rapids site from an entity owned by one of our significant shareholders, who is also the landlord of our Auburn Hills unit. The lease has a remaining term of approximately three and one-half years. Annual rental payments under the lease approximate \$140,000 plus property taxes and other occupancy expenses. The landlord has a lien on all of the personal property and fixtures on the premises as security for these payments. We are in negotiations with our landlord regarding termination of the Grand Rapids lease.

Because annual gross sales did not exceed \$8.0 million for the fourth and fifth years of the lease term, the lessor of the Auburn Hills unit obtained the right to require us to repurchase such site for \$4.0 million, plus \$200,000 for each lease year on a pro rata basis.

If either lessor elects to exercise its option to require us to repurchase a site, we would be forced to repurchase such site at a premium over its sale price. We cannot assure you that we will have sufficient funds to repurchase either site. If we are required to repurchase a site and cannot do so, it would have a material adverse impact on our business, operating results, cash flows and financial condition.

**We may be unable to compete with larger, better-established restaurant competitors.**

The restaurant industry is highly competitive with respect to price, service, location and food quality, including taste, freshness and nutritional value. New restaurants have a high failure rate. New restaurants

generally experience a decline in revenue growth, or in actual revenues, following a period of excitement that accompanies their opening. The restaurant industry is also generally affected by changes in consumer preferences, national, regional and local economic conditions, and demographic trends. The performance of individual restaurants may also be affected by factors such as traffic patterns, demographic considerations, and the type, number and location of competing restaurants. In addition, factors such as inflation, increased food, labor and employee benefit costs, and the unavailability of experienced management and hourly employees may also adversely affect the restaurant industry in general and our units in particular. Restaurant operating costs are further affected by increases in the minimum hourly wage, unemployment tax rates and similar matters over which we have no control. We face numerous well-established competitors, including national, regional and local restaurant chains, possessing substantially greater financial, marketing, personnel and other resources than we do. We also compete with a large variety of locally owned restaurants, diners and other establishments that offer moderately priced food to the public and with other brewpubs. Competitors could utilize the Big Buck Brewery & Steakhouse format or a related format. We cannot assure you that we will be able to respond to various competitive factors affecting the restaurant industry.

**If we are unable to comply with applicable restaurant regulations, we will be unable to operate; compliance with such regulations may increase our operating expenses.**

The restaurant industry is subject to numerous federal, state and local government regulations, including those relating to the preparation and sale of food and those relating to building and zoning requirements. We are subject to regulation by air and water pollution control divisions of the Environmental Protection Agency of the United States and by certain states and municipalities in which our units are located. We are also subject to laws governing our relationship with our employees, including minimum wage requirements, overtime, working and safety conditions and citizenship requirements. Restaurant operating costs are affected by increases in the minimum hourly wage, unemployment tax rates, sales taxes and similar matters, such as any government-mandated health insurance, over which we have no control.

**Our operations depend upon obtaining and maintaining governmental licenses and permits required for brewing and selling beer.**

A significant percentage of our revenue is derived from beer sales. Total sales of alcohol, including beer, wine and hard liquor, accounted for 22.1% of our revenues during the third quarter of 2003. We must comply with federal licensing requirements imposed by the United States Department of Treasury, Alcohol and Tobacco Tax and Trade Bureau, as well as the licensing requirements of states and municipalities where our units are located. Our failure to comply with federal, state or local regulations could cause our licenses to be revoked and force us to cease brewing and selling our beer. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time.

**We may face liability under dram-shop laws.**

We are subject to dram-shop laws in Michigan and Texas. These laws generally provide someone injured by an intoxicated person the right to recover damages from the establishment that wrongfully served alcoholic beverages to such person. We carry liquor liability coverage as part of our existing comprehensive general liability insurance. However, a judgment against us under a dram-shop statute in excess of our liability coverage could have a material adverse effect on our business, operating results, cash flows and financial condition.

**We must pay federal and state excise taxes on our beer; we may be unable to retain the credits that help us to offset part of such taxes.**

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It is possible that the effective rate of excise taxation could be increased by either federal or state governments, or both. Increased excise taxes on alcoholic beverages have been considered by the federal government as an additional source of tax revenue in connection with various proposals and could be included

in future legislation. Future increases in excise taxes on alcoholic beverages or the elimination of small brewer rate reductions, if enacted, could adversely affect our business, operating results, cash flows and financial condition.

**Our management possesses significant control which could reduce your ability to receive a premium for your securities through a change in control.**

As of September 30, 2003, our officers and directors beneficially owned approximately 43.4% of our outstanding common stock. Accordingly, such persons, if they act in concert, can:

exert substantial influence over the composition of our board of directors,

generally direct our affairs, and

generally control the outcome of shareholder approvals of business acquisitions, mergers and combinations and other actions.

We are also subject to Michigan statutes regulating business combinations and restricting voting rights of certain persons acquiring shares of common stock which may hinder or delay a change in control.

**Fluctuations in our operating results may result in decreases in the market price of our securities.**

Our sales and earnings are expected to fluctuate based on seasonal patterns. Based on our existing units, we anticipate that our highest sales will occur in the second and third calendar quarters due to the milder climate during those quarters in Michigan. Because of the effect of seasonality on our business, results for any quarter are not necessarily indicative of the results for a full fiscal year.

**You may not be able to sell our securities at the same price at which you purchase our securities due to significant volatility in the market price of our securities.**

The market price of our common stock has been subject to significant fluctuations in response to numerous factors, including:

variations in our annual or quarterly financial results or those of our competitors,

conditions in the economy in general or in the brewing industry in particular,

unfavorable publicity, and

changes in applicable laws and regulations, or judicial or administrative interpretations thereof, affecting us or the brewing industry.

We cannot assure purchasers of our securities that they will be able to sell such securities at or above the prices at which they were purchased. In addition, our securities were delisted from The Nasdaq SmallCap Market on October 7, 2002, which may adversely affect the liquidity of our securities.

**The sale of additional securities may be dilutive to existing security holders.**

We had 861,997 shares of common stock outstanding as of November 10, 2003. On that date, we also had warrants, stock options, convertible debt and other rights outstanding to purchase an additional 683,696 shares of common stock, exercisable at prices ranging from \$0.28 to \$36.75 per share. We have also registered certain shares of our common stock for resale on the public market. The sale of such shares, and the sale of additional shares which may become eligible for sale in the public market from time to time upon the exercise

of warrants, stock options, convertible debt and other rights, may be dilutive to existing security holders and could have the effect of depressing the market price of our securities.

ITEM 3                      Controls and Procedures

We maintain a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed, is accumulated and communicated to management timely. At the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer (who also serves as our Chief Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our Chief Executive Officer concluded that our disclosure controls and procedures are effective in timely alerting him to material information relating to our company required to be disclosed in our periodic filings with the SEC.

During our most recent fiscal quarter, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



**PART II** **OTHER INFORMATION**

ITEM 1 Legal Proceedings

We were not a party to any material litigation as of November 10, 2003.

ITEM 2 Changes in Securities

Not applicable.

ITEM 3 Defaults upon Senior Securities

We have not made any required debt service payments to Wayne County Employees Retirement System ( WCERS ) since September 2001. On February 1, 2003, the entire \$8,912,786 principal amount of secured debt held by WCERS became due and payable. As of November 10, 2003, we had defaulted on approximately \$10.8 million of principal and interest payments to WCERS and \$650,000 of principal payments to holders of our convertible subordinated promissory notes.

Because we have not made timely payments of principal and interest on our indebtedness to WCERS and are in violation of various covenants, we are in default under our agreements with WCERS. As a result, WCERS may, by notice in writing to us, declare all amounts owing with respect to the agreements to be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which we previously waived. Our assets are, as a consequence, subject to foreclosure by WCERS. Foreclosure by WCERS would force us to cease all operations. We cannot assure you that we will be able to repay or refinance our indebtedness to WCERS or regain compliance with the amended covenants.

For more information regarding our payment and other defaults, please review Management s Discussion and Analysis or Plan of Operation Liquidity and Capital Resources.

ITEM 4 Submission of Matters to a Vote of Security Holders

Not applicable.

ITEM 5 Other Information

Not applicable.

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibits

See Index to Exhibits.

(b) Reports on Form 8-K

The registrant filed a Current Report on Form 8-K on September 22, 2003, relating to the closure of its Grand Rapids, Michigan location. The registrant filed no other Current Reports on Form 8-K during the third quarter of 2003.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIG BUCK BREWERY & STEAKHOUSE, INC.

Date: November 10, 2003

By

/s/ Anthony P. Dombrowski  
Anthony P. Dombrowski  
President, Chief Executive Officer,  
Chief Financial Officer and Treasurer

**INDEX TO EXHIBITS**

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<b>Exhibit Number</b>	<b>Description</b>
31	Certification Pursuant to Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.