NOVADEL PHARMA INC
Form 10-Q
November 01, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

or

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

For the transition period from _________ to _________.

COMMISSION FILE NO. 001-32177

NOVADEL PHARMA INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-2407152**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1200 ROUTE 22 EAST, SUITE 2000, BRIDGEWATER, NEW JERSEY 08807

(Address of principal executive offices) (Zip Code)

(908) 203-4640

Registrant s telephone number, including area code

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 25, 2011, the issuer had 134,890,615 shares of common stock, $0.001 par value, outstanding.

NovaDel Pharma Inc.

Form 10-Q

For the Quarterly Period Ended September 30, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NovaDel Pharma Inc.

Condensed Balance Sheets

	September 30, 2011 (unaudited)	December 31, 2010 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$ 429,000	$ 900,000
Receivables		744,000
Prepaid expenses and other current assets	70,000	346,000
Total current assets	499,000	1,990,000
Property and equipment, net	144,000	221,000
Other assets	7,000	7,000
Total assets	$ 650,000	$ 2,218,000
Liabilities and stockholders deficiency		
Current liabilities:		
Accounts payable	$ 339,000	$ 356,000
Accrued expenses and other current liabilities	172,000	146,000
Derivative liability	1,744,000	611,000
Current portion of deferred revenue	259,000	3,259,000
Total current liabilities	2,514,000	4,372,000
Non-current portion of deferred revenue	6,495,000	3,689,000
Total liabilities	9,009,000	8,061,000
Commitments and contingencies		
Stockholders deficiency:		
Preferred stock, $0.001 par value, 1,000,000 shares authorized, none issued and outstanding at September 30, 2011 and December 31, 2010, respectively		
Common stock, $0.001 par value, 750,000,000 shares authorized, 134,890,615 and 98,681,029 shares issued at September 30, 2011 and December 31, 2010, respectively	135,000	99,000
Additional paid-in capital	83,369,000	79,496,000
Accumulated deficit	(91,857,000)	(85,432,000)
Treasury stock, at cost, 3,012 shares	(6,000)	(6,000)
Total stockholders deficiency	(8,359,000)	(5,843,000)
Total liabilities and stockholders deficiency	$ 650,000	$ 2,218,000

See accompanying notes.

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NovaDel Pharma Inc.

Condensed Statements of Operations

(Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenue				
Royalties	$ 50,000	$	$ 177,000	$
Milestone fees				62,000
License fees	65,000	66,000	195,000	199,000
Total revenue	115,000	66,000	372,000	261,000
Operating expenses:				
Research and development	357,000	1,011,000	1,389,000	2,017,000
General and administrative	565,000	578,000	1,950,000	2,365,000
Total operating expenses	922,000	1,589,000	3,339,000	4,382,000
Loss from operations	(807,000)	(1,523,000)	(2,967,000)	(4,121,000)
Other income (expense):				
Change in derivative liability	1,979,000	210,000	5,663,000	391,000
Change in conversion feature liability			27,000	
Interest expense			(9,148,000)	(1,000)
Interest income		1,000		1,000
Total other income (expense)	1,979,000	211,000	(3,458,000)	391,000
Net income (loss)	$ 1,172,000	$ (1,312,000)	$ (6,425,000)	$ (3,730,000)
Basic and diluted earnings (loss) per common share	$ 0.01	$ (0.01)	$ (0.05)	$ (0.04)
Weighted average common shares outstanding basic	134,628,658	97,918,458	122,252,393	94,786,590
Weighted average common shares outstanding diluted	141,903,070	97,918,458	122,252,393	94,786,590

See accompanying notes.

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NovaDel Pharma Inc.

Condensed Statement of Changes in Stockholders Deficiency

(Unaudited)

	Common Stock		Additional	Accumulated	Treasury	Total Stockholders
	Shares	Amount	Paid-In Capital	Deficit	Stock	Deficiency
Balance, December 31, 2010	98,681,029	$ 99,000	$ 79,496,000	$ (85,432,000)	$ (6,000)	$ (5,843,000)
Share-based compensation expense			168,000			168,000
Conversion of convertible preferred stock	30,987,052	31,000	3,188,000			3,219,000
Warrants exercised	5,273,406	5,000	474,000			479,000
Warrants issued			52,000			52,000
Restricted stock retired	(50,872)		(9,000)			(9,000)
Net loss for the nine month period				(6,425,000)		(6,425,000)
Balance, September 30, 2011	134,890,615	$ 135,000	$ 83,369,000	$ (91,857,000)	$ (6,000)	$ (8,359,000)

See accompanying notes.

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NovaDel Pharma Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2011	**2010**
Operating activities		
Net loss	$ (6,425,000)	$ (3,730,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	159,000	430,000
Depreciation and amortization	77,000	77,000
Change in derivative liability	(5,663,000)	(391,000)
Change in conversion feature liability	(27,000)	
Interest expense	9,148,000	
Changes in operating assets and liabilities:		
Receivables	744,000	
Other assets		12,000
Prepaid expenses and other current assets	276,000	1,034,000
Accounts payable	(17,000)	6,000
Accrued expenses and other current liabilities	27,000	(10,000)
Deferred revenue	(194,000)	(199,000)
Net cash used in operating activities	(1,895,000)	(2,771,000)
Investing activities		
Return of lease deposits		17,000
Net cash provided by investing activities		17,000
Financing activities		
Net proceeds from exercise of warrants	187,000	
Net proceeds from issuance of common stock and warrants		1,514,000
Net proceeds from issuance of convertible preferred stock and warrants	1,237,000	
Payments of capital lease obligations		(14,000)
Net cash provided by financing activities	1,424,000	1,500,000
Net decrease in cash and cash equivalents	(471,000)	(1,254,000)
Cash and cash equivalents at beginning of period	900,000	2,663,000
Cash and cash equivalents at end of period	$ 429,000	$ 1,409,000
Supplemental disclosure of cash flow information		
Common stock issued from convertible preferred stock conversion	$ 3,219,000	
Additional paid in capital for exercised warrants	$ 292,000	
Placement agent warrants issued	$ 52,000	
Derivative liability		$ 913,000
Cash paid for interest		$ 1,000

See accompanying notes.

NovaDel Pharma Inc.

Notes to Condensed Financial Statements

(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited condensed financial statements of NovaDel Pharma Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accrual adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for other quarters or the year ending December 31, 2011. The December 31, 2010 condensed balance sheet was derived from audited financial statements but does not include all disclosures required by GAAP and included in the Form 10-K filing. For more complete information, these unaudited condensed financial statements and the notes thereto should be read in conjunction with the audited financial statements for the year ended December 31, 2010 included in our Form 10-K filed with the Securities and Exchange Commission. References in this report to NovaDel, Company, we, us, and our refer to NovaDel Pharma Inc.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Note 2 The Company

NovaDel Pharma Inc. is a specialty pharmaceutical company that develops oral spray formulations of marketed pharmaceutical products. Our patented oral spray drug delivery technology seeks to improve the efficacy, safety, patient compliance, and patient convenience for a broad range of prescription medications.

Note 3 Liquidity and Going Concern

Our independent registered public accounting firm has included an explanatory paragraph in their report on our 2010 financial statements related to the uncertainty and substantial doubt of our ability to continue as a going concern.

As of September 30, 2011, we had cash and cash equivalents of $429,000, negative working capital of $2.0 million, and an accumulated deficit of $91.9 million. Based on our operating plan, we expect that our existing cash and cash equivalents will fund our operations only through December 31, 2011.

These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements have been prepared assuming that we will continue as a going concern. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business.

Our management plans to address the expected shortfall of working capital by securing additional funding through equity financings, strategic alternatives or similar transactions. There can be no assurance that we will be able to obtain any sources of funding. If we are unsuccessful in securing funding from any of these sources, we will likely file for bankruptcy.

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Note 4 Earnings or Loss Per Share

Basic earnings and loss per share is calculated by dividing the net earnings or loss by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing the net earnings by the weighted average number of common shares and the dilutive effect of common share equivalents outstanding for the period. For the purposes of this calculation, restricted stock, stock options and warrants are considered to be common share equivalents, and are determined using the treasury stock method. Common share equivalents are only included in the calculation of diluted earnings or loss per share when their effect is dilutive. There is no difference between basic loss per share and diluted loss per share, because the effect on the earnings per share is anti dilutive for the nine months ended September 30, 2010 and 2011 and the three months ended September 30, 2010. The Company had a profit of $1,172,000 for the three months ended September 30, 2011, and, therefore, the effect of an additional 7.3 million warrants would be dilutive to earnings per share. The computed effect is $0.00 resulting in dilutive earnings per share of $0.01. For the three and nine months ended September 30, 2011, the number of restricted stock, stock options and warrants not included in the computation totaled 75 million and 102 million, respectively. In both the three and nine months ended September 30, 2010 the number of restricted stock, stock options and warrants not included in the computation totaled 33.3 million.

Note 5 Convertible Preferred Stock

On February 14, 2011, we completed a public offering of 1,667 shares of our convertible preferred stock at a price of $1,000 per share, with an original issue discount of 4%, for gross proceeds of $1.6 million. The convertible preferred stock was convertible into 16,670,000 shares of common stock at a conversion price of $0.10 per share. The conversion price was also subject to adjustment if the Company issued equity securities (other than certain excluded securities) at a price per share less than the conversion price, such that the conversion price would equal the price per share of such equity securities. The convertible preferred stock was subject to automatic conversion, subject to the satisfaction of certain customary equity conditions, in four equal monthly installments commencing with March 17, 2011. The conversion price on each automatic conversion date was equal to the lower of (i) the conversion price then in effect or (ii) 85% of the average of the three lowest closing bid prices of the Company s common stock during the 20 trading day period prior to automatic conversion date. The Company could elect, at its option but subject to the satisfaction of certain conditions, to redeem the shares of convertible preferred stock in lieu of an automatic conversion occurring.

The estimated fair value of the convertible preferred stock and related conversion feature at issuance was $3,250,000. In accordance with FASB ASC 815 *Derivatives and Hedging,* the original fair value of the embedded conversion feature of $1,579,000 has been recorded as conversion feature liability. The original fair value was computed using the Black-Scholes model under the following assumptions: (1) expected life of .33 years; (2) volatility of 116%; (3) risk free interest of 2.26%, and (4) dividend rate of 0%. In addition, the Company is required to report the conversion liability at fair value and record the fluctuation to the fair value of the conversion feature liability to current operations.

As convertible preferred stock converted into common stock, the Company reduces the fair value of the conversion feature attributable to the convertible preferred shares converted and records the value as additional paid in capital. During the six months ended June 30, 2011, the Company recognized the remaining $962,000 of the conversion feature liability in connection with the remaining shares that were converted.

The change in the fair value of the conversion feature liability resulted in a net gain of $27,000 for the nine month period ended September 30, 2011. The fair value of conversion feature outstanding at September 30, 2011 was $0 since all of the remaining shares were converted through June 30, 2011.

The investors also received Series PA Warrants, with a 5 year term from its initial exercise date, to purchase up to 16,670,000 shares of common stock at an exercise price of $0.15 per share; Series PB Warrants, with a 1 year term, to purchase up to 16,670,000 shares of common stock at an exercise price of $0.10 per share; and Series PC Warrants, with a 5 year term from its initial exercise date, to purchase up to 16,670,000 shares of common stock at an exercise price of $0.15 per share. The Series PC Warrants may be exercised by the investors only to the extent and in the same percentage that the investors exercise its Series PB Warrants. The Series PB Warrants are immediately exercisable, while the other warrants are only exercisable after June 8, 2012. As discussed in Note 6, the Company estimated the fair value of the Series PA, PB and PC Warrants on the grant date of February 14, 2011 to be $7,087,000.

The original fair value of the embedded conversion feature of $1,579,000, the original fair value of the warrants of $7,087,000 and the original issue discount of $67,000 were recorded as discounts to the convertible preferred stock. As a result, the value of the convertible preferred stock liability was reduced to zero. Discounts exceeding the fair value of the convertible preferred stock of $7,066,000 were recorded as interest expense. The discounts to the convertible preferred stock are accreted to interest expense as the convertible preferred stock is converted into common shares. The discount accreted to interest expense for the three month and nine month periods ended September 30, 2011 was $0 and $1,667,000, respectively.

In addition, the Company incurred $415,000 of direct costs including warrants issued to our placement agent as part of their compensation for the transaction. The warrants allow for the purchase of up to 333,400 shares of our common stock at an exercise price of $0.15 per share, are only exercisable after June 8, 2012, and expire on June 8, 2017. The fair value of placement agent warrants were computed using the Black-Scholes model under the following assumptions: (1) expected life of 5 years; (2) volatility of 116%, (3) risk free interest of 2.26%, and (4) dividend rate of 0%. The fair value of the warrants was $52,000. The placement agent warrants do not contain provisions that would require liability classification in accordance with ASC 815 *Derivatives and Hedging*. The direct costs are recorded as convertible preferred stock issuance costs in other assets. The convertible preferred stock issuance costs are amortized to interest expense as the convertible preferred stock is converted into common stock. Total costs amortized to interest expense for the three month and nine month periods ended September 30, 2011 were $0 and $415,000, respectively.

Between February 2011 and June 2011, the 1,667 shares of the convertible preferred stock were converted into 30,987,052 shares of common stock. As of September 30, 2011, no shares of convertible preferred stock were outstanding.

Note 6 Derivative Liability

ASC 815 *Derivatives and Hedging* provides guidance to determine what types of instruments, or embedded features in an instrument, are to be considered derivatives. This guidance can affect the accounting for warrants and other convertible instruments that contain provisions to protect holders from a decline in the stock price, or down-round provisions. Down-round provisions reduce the exercise price of a warrant or convertible instrument if a company either issues equity shares for a price that is lower than the exercise price of those instruments, or issues new warrants or convertible instruments that have a lower exercise price. We have determined that the following warrants contain such provisions and should be treated as derivative liabilities.

Warrant	Exercise Price	Number of Warrants	Expiration Date	Fair Value September 30, 2011
Series A	$ 0.04	26,859,369	March, 31, 2015	$ 810,000
Series PA	$ 0.15	16,670,000	June 8, 2017	447,000
Series PB	$ 0.10	16,670,000	Feb 14, 2012	40,000
Series PC	$ 0.15	16,670,000	June 8, 2017	447,000
Total				$ 1,744,000

The Company estimated the fair value of the Series PA, PB and PC Warrants on the grant date of February 14, 2011 to be $7,087,000. As discussed in Note 5, the Company immediately recognized the value of the warrants that exceeded the fair value of the convertible preferred stock as interest expense and recorded a corresponding derivative liability. As of September 30, 2011, the fair value of the warrants deemed to be derivatives was $1,744,000, as compared to the December 31, 2010 fair value of $611,000, resulting in a reduction in the derivative liability and a corresponding recognition of $5,663,000 in gain in the change in derivative liability for the nine months ended September 30, 2011. In addition, the derivative liability was reduced related to warrant exercises by $292,000 with a corresponding increase in additional paid-in capital.

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On May 31, 2011, the Company amended the Series PA and PC Warrants issued in February 2011 to extend the initial exercise date of such warrants to the date that is one year and one day from the effective date of the Company s Post-Effective Amendment No. 2 to the Registration Statement on Form S-1. As a result, the initial exercise date of the Series PA and PC Warrants was amended from February 14, 2012 to June 8, 2012. Since the Series PA and PC Warrants are exercisable for a period of five years from the initial exercise date, the expiration date of the Series PA and PC Warrants automatically adjusted to June 8, 2017 in connection with such amendment. The accounting impact associated with this modification was evaluated in accordance with ASC 815 *Derivatives and Hedges* and it was determined that no accounting charge was needed.

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of these derivative instruments. The Company considers them to be Level 2 type instruments in accordance with ASC 820-10 *Fair Value Measurements and Disclosures* as the inputs used to estimate their value are observable either directly or indirectly. The risk-free interest rate assumptions were based upon the observed interest rates appropriate for the remaining contractual term of the instruments. The expected volatility assumptions were based upon the historical volatility of the Company s common stock. The expected dividend yield was assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The expected term assumptions were based upon the remaining contractual terms of these instruments.

The Company values its financial assets and liabilities on a recurring basis and effective January 1, 2009 certain nonfinancial assets and nonfinancial liabilities on a nonrecurring basis based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial liabilities carried at fair value on a recurring basis at September 30, 2011 and December 31, 2010 are classified in the tables below in one of the three categories described above:

	September 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative liability		$ 1,744,000		$ 1,744,000

	December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative liability		$ 611,000		$ 611,000

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The assumptions used in the September 30, 2011 fair value measurement of warrants are as follows:

	Series A	Series PA & PC	Series PB
Discount Rate	1.02%	1.02%	1.02%
Volatility	125%	125%	125%
Expected Term	3.5 years	4.69 years	0.38 years
Dividend Yield	0%	0%	0%

The assumptions used in the February 14, 2011 fair value measurement of warrants are as follows:

	Series PA & PC	Series PB
Discount Rate	2.26%	2.26%
Volatility	116%	116%
Expected Term	5 years	1 year
Dividend Yield	0%	0%

Note 7 Revenue from Licensing Agreements

Royalty payments are recognized on sale of the related product, provided the royalty amounts are fixed and determinable, and collection of the related receivable is probable.

As of September 30, 2011, the Company has the following deferred revenue from licensing agreements:

	Total	Current	Non Current
Hi-Tech Pharmacal Co., Inc.	$ 3,000,000	$	$ 3,000,000
BioAlliance Pharma SA	2,481,000	154,000	2,327,000
Velcera, Inc.	973,000	75,000	898,000
Other	300,000	30,000	270,000
Totals	$ 6,754,000	$ 259,000	$ 6,495,000

Hi-Tech Pharmacal Co., Inc. In November 2009, we entered into an exclusive license and distribution agreement with Hi-Tech Pharmacal Co., Inc., through its wholly owned subsidiary ECR Pharmaceuticals Company, Inc., to commercialize and manufacture Zolpimist® in the United States and Canada. Under the terms of the agreement, we received an upfront payment of $3,000,000. The upfront payment has been included in deferred revenue, and the remaining contractual deliverable is not expected in the next twelve months.

BioAlliance Pharma SA In May 2008, we entered into an exclusive license and supply agreement with BioAlliance Pharma SA to develop and commercialize Zensana in Europe. Under the terms of the agreement, we received an upfront fee of $3,000,000. The upfront fee has been included in deferred revenue, and it is being recognized as revenue over the nineteen and one half-year term of the agreement.

Velcera, Inc. In June 2004, we entered into an exclusive worldwide license agreement with Velcera, Inc. to develop and commercialize our patented oral spray drug delivery technology for animals. Under the terms of the agreement, we received an upfront license fee of $1,500,000 in September 2004. The upfront license fee has been included in deferred revenue, and it is being recognized as revenue over the twenty year term of the agreement.

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Note 8 Share-Based Compensation

The Company recorded share-based compensation expense of $42,000 and $159,000 for the three and nine months ended September 30, 2011, and $107,000 and $430,000 for the three and nine months ended September 30, 2010. We will continue to incur share-based compensation charges in future periods. As of September 30, 2011, unamortized share-based compensation expense of $200,000 remains to be recognized, which is comprised of $34,000 related to non-performance based stock options to be recognized over a weighted average period of .26 years, and $166,000 related to performance-based stock options which vest upon reaching certain milestones. Expenses related to the performance-based stock options will be recognized if and when the Company determines that it is probable that the milestone will be reached. No options were exercised during the nine month periods ended September 30, 2011 and 2010.

During the nine months ended September 30, 2011 and 2010, employees and non-employee directors of the Company were granted stock options under our 2006 Stock Option Plan per the table below:

Period Ended	Grants Issued	Weighted Average Exercise Price	Weighted Average Fair Value
September 30, 2011	150,000	$ 0.06	$ 0.04
September 30, 2010	900,000	$ 0.19	$ 0.13

Note 9 Related Party Transactions

In September 2006, the Board of Directors appointed Steven B. Ratoff as Chairman of the Board. In connection with Mr. Ratoff s appointment as Chairman of the Board, the Board entered into a consulting arrangement to compensate Mr. Ratoff for his efforts. This arrangement ended in December 2009. In January 2010, our Board of Directors appointed Steven B. Ratoff as President and Chief Executive Officer. Effective as of August 1, 2011, Mr. Ratoff also serves as our Chief Financial Officer and Corporate Secretary, after the resignation of Craig Johnson, our former Chief Financial Officer and Corporate Secretary.

Mr. Ratoff has served as a venture partner with ProQuest Investments, or ProQuest, since December 2004. Mr. Ratoff has no authority for investment decisions made by ProQuest. As of September 30, 2011, ProQuest owns 34.7million common shares, or 26%, of our common stock.

We entered into an employment agreement with David H. Bergstrom, Ph.D. on December 4, 2006 (the Employment Agreement). The Employment Agreement expired by its terms on December 4, 2009. On December 31, 2009, the Compensation Committee of the Board of Directors of the Company (the Compensation Committee) approved the recommendation to maintain Dr. Bergstrom s services and to continue his employment on the same terms and conditions as the Employment Agreement for a period of one year from the expiration date of the Employment Agreement. On March 23, 2011, the Compensation Committee approved the recommendation to further extend Dr. Bergstrom s employment on the same terms and conditions as the Employment Agreement through June 30, 2011.

On July 5, 2011, the Compensation Committee approved the recommendation to further extend Dr. Bergstrom s employment on the same terms and conditions as the Employment Agreement through June 30, 2012. On July 5, 2011, the Company and Dr. Bergstrom entered into an amendment (the Amendment) to the Employment Agreement memorializing the extended term through June 30, 2012.

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Note 10 Recent Accounting Pronouncements

The FASB has issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.* This ASU represents the converged guidance of the FASB and the IASB (the Boards) on fair value measurement. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. The amendments to the *FASB Accounting Standards Codification* (Codification) in this ASU are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. The Company is in the process of assessing whether the adoption of this ASU will have an impact on its financial statements.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. The discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth in Part II; Item 1A Risk Factors of this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward looking statements.

Overview

Company Overview

NovaDel Pharma Inc. is a specialty pharmaceutical company that develops oral spray formulations of marketed pharmaceutical products. Our patented oral spray drug delivery technology seeks to improve the efficacy, safety, patient compliance, and patient convenience for a broad range of prescription medications. Our products and product candidates are as follows:

	Active Ingredient	Indications	Stage of Development	Partner(s)
Products				
NitroMist®	Nitroglycerin	Angina Pectoris	Market	Akrimax Pharmaceuticals
Zolpimist®	Zolpidem	Insomnia	Market	Hi-Tech Pharmacal and Rechon Life Science AB
Product Candidates				
Duromist®	Sildenafil	Erectile Dysfunction	Clinical development	
Zensana™	Ondansetron	Nausea/Vomiting	Preclinical development	Talon Therapeutics Par Pharmaceutical BioAlliance Pharma Kwang Dong Pharma
NVD-201	Sumatriptan	Migraine headache	Preclinical development	
NVD-301	Midazolam	Pre-Procedure Anxiety	Preclinical development	

NitroMist®

NitroMist is our oral spray formulation of nitroglycerin. It has been approved by the United States Food and Drug Administration, or FDA, for acute relief of an attack of angina pectoris, or acute prophylaxis of angina pectoris, due to coronary artery disease. NitroMist is marketed by Akrimax Pharmaceuticals LLC in the U.S. Akrimax Pharmaceuticals began marketing NitroMist in January 2011. We are eligible to receive royalty payments of up to 17% of net sales. In the second and third quarter of 2011, we received royalty payments totaling $127,000 and $50,000, respectively.

Zolpimist®

Zolpimist is our oral spray formulation of zolpidem. It has been approved by the FDA for short-term treatment of insomnia. Zolpidem is the active ingredient in Ambien®, a leading prescription medication for the treatment of insomnia, marketed by Sanofi-Aventis. Zolpimist is marketed by Hi-Tech Pharmacal Co., Inc., through its wholly owned subsidiary ECR Pharmaceuticals Company, Inc., in the U.S. ECR Pharmaceuticals began marketing Zolpimist in February 2011. We are eligible to receive royalty payments of up to 15% of net sales. However, for an initial period of time, we will not receive royalty payments until a specified amount of net sales are generated.

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On August 22, 2011, we entered into an exclusive license and distribution agreement with Rechon Life Science AB to manufacture and commercialize Zolpimist® outside of the United States, Canada, Israel and North and South Korea. Rechon will pay a royalty on each unit shipped from Rechon s manufacturing facility. Under the terms of the agreement, Rechon is required to complete and submit a regulatory filing for Zolpimist in the European Union. In addition, Rechon is required to launch Zolpimist in at least three countries outside the European Union within 12 months.

Duromist®

Duromist, our oral spray formulation of sildenafil, is being developed for the treatment of erectile dysfunction. Sildenafil is the active ingredient in Viagra®, a leading prescription medication for the treatment of erectile dysfunction, marketed by Pfizer. Pfizer also markets sildenafil as Revatio® for the treatment of pulmonary arterial hypertension (PAH). The patent for Revatio® is expected to expire in the second quarter of 2012. We believe that an oral spray version of sildenafil may afford faster onset of therapeutic action, and may allow for a lower dose compared to tablets for both of these indications.

In October 2010, we completed a non-IND pilot pharmacokinetic, or PK, clinical trial comparing Duromist to Viagra. The trial was designed to assess the relative bioavailability and safety of one, two and three doses of 10 mg/0.12ml of Duromist, compared to that of the 25 mg Viagra tablet. The trial was a single-center, open-label, single-dose, randomized, four-period, four-treatment, crossover study under fasting conditions. The total number of healthy adult male subjects enrolled in the study was 24. All subjects were required to stay at the clinical site for at least 24 hours after each treatment period.

The data from the clinical trial demonstrated that the 20 mg dose (two sprays) of Duromist is bioequivalent to the 25 mg Viagra tablet with respect to systemic exposure, or $AUC_{0\text{-}inf}$. The mean $AUC_{0\text{-}inf}$ for the 10 mg dose (one spray) was approximately 40% of the 25 mg Viagra tablet, as expected. The mean $AUC_{0\text{-}inf}$ for the 30 mg dose (three sprays) was approximately 40% higher than the 25 mg Viagra tablet, about 20% higher than expected. The increased systemic exposure observed with the 20 and 30 mg oral spray doses, as compared to the 25 mg Viagra tablet, is suggestive of absorption of sildenafil via the oral transmucosal route. The 20 mg dose demonstrated a slightly lower maximum measured plasma concentration, or C_{max}, than that of the 25 mg Viagra tablet. The time point at C_{max}, or T_{max}, for the 20 mg dose was essentially the same as the 25 mg Viagra tablet (1.10 and 1.04 hours, respectively). Duromist demonstrated an excellent safety profile and was well tolerated in the pilot PK study.

In February 2011, we had a pre-IND meeting with the FDA. At that meeting we discussed the requirements for opening an IND, as well as the clinical and nonclinical development plan for a new drug application, or NDA, for Duromist. In June 2011, we opened the IND. In order to complete the required clinical and nonclinical work, and file a NDA we will need to secure additional funding or obtain a development partner.

Zensana™

Zensana is our oral spray formulation of ondansetron. Ondansetron is the active ingredient in Zofran®, a leading prescription medication for the treatment of chemotherapy-induced nausea and vomiting, marketed by GlaxoSmithKline, or GSK. We have partnered with Talon Therapeutics, Inc. and Par Pharmaceutical, Inc. for the development and commercialization of Zensana in the U.S. and Canada. Under these agreements, we are eligible to receive milestone payments and royalty payments. However, in November 2008, Par Pharmaceutical, Inc. announced it had completed bioequivalency studies on Zensana with mixed results, and that it had ceased development of the product.

We have also partnered with BioAlliance Pharma SA and Kwang Dong Pharmaceuticals for the development and commercialization of Zensana in Europe and South Korea, respectively. Under these agreements, we are eligible to receive milestone payments and royalty payments. However, product development in Europe and South Korea is subject to the completion of product development in the U.S.

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NVD-201

NVD-201 is our oral spray formulation of sumatriptan. Sumatriptan is the active ingredient in Imitrex®, a leading prescription medication for the treatment of migraine headache, marketed by GSK. We have completed a series of pilot PK clinical trials evaluating multiple doses of NVD-201 given to healthy adults. We have also completed a pilot efficacy clinical trial of NVD-201. We believe the results from these trials demonstrate NVD-201 is safe and effective in relieving migraine headaches at a dose lower than sumatriptan tablets. In order to pursue further preclinical development of this product candidate, we will need to secure project financing, equity financing or a development partner.

NVD-301

NVD-301 is our oral spray formulation of midazolam. Midazolam is a leading prescription medication used for sedation during diagnostic, therapeutic and endoscopic procedures. We believe that NVD-301 has the potential to be an easy-to-use, rapid onset product, useful in the relief of pre-procedure anxiety suffered by many patients prior to undergoing a wide variety of procedures performed in hospitals, imaging centers, ambulatory surgery centers and dental offices. In order to pursue further clinical development of this product candidate, we will need to secure project financing, equity financing or a development partner.

Veterinary

Our veterinary initiatives are being carried out by our partner, Velcera, Inc., or Velcera. In June 2009, Velcera announced it had entered into a global licensing agreement with a multinational animal health company to develop a pain management product for canines. Under our agreement with Velcera, we are eligible to receive milestone payments and royalty payments.

Going Concern and Management s Plan

Our independent registered public accounting firm has included an explanatory paragraph in their report on our 2010 financial statements related to the uncertainty and substantial doubt of our ability to continue as a going concern.

As of September 30, 2011, we had cash and cash equivalents of $429,000, negative working capital of $2.0 million, and an accumulated deficit of $91.9 million. Based on our operating plan, we expect that our existing cash and cash equivalents will fund our operations only through December 31, 2011.

These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements have been prepared assuming that we will continue as a going concern. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business.

Our management plans to address the expected shortfall of working capital by securing additional funding through equity financings, strategic alternatives or similar transactions. There can be no assurance that we will be able to obtain any sources of funding. If we are unsuccessful in securing funding from any of these sources, we will likely file for bankruptcy.

Results of Operations

Fluctuations in Operating Results

Our results of operations have fluctuated significantly from period to period in the past and are likely to continue to do so in the future. We anticipate that our quarterly and annual results of operations will be affected for the foreseeable future by several factors, including the timing and amount of payments received pursuant to any current or future strategic alliance agreements, as well as the progress and timing of expenditures related to our development efforts. Due to these fluctuations, we believe that the period-to-period comparisons of our operating results are not indicative of our future performance.

Comparison of the Nine Months ended September 30, 2011 and 2010

Revenue earned for the nine months ended September 30, 2011 was $372,000 as compared to $261,000 for the nine months ended September 30, 2010. The increase was due to a $177,000 royalty received for NitroMist® in 2011 offset by a decrease in milestone fees. In 2011, we did not receive any milestone payments. In 2010, we received a milestone payment of $62,000 from Velcera.

Total operating expenses for the first nine months decreased by $1,043,000, or 24%, from $4,382,000 in 2010 to $3,339,000 in 2011.

Research and development expenses decreased by $628,000, or 31%, from $2,017,000 for the nine months ended September 30, 2010 to $1,389,000 for the same period in 2011. Research and development expense primarily consists of costs to manufacture our product candidates, fees to contract research organizations for preclinical studies and clinical trials, fees to professional service providers for regulatory and other product development services, allocated salaries and benefits, and allocated facility and administrative costs. The decrease is attributable to cost containment measures in an effort to preserve cash.

General and administrative expenses decreased by $415,000, or 18%, from $2,365,000 for the nine months ended September 30, 2010 to $1,950,000 for the same period in 2011. General and administrative expenses consist primarily of salaries and related expenses for executive, finance and administrative personnel, professional fees, facility costs, and other corporate expenses. The decrease is primarily attributable to reduced professional fees reflecting reduced usage of outside financial services and lower legal costs. Reductions in personnel costs, due to a decrease in headcount, as well as reduced facility costs, due to the relocation of our offices also contributed to lower expenses.

Change in derivative liability for the nine months ended September 30, 2011 was $5,663,000, all of which was non-cash income. The derivative liability is related to warrants issued in conjunction with our convertible preferred stock offering in February 2011 and our common stock offering in March 2010. The income reflects a decline in the fair value of the underlying warrants as of September 30, 2011 and is attributed primarily to a decline in the stock price as of September 30, 2011 from prior valuation dates. For the nine months ended September 30, 2010, the change in derivative liability was $391,000 and related to our common stock offering in March 2010.

Interest expense for the nine months ended September 30, 2011 was $9,148,000 and related to our convertible preferred stock offering. Discounts exceeding the fair value of the convertible preferred stock of $7,066,000 were recorded as interest expense and primarily represent the original fair value of the warrants. The discounts to the convertible preferred stock are accreted to interest expense as the convertible preferred stock is converted into common shares. The discount accreted to interest expense for the nine months ended September 30, 2011 was $1,667,000. Additionally, the convertible preferred stock issuance costs are amortized to interest expense as the convertible preferred stock is converted into common stock. Total costs amortized to interest expense for the nine months ended September 30, 2011 were $415,000.

The resulting net loss for the nine months ended September 30, 2011 was $6,425,000 as compared to $3,730,000 for the nine months ended September 30, 2010.

Comparison of the Three Months ended September 30, 2011 and 2010

Revenue earned for the three months ended September 30, 2011 was $115,000 as compared to $66,000 for the three months ended September 30, 2010. The increase was due to a $50,000 royalty received for NitroMist in the third quarter of 2011.

Total operating expenses for the three months ended September 30, 2011 decreased by $667,000, or 42%, from $1,589,000 in 2010 to $922,000 in 2011.

Research and development expenses decreased by $654,000, or 65%, from $1,011,000 for the three months ended September 30, 2010 to $357,000 for the same period in 2011. Research and development expense primarily consists of costs to manufacture our product candidates, fees to contract research organizations for preclinical studies and clinical trials, fees to professional service providers for regulatory and other product development services, allocated salaries and benefits, and allocated facility and administrative costs. The decrease is attributable to cost containment measures in an effort to preserve cash.

General and administrative expenses decreased by $13,000, or 2%, from $578,000 for the three months ended September 30, 2010 to $565,000 for the same period in 2011. General and administrative expenses consist primarily of salaries and related expenses for executive, finance and administrative personnel, professional fees, facility costs, and other corporate expenses.

Change in derivative liability for the three months ended September 30, 2011 was $1,979,000, all of which was non-cash income. The derivative liability is related to warrants issued in conjunction with our convertible preferred stock offering in February 2011 and our common stock offering in March 2010. The income reflects a decrease in the fair value of the underlying warrants as of September 30, 2011 as compared to the fair value at June 30, 2011, and is attributed primarily to a decrease in the stock price between those periods. For the three months ended September 30, 2010, the change in derivative liability was $210,000 and related to our common stock offering in March 2010.

The resulting net profit for the three months ended September 30, 2011 was $1,172,000 as compared to a net loss of $1,312,000 for the three months ended September 30, 2010.

Liquidity and Capital Resources

From inception through September 30, 2011, we have incurred a cumulative net loss of $91.9 million. We have financed our operations primarily through public and private offerings of securities, revenue from strategic partnership agreements, and proceeds from loans and capital contributions from our principal stockholders.

Our cash used in operating activities was $1,895,000 and $2,771,000 for the nine months ended September 30, 2011 and 2010, respectively. The decrease in cash used was primarily due to the $1,057,000 received from the sale of net operating losses in first quarter 2010 which sale did not reoccur in 2011. This was partially offset by non-cash charges associated with our February 2011 convertible preferred stock offering and the collection of $744,000 in receivables in the first quarter of 2011. Net cash flows provided by financing activities were $1,424,000 for the nine months ended September 30, 2011, and resulted from $1,237,000 in net proceeds received relating to issuance of convertible preferred stock and warrants in the first quarter 2011 and $187,000 in proceeds from warrant exercises in 2011.

As of September 30, 2011, we had cash and cash equivalents of $429,000, negative working capital of $2.0 million, and an accumulated deficit of $91.9 million. Based on our operating plan, we expect that our existing cash and cash equivalents will fund our operations only through December 31, 2011.

These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements have been prepared assuming that we will continue as a going concern. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business.

Our management plans to address the expected shortfall of working capital by securing additional funding through equity financings, strategic alternatives or similar transactions. There can be no assurance that we will be able to obtain any sources of funding. If we are unsuccessful in securing funding from any of these sources, we will likely file for bankruptcy.

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07-20-02

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27,793

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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.

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In general, we have experienced operating losses in each quarterly and annual period since inception. We incurred net losses of approximately $3.6 million for the fiscal year ended December 29, 2002 and approximately $2.2 million for the fiscal year ended December 30, 2001. As of December 29, 2002, we had an accumulated deficit of $13.4 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.

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

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If additional capital does not become available to us, we may be required to scale back our operations or cease our 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.

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

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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 ask prices for our securities.

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

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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

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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.

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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.

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

In April 1997, we sold the Grand Rapids site, including all improvements thereto, to an entity owned by one of our shareholders, Eyde Brothers Development Co., pursuant to a real estate purchase and leaseback agreement for $1.4 million. Pursuant to a separate lease agreement, we lease the Grand Rapids site at a minimum annual base rent of $140,000 and a maximum annual base rent of $192,500 over a ten-year term. The lease may be extended at our option for up to two additional five-year terms. In addition to the annual base rent, the lease, as amended in March 2000, provides that we are obligated to pay annual percentage rent in the amount of 5% on gross sales at the site in excess of $1.5 million per year.

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. In connection with this transaction, we granted a five-year stock option, exercisable at $35.00 per share, for 7,142 shares of our common stock to Mr. Eyde. 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

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$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 units are profitable. If we are required to pay annual percentage rent, the funds available to us for other purposes will be reduced.

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

The Grand Rapids and Auburn Hills lessors 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 either lease, we would be unable to continue operating the related 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 or the Auburn Hills site and cannot do so, we would be unable to continue operating such unit.

If annual gross sales do not exceed $1.5 million for any lease year, the lessor of the Grand Rapids unit will obtain 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. In March 2002, the lessor waived its right to require repurchase based upon insufficient annual gross sales for the lease years ended April 2001 and April 2002. We do not expect annual gross sales to exceed $1.5 million for the lease year ended April 2003.

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.

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 21.1% of our revenues during 2002. 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.

The federal government currently imposes an excise tax of $18.00 on each barrel of beer produced for domestic consumption in the United States. However, each brewer with production of not more than 2,000,000 barrels per year is taxed only $7.00 per barrel on the first 60,000 barrels produced annually. We cannot assure you that the federal government will not reduce or eliminate this small brewer rate reduction.

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Michigan imposes an excise tax of $6.30 per barrel on each barrel of beer manufactured or sold in Michigan. However, each brewer that manufactures less than 50,000 barrels per

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year is granted a brewer s excise tax credit in the amount of $2.00 per barrel for the first 30,000 barrels. Buck & Bass is subject to excise taxes under Texas law. Excise taxes in Texas are $6.138 per barrel for ale and malt liquor, and $6.00 per barrel for beer. However, Texas grants a 25% tax exemption for manufacturers of beer whose annual production in Texas does not exceed 75,000 barrels of beer per year. As a result, Buck & Bass faces an effective excise tax of $4.50 per barrel for beer. If our beer production exceeds the foregoing credit thresholds, our average excise tax rate would increase.

It is possible that the 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, 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 February 28, 2003, our officers and directors beneficially owned approximately 45.5% of our outstanding common stock. Accordingly, such persons can:

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

generally direct our affairs, and

may have the power to 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 earnings 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.

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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,
- changes by financial research analysts in their estimates of our earnings 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.

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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 March 21, 2003. On that date, we also had warrants, stock options, convertible debt and other rights outstanding to purchase an additional 840,685 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.

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ITEM 7 FINANCIAL STATEMENTS

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Big Buck Brewery & Steakhouse, Inc.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Big Buck Brewery & Steakhouse, Inc.:

We have audited the accompanying consolidated balance sheet of Big Buck Brewery & Steakhouse, Inc. (a Michigan corporation) as of December 29, 2002 and December 30, 2001, and the related consolidated statements of operations, shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Buck Brewery & Steakhouse, Inc. as of December 29, 2002 and December 30, 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered recurring losses from operations and has a net working capital deficiency, which raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PLANTE & MORAN, PLLC

Grand Rapids, Michigan,
March 28, 2003

BIG BUCK BREWERY & STEAKHOUSE, INC.

Consolidated Balance Sheets

	December 29, 2002	December 30, 2001
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,516,821	$ 96,453
Accounts receivable	145,811	237,187
Inventories (Note 1)	216,428	223,891
Prepaids and other	478,182	592,927
Total current assets	2,357,242	1,150,458
PROPERTY AND EQUIPMENT (Note 1)	21,237,757	22,926,270
OTHER ASSETS, net	534,982	803,881
	$ 24,129,981	$ 24,880,609
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,016,370	$ 1,925,998
Accrued expenses	1,448,647	899,016
Current maturities of long-term obligations	16,311,999	1,351,728
Total current liabilities	18,777,016	4,176,742
LONG-TERM OBLIGATIONS, less current maturities (Note 2)	3,378,737	15,084,690
Total liabilities	22,155,753	19,261,432
MINORITY INTEREST (Note 8)	449,452	466,143
SHAREHOLDERS' EQUITY (Notes 5 and 6):		
Common stock, $0.01 par value, 15,000,000 and 20,000,000 shares authorized; 861,997 and 6,083,358 shares issued and outstanding	8,620	60,834
Additional paid-in capital	14,905,621	14,870,141
Accumulated deficit	(13,389,465)	(9,777,941)
Total shareholders' equity	1,524,776	5,153,034
	$ 24,129,981	$ 24,880,609

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

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BIG BUCK BREWERY & STEAKHOUSE, INC.

Consolidated Statements of Operations

	For the Years Ended			
		December 29, 2002		**December 30, 2001**
REVENUE:				
Restaurant sales	$	16,244,594	$	17,207,829
Wholesale and retail sales		146,871		280,128
Total revenue		16,391,465		17,487,957
COSTS AND EXPENSES:				
Cost of sales		5,436,563		5,763,345
Restaurant salaries and benefits (Notes 6 and 7)		4,242,593		4,591,917
Operating expenses		3,801,965		3,694,304
Depreciation		1,340,430		1,338,650
Preopening expenses and store development costs (Note 3)				354,923
General and administrative expenses		1,928,306		1,785,886
Impairment loss (Note 1)		800,000		
Total costs and expenses		17,549,857		17,529,025
LOSS FROM OPERATIONS		(1,158,392)		(41,068)
OTHER EXPENSE:				
Interest expense		(2,008,525)		(1,658,409)
Other expense/amortization of financing cost		(461,298)		(501,086)
Other expense, net		(2,469,823)		(2,159,495)
LOSS BEFORE INCOME TAXES AND MINORITY INTEREST		(3,628,215)		(2,200,563)
INCOME TAX EXPENSE				
LOSS BEFORE MINORITY INTEREST		(3,628,215)		(2,200,563)
MINORITY INTEREST SHARE OF JOINT VENTURE		16,691		(2,332)
NET LOSS	$	(3,611,524)	$	(2,202,895)
BASIC AND DILUTED LOSS PER COMMON SHARE	$	(4.19)	$	(2.53)
OUTSTANDING WEIGHTED AVERAGE SHARES		866,000		840,488

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

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BIG BUCK BREWERY & STEAKHOUSE, INC.

Consolidated Statements of Shareholders Equity

For the Years Ended

	Common Stock			Additional Paid-In	Accumulated	
	Shares	Amount	Warrants	Capital	Deficit	Total
BALANCE, January 1, 2001	5,474,562	54,746	153,650	14,153,174	(7,575,046)	6,786,524
Issuance of common stock for debt and and interest to WCERS	323,406	3,234	—	324,376	—	327,610
Issuance of common stock for services to to Morgan James	125,000	1,250	—	112,500	—	113,750
Issuance of common stock for employee stock purchase plan at $0.478125	20,914	209	—	9,791	—	10,000
Issuance of common stock for services to Columbia Construction	50,000	500	—	45,000	—	45,500
Issuance of common stock for services to to Morgan James	75,000	750	—	66,750	—	67,500
Issuance of common stock for employee stock purchase plan at $0.3485	14,476	145	—	4,900	—	5,045
Expiration of warrants	—	—	(153,650)	153,650	—	—
Net loss	—	—	—	—	(2,202,895)	(2,202,895)
BALANCE, December 30, 2001	6,083,358	60,834	—	14,870,141	(9,777,941)	5,153,034
Issuance of common stock for employee stock purchase plan	11,422	114		2,507		2,621
Stock repurchased by Company	(37,600)	(376)		(9,624)		(10,000)
Stock repurchased by Company	(23,100)	(231)		(9,124)		(9,355)
Reverse Stock Split 1 for 7	(5,172,083)	(51,721)		51,721		—
Net loss					(3,611,524)	(3,611,524)
BALANCE, December 29, 2002	861,997	8,620	—	14,905,621	(13,389,465)	1,524,776

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

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BIG BUCK BREWERY & STEAKHOUSE, INC.

Consolidated Statements of Cash Flows

	For the Years Ended December 29, 2002	December 30, 2001
OPERATING ACTIVITIES:		
Net loss	$ (3,611,524)	$ (2,202,895)
Adjustments to reconcile net loss to cash flows used in operating activities		
Depreciation and amortization	1,655,170	1,720,112
Loss on sale of property		6,868
Loss on forfeiture of property		354,923
Loss on impairment of assets	800,000	
Minority interest share of joint venture	(16,691)	2,332
Interest expense paid for with common stock		303,170
Consulting services paid for with common stock		94,519
Change in operating assets and liabilities:		
Accounts receivable	91,376	148,349
Inventories	7,463	86,015
Prepaids and other	114,745	(121,527)
Accounts payable	(909,628)	(1,046,227)
Accrued expenses	699,631	222,462
Net cash used in operating activities	(1,169,458)	(431,899)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(406,603)	(736,490)
Increase in other assets	(73,380)	(34,710)
Proceeds from sale of asset		7,750
Net cash used in investing activities	(479,983)	(763,450)
FINANCING ACTIVITIES:		
Borrowings under long-term debt	5,500,000	1,199,729
Payments on long-term debt and capital lease obligations	(2,395,682)	(268,123)
Payment of deferred financing costs	(17,775)	(17,750)
Tenant allowance		340,000
Repurchase of common stock	(19,355)	
Proceeds from sale of common stock	2,621	15,045
Net cash provided by financing activities	3,069,809	1,268,901
INCREASE IN CASH	1,420,368	73,552

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CASH, beginning of year		96,453		22,901
CASH, end of year	$	1,516,821	$	96,453
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	$	867,478	$	1,099,428
Income taxes paid				—
NONCASH TRANSACTIONS:				
Issuance of common stock, stock options and warrants for property and services and interest and debt				554,360

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

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BIG BUCK BREWERY & STEAKHOUSE, INC.

Notes to Consolidated Financial Statements

December 29, 2002 and December 30, 2001

1. Nature of Business and Significant Accounting Policies:

Nature of Business

Big Buck Brewery & Steakhouse, Inc. (f/k/a Michigan Brewery, Inc.) develops and operates restaurant-brewpubs under the name Big Buck Brewery & Steakhouse. As of December 29, 2002, the Company owned and operated three units in the state of Michigan. The first unit opened in Gaylord, Michigan, on May 26, 1995. Subsequent Michigan units opened on March 17, 1997 in Grand Rapids and on October 1, 1997 in Auburn Hills, a suburb of Detroit. On August 31, 2000, the Company opened a fourth unit in Grapevine, Texas, a suburb of Dallas. This unit is operated by Buck & Bass, L.P. pursuant to a joint venture agreement between the Company and Bass Pro Outdoor World, L.P.

The Company incurred net losses of $3,611,524 in 2002 and $2,202,895 in 2001. The Company has a limited operating history, and future revenues and attaining profitability from operations will depend upon various factors, including market acceptance of the Big Buck Brewery & Steakhouse concept and general economic conditions. The Company s ability to achieve profitability depends on its ability to refinance its indebtedness, increase revenues, reduce costs and attain sufficient working capital.

Fiscal Year

The Company has adopted a 52-/53-week fiscal year ending on the Sunday nearest December 31 of each year. All references herein to 2002 and 2001 represent the fiscal years ended December 29, 2002 (a 52 week year) and December 30, 2001 (a 52 week year), respectively.

Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiary, Buck & Bass, L.P. All significant intercompany accounts and transactions are eliminated.

Inventories

Inventories consist primarily of restaurant food and beverage items, raw materials used in the brewing process, finished goods, including beer in kegs and beer held in fermentation prior to the filtration and packaging process, and retail goods for resale. Inventories are stated at the lower of cost or market as determined by the first-in, first out inventory method and consisted of the following at:

	December 29, 2002	December 30, 2001
Food	$ 87,041	$ 95,757
Brewery (including wine and liquor)	103,528	103,452
Retail goods	25,859	24,682
	$ 216,428	$ 223,891

Property and Equipment

Property and equipment are recorded at cost. Improvements are capitalized, while repair and maintenance costs are charged to operations when incurred. Property and equipment are depreciated using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes over their estimated useful lives of 5 to 40 years. In the event that facts and circumstances indicate that the carrying amount of property may not be recoverable, an evaluation would be performed using such factors as recent operating results, projected cash flows and management s plans for future operations.

Property and equipment consisted of the following at:

		December 29, 2002		December 30, 2001	Estimated Useful Lives
Land and improvements	$	5,052,914	$	5,052,914	20 years for improvements
Leasehold improvements		6,444,646		5,978,865	15 years
Building and improvements		8,461,213		9,328,391	40 years
Brewery equipment		2,659,269		2,656,518	12-30 years
Restaurant equipment		1,882,261		1,880,255	10 years
Furniture, fixtures and equipment		2,661,854		2,665,956	5-7 years
Total property and equipment		27,162,157		27,562,899	
Accumulated depreciation		(5,924,400)		(4,636,629)	
Net carrying amount	$	21,237,757	$	22,926,270	

During 2002 and 2001, the Company received construction and advisory services from a company owned by a board member, totaling $22,000 and $292,000, respectively.

Impairment of Long-Lived Assets

The Company follows the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121), and provides a single accounting model for long-lived assets to be disposed of. For purposes of recognizing and measuring impairment of long-lived assets, the Company evaluates assets at the store level because this is the lowest level of independent cash flows ascertainable to evaluate impairment. The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the assets, the assets are considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. When fair values are not available, the Company estimates fair value. In assessing recoverability, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets.

During 2002, the Company recorded non-cash asset impairment charges of $800,000 to write-down the building and improvements of the Grand Rapids unit.

Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial reporting and tax bases of the Company s assets and liabilities using currently enacted tax rates.

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Reverse Stock Split

On September 13, 2002, the Company effected a one-for-seven reverse stock split. Share and per share data, except for par, for all periods presented have been restated to reflect the reverse stock split. For outstanding warrants, stock options and convertible debt, all share amounts, exercise prices and conversion rates have been restated to reflect the impact of the reverse stock split.

Basic Loss Per Share

Basic net loss per share is computed by dividing net income by the weighted average number of common shares outstanding during the year, without regard to stock options outstanding. In the computation of fully diluted earnings per share, the weighted average shares outstanding is increased to reflect the potential dilution if stock warrants, stock options and convertible securities were to be exercised or converted to common stock, if such exercise or conversion has a dilutive effect. The options, warrants, and convertible securities have been excluded from the earnings per share calculation because each would have an antidilutive effect. Basic loss per share for 2001 has been restated to reflect a one-for-seven reverse stock split effective on September 13, 2002.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

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2. **Long-Term Obligations:**

Long-term obligations consisted of the following as of:

	December 29, 2002	December 30, 2001
Convertible note payable to the Wayne County Employees Retirement System (WCERS), with monthly payments beginning April 1, 2000, in an amount which would fully amortize the principal and interest over a period of 300 months, which approximates $53,400, including interest at 10%. The unpaid balance was due in February 2003 and is convertible into common stock at $16.94 per share at any time during the agreement.	5,809,599	5,806,084
Convertible notes payable to WCERS, with monthly payments of $14,756 including interest at 10%, due February 2003. The note is convertible into common stock at $16.94 per share.	1,603,187	1,603,187
Equipment note payable to WCERS, with monthly interest payments at 11%, due February 2003.	1,500,000	1,500,000
Promissory note payable to United Bank and Trust Company, collateralized by a WCERS $5.0 million letter of credit, with monthly payments beginning March 15, 2002, in an amount which would fully amortize the principal and interest over a period of 60 months, which approximates $94,000, including interest at 4.86%. The unpaid balance is due on March 25, 2004.	4,327,950	
Capital lease obligations (see below).	5,750,000	5,400,000
Line of Credit for $1,000,000 from Crestmark Bank, monthly interest only payments at prime plus one percent (effective rate of 5.75 percent at December 31, 2001). Principal due March 2002, collateralized by letter of credit from WCERS. This line of credit was refinanced during 2002.	—	999,729
Convertible subordinated promissory notes payable to various investors, bearing interest at 10%, due October 2000 through March 2002.	300,000	527,418
Convertible subordinated promissory notes payable to director and company owned by a director, bearing interest at 10%, due July 2002 through December 2002.	200,000	200,000
Leasehold tenant allowance to be repaid as the result of a settlement reached with Opry Mills to terminate lease, due March 2002.	—	200,000
Convertible subordinated promissory notes payable to shareholder, with monthly interest payments ranging from 10.00% to 12.75%, remaining balance due January 2001 through April 2001. The notes are unsecured.	200,000	200,000
Total	19,690,736	16,436,418
Less-Current maturities	16,311,999	1,351,728
Long-term obligations	$ 3,378,737	$ 15,084,690

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The Notes payable to WCERS are collateralized by all assets of the Company, the Company s limited partnership interest in Buck & Bass, L.P., and a pledge of the Company s shares of the issued and outstanding common stock of BBBP Management Company. Effective December 2001 and February 2002, two officers of WCERS became directors of the Company.

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$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-

The debt agreements with WCERS contain certain financial covenants, including minimum tangible net worth, debt coverage, working capital and liabilities to tangible net worth ratios. At December 31, 2000, the Company was not in compliance with the debt coverage and working capital ratios. On April 3, 2001, the Company entered into a letter agreement with WCERS pursuant to which the foregoing covenants were modified to provide that (1) the Company must maintain tangible net worth plus subordinated debt in an amount not less than $6.25 million and (2) the Company had until January 1, 2002 to meet all other covenants set forth in the loan documents (unless modified by the parties in writing). At December 30, 2001, the Company was not in compliance with various covenants. On April 1, 2002, the Company entered into a letter agreement with WCERS pursuant to which the foregoing covenants were modified to provide that (1) the Company must maintain tangible net worth plus subordinated debt in an amount not less than $4.5 million and (2) the Company had until January 1, 2003 to meet all other covenants set forth in the loan documents (unless modified by the parties in writing). At December 29, 2002, the Company was not in compliance with debt coverage and working capital ratios. Additionally, the Company has not made any required debt service payments since September 2001. As a result, the debt is callable and is classified as current in the accompanying balance sheet.

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In April 1997, the Company entered into a real estate sale and leaseback agreement with a shareholder of the Company, for the land and property of its Grand Rapids unit. The Company received proceeds of $1,400,000 and in return, entered into a ten-year lease with a minimum annual base rent of $140,000 and a maximum annual base rent of $192,500 and percentage rent provisions. In March 2000, the lease was amended to adjust the gross sales level over which annual percentage rent is payable to $1,500,000 per year. Because annual gross sales did not exceed $1.5 million for the lease year ended April 2001, the lessor obtained the right to require the Company to repurchase the Grand Rapids site for $1.4 million, plus $70,000 for each lease year on a pro rata basis. At December 29, 2002, the Company has accrued the annual buy out price of $70,000 for five years, totaling $350,000. In March 2002, the lessor waived its right to require repurchase based upon annual gross sales for the lease years ended April 2001 and April 2002. The lessor has the option to require the Company to repurchase the Grand Rapids site after the seventh full lease year for the same price. Annual gross sales are not anticipated to exceed $1.5 million for the lease year ended April 2003. As a result, the obligation is classified as current in the accompanying balance sheet.

In August 1997, the Company entered into a second real estate sale and leaseback agreement with the same shareholder, for the land of its Auburn Hills unit. The Company received proceeds of $4,000,000 and in return, entered into a 25-year lease with a minimum annual base rent of $400,000 and percentage rent provisions. In the event gross sales, as defined, do not exceed $8,000,000 for any two consecutive lease years, the Company is obligated to repurchase the land for $4.0 million, plus $200,000 for each lease year on a pro rata basis. Annual gross sales for the lease years ended October 2001 and 2002 did not exceed $8.0 million. As a result, the obligation is classified as current in the accompanying balance sheet. The Company has the option to purchase the Auburn Hills site from the lessor after the seventh full lease year for the same price.

No gain or loss was recognized on the sale and leaseback transactions and the leases were accounted for as financing transactions. Management expects that if the Company was required to purchase the land at these units that these leases could be renewed or replaced by mortgage or other financing arrangements; however, there can be no assurance that such financing would be available on acceptable terms or at all.

The convertible subordinated promissory notes may be converted at any time, at the option of the holders, into a total of 152,349 shares of common stock. Interest is paid monthly in arrears. All of the convertible

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subordinated notes had matured as of December 29, 2002 and were not paid. Therefore, the notes are in default.

In March 2001, the Company entered into a first amendment and acknowledgment of partial payment with the holder of one of the convertible subordinated promissory notes with a principal amount of $250,000. Pursuant to such agreement, the Company repaid $75,000 of principal, agreed to a repayment schedule involving monthly payments of principal and interest of $18,161, commencing May 1, 2001, and adjusted the conversion price on such note from $10.3264 to $5.11. Also in March 2001, the Company entered into a first amendment with the holder of the non-convertible subordinated promissory note to shareholder with a principal amount of $100,000. Pursuant to such agreement, the Company made such note convertible into shares of the Company s common stock at a conversion price of $1.00 and extended the maturity date of such note until October 2001. In addition, the Company entered into a first amendment with the holder of one of the convertible subordinated promissory notes with a principal amount of $100,000. Pursuant to such agreement, the maturity date of such note was extended until October 2001 and the conversion price was adjusted from $1.9188 to $1.00.

In April 2001, the Company entered into a first amendment with the holder of one of the convertible subordinated promissory notes with a principal amount of $50,000. Pursuant to such agreement, the maturity date of such note was extended until January 2002 and the conversion price was adjusted from $1.9125 to $0.73.

Maturities of long-term obligations as of December 29, 2002, based on the amended payment terms discussed above, are as follows:

2003		16,311,999
2004		3,378,737
2005		
2006		
2007		
Thereafter		
	$	19,690,736

Interest expense to related parties was approximately $1,800,000 and $1,200,000 during 2002 and 2001, respectively. Accrued interest to related parties was approximately $1,040,000 and $250,000 at December 29, 2002 and December 30, 2001, respectively.

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3. Operating Lease

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In November 2000, the Company executed a lease with Opry Mills Limited Partnership, a division of the Mills Corporation, for approximately 20,000 square feet of space in the Opry Mills mall over a 10-year term. Beginning August 2001, the Company was obligated to pay monthly rental payments of $43,211, regardless of whether the store was open for business. Additionally, the lease required the Company to pay an annual percentage rent in the amount of 6% on gross sales in excess of $8.5 million. The Company did not pay the rental payments.

In March 2002, the Company terminated the lease agreement for $200,000. Under the terms of the possession agreement and the settlement and termination agreement, the Company forfeited all improvements made to the site, including assets purchased through use of the tenant allowance of $340,000 provided by the landlord. As a result of the terminated lease transaction, the Company incurred a loss of approximately $355,000, including the termination fee paid in 2002. The loss was recorded in preopening expenses and store development costs in the statement of operations in 2001.

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4. Income Taxes:

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The deferred tax assets and liabilities consisted of the following at:

	December 29, 2002	December 30, 2001
Deferred tax liabilities	(800,000)	(831,000)
Deferred tax assets	5,000,000	3,991,000
Net deferred tax asset	4,200,000	3,160,000
Valuation allowance	(4,200,000)	(3,160,000)
Net deferred tax	—	—

Effective January 1, 1996, the Company converted from S Corporation status to a C Corporation. As of December 29, 2002 and December 30, 2001, the Company s deferred tax assets consist primarily of net operating loss carryforwards, and deferred tax liabilities result from the use of accelerated methods of depreciation for tax purposes. The Company has recorded a full valuation allowance against the net deferred tax asset due to the uncertainty of realizing the related benefit. As of December 29, 2002, the Company had net operating loss carryforwards of approximately $14.6 million which expire through the year 2023.

5. Warrants:

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Each of the 364,286 units issued in connection with the Company s IPO consisted of one share of common stock and one Redeemable Class A Warrant, exercisable at $56.00 per share. In 2001, the expiration date of these warrants was extended through December 2002. All of these warrants expired unexercised on December 13, 2002.

In connection with the joint venture agreement (Notes 1 and 7), the Company issued a warrant, exercisable at $18.375 per share, for 7,143 shares of its common stock to Bass Pro expiring in August 2003. The Company also issued a warrant to its private placement agent, exercisable at $19.3375 per share, for 2,083 shares of its common stock, expiring in November 2003.

In exchange for services, the Company issued warrants, exercisable at $11.375 per share, for 14,286 shares of its common stock. In connection with the same service agreements, the Company also issued warrants for 28,571 shares of common stock. Of these warrants, 14,286 were exercisable at $17.50 per share and vested in October 2000. The remaining 14,286 warrants were exercisable at $24.50 per share and vested in October 2001. All of the warrants issued as part of these service agreements expired in October 2002.

In connection with a consulting agreement, the Company issued a warrant, exercisable at $11.375 per share, for 7,143 shares of its common stock, expiring in October 2002. The Company also issued warrants, exercisable at $14.00 per share, for 21,429 shares of its common stock, vesting in 7,143 increments as the Company s stock price reaches $28.00, $35.00, and $42.00 per share, expiring in October 2002.

In connection with the refinancing of debt, the Company issued a warrant to WCERS, exercisable at $14.00 per share, for 28,571 shares of its common stock, expiring in February 2004. The conversion to stock of these warrants and the convertible notes disclosed in Note 2, when added to common owned by WCERS, would result in WCERS owning 512,155 shares of common stock, or a 38.6% ownership of the Company.

In connection with amending the Auburn Hills lease, the Company issued a warrant, exercisable at $12.6875 per share, for 3,571 shares of its common stock, expiring in January 2003. The Company has also issued a warrant to this lessor, which is exercisable at $35.00 per share, for 3,571 shares, expiring August 2002.

Of the warrants described above, warrants for 41,368 shares, with exercise prices ranging from $14.00 to $19.34 per share, remain outstanding at December 29, 2002.

6. Stock Option and Stock Purchase Plans:

During January 1996, the Company adopted the 1996 Stock Option Plan (the Plan), pursuant to which options to acquire an aggregate of 85,714 shares, as amended in June 1997, of the Company s common stock may be granted. Under the Plan, the board of directors may grant options to purchase shares of the Company s stock to eligible employees, nonemployees and contractors at a price not less than 100% of the fair market value at the time of the grant for both incentive and nonstatutory stock options. Options granted under the Plan vest annually over four years from date of grant and are exercisable for ten years, except that the term may not exceed five years for incentive stock options granted to persons who own more than 10% of the Company s outstanding voting stock.

Also, during January 1996, the Company adopted the 1996 Director Stock Option Plan (the Director s Plan) pursuant to which options to acquire an aggregate of 14,286 shares of the Company s common stock were available for grant to outside directors. Under the Director s Plan, 714 options with an exercise price of $31.50 were automatically granted to each outside director upon the completion of the Company s IPO, and thereafter 714 options were granted annually for each year of continued service by the outside director. Each option was granted at fair market value on the date of grant, vested one year after the date of grant and was exercisable for ten years. During 2000, this plan was canceled with options for 10,714 shares outstanding. These options will remain exercisable as originally issued, and additional options will not be issued. At December 29, 2002, options for 3,570 shares remain outstanding, with exercise prices ranging from $12.25 to $36.75 per share.

During October 2000, the Company adopted the 2000 Stock Option Plan (the 2000 Plan), pursuant to which options to acquire an aggregate of up to 142,857 shares of common stock may be granted to qualified employees, directors, and outside consultants. Under the 2000 Plan, 2,857 options are automatically granted annually to each outside director and an additional 1,429 options to each outside director serving on the executive committee. Each option is granted at fair market value on the date of grant, vests one year after the date of grant and is exercisable for ten years.

A summary of the status of the Company s stock option plans at December 29, 2002 and December 30, 2001, and changes during the fiscal years then ended, is presented in the table and narrative below:

	Year Ended December 29, 2002			Year Ended December 30, 2001		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding, beginning of Period	140,490	$	16.17	106,548	$	23.10
Granted	25,947		.86	58,762		5.25
Exercised	—		—	—		—
Forfeited	(38,974)		14.04	(21,249)		17.64
Expired	(7,142)		35.00	(3,571)		35.00
Outstanding, end of Period	120,321		12.25	140,490	$	16.17
Exercisable, end of Period	112,973			131,822		
Weighted average fair value of options granted		$	.19		$	4.83

The following table provides certain information with respect to stock options outstanding at December 29, 2002:

Range of exercise prices	Stock options Outstanding	Weighted average exercise price	Weighted average remaining contractual life
.28 10.00	70,085	3.48	7.31
10.01 20.00	15,530	12.68	7.41
20.01 36.75	34,706	29.77	5.58

The following table provides certain information with respect to stock options exercisable at December 29, 2002:

Range of exercise prices	Stock options exercisable	Weighted average exercise price
.28 10.00	63,587	3.39
10.01 20.00	14,681	12.71
20.01 36.75	34,706	29.77

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The Company accounts for options issued to employees and directors under these plans using APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with SFAS No. 123, Accounting for Stock-Based Compensation, the Company s net loss and loss per share would have been increased to the following pro forma amounts:

			2002	2001
Net Loss	As Reported	$	(3,611,524) $	(2,202,895)
	SFAS 123 compensation expense		(93,731)	(346,739)
	Pro Forma		(3,705,255)	(2,549,634)
Basic and Diluted EPS	As Reported		(4.19)	(2.53)
	Pro Forma		(4.30)	(2.93)

The fair value of each employee option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2002 and 2001, respectively: risk-free interest rate of 1.68%; no expected dividend yields; expected lives of 7 years; and expected volatility of 89.62% and 131.09%.

Non-employee option grants are recorded at fair value. There have been no non-employee options granted under the plan.

On October 18, 1999, the Company established a qualified Employee Stock Purchase Plan, effective as of January 1, 2000. The Company is authorized to issue up to 28,571 shares of its common stock for qualified employees, as defined. Under the terms of the plan, employees can choose each year to have up to 15 percent of their annual base earnings withheld to purchase the Company s common stock. The purchase price of the stock is 85 percent of the lower of the closing price at the beginning of the 18-month offering period or end of the 6-month accumulation period. Under the plan, the Company sold approximately 1,600 and 5,000 shares in 2002 and 2001, respectively. In January 2003, the board approved the temporary suspension of the plan.

7. Retirement Plan:

On February 1, 1999, the Company began sponsoring a 401(k) plan for employees with a minimum of six months of service with the Company. Contributions to the plan totaled $7,619 and $8,731 for 2002 and 2001, respectively.

8. Commitments and Contingencies:

Legal Proceedings

The Company is involved in various legal actions rising in the ordinary course of business. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management there is no legal proceeding pending against or involving the Company for which the

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outcome is likely to have a material adverse effect upon the financial position or results of operations of the Company.

Joint Venture

The Company owns 89.1 percent as a limited partner and 0.8 percent as a general partner, for an aggregate 89.9 percent ownership of Buck & Bass, L.P., which owns and operates the Grapevine unit.

Pursuant to the commercial sublease agreement, the limited partnership created by the joint venture leases the Grapevine site from Bass Pro over a 15-year term. The lease may be extended for seven additional five-year terms subject to Bass Pro renewing its lease of the location. The sublessee is obligated to pay an

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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 (with a minimum annual base rent of $385,000). Bass Pro may terminate in the event of a default which is not cured within the applicable grace period. In March 2000, the Company and Bass Pro L.P. agreed 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, (a) the sublessee s failure to remain open during all business days, (b) the sublessee s failure to maintain on duty a fully trained service staff, (c) the sublessee s failure to provide high quality food of the type provided at the Gaylord unit, (d) the sublessee s failure to achieve gross sales in the first full calendar year immediately following the opening and for each calendar year thereafter of $7.0 million, (e) the sublessee encumbering in any manner any interest in the subleased premises, or (f) the sublessee s failure to conduct full and complete customer surveys no less frequently than each calendar quarter. The rent expense for the years ended December 29, 2002 and December 30, 2001 was $385,000. The following is a schedule of future minimum rental payments under the operating lease for the next five years:

2003	$	385,000
2004	$	385,000
2005	$	385,000
2006	$	385,000
2007	$	385,000

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 at December 29, 2002, 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 the Company s interest in the joint venture at 40% of book value, thereby eliminating the Company s interest in the Grapevine unit. The termination of the sublease or the elimination of the Company s interest in the Grapevine unit would have a material adverse effect on the Company s business, operating results, cash flows and financial condition.

9. Management s Plan

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements the Company has experienced net losses since inception, resulting in an accumulated deficit of $13.4 million and a working capital deficit of $16.4 million as of December 29, 2002. These factors, among others, raise doubt about the Company s ability to continue as a going concern for a reasonable period of time.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company s continuation as a going concern depends upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to comply with the terms and covenants of its financing and joint venture agreements, to obtain additional financing or refinancing as may be required, and to attain profitable operations. The Company is continuing its efforts to obtain additional funds so that the Company can meet its obligations and sustain operations. There can be no assurance that additional financing will be available on terms acceptable or favorable to the Company, or at all.

In February 2002, the Company received a $500,000 advance from WCERS to cover unpaid real estate taxes in Michigan. In March 2002, the Company 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 from such loan, the Company used $200,000 to terminate its lease of the

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Nashville site, $500,000 to repay the advance from WCERS, and $1,000,000 to retire indebtedness to Crestmark bank. The balance was intended to pay certain accounts payable and for various working capital purposes. Although the Company s short-term liquidity issues were improved as a result of this financing, there can be no assurance that the Company will have sufficient financial resources to repay existing indebtedness or to continue operations.

The Company intends to explore licensing and franchising arrangements. The Company is in discussions with several parties regarding the possible licensing of the Big Buck Brewery & Steakhouse concept in and outside the state of Michigan. The Company has entered into a license agreement with Up North Adventures, an entity owned by one of the Company s directors, Thomas E. Zuhl, pursuant to which the Company hopes to introduce its concept to various Asian markets.

The Company also seeks to refinance its indebtedness to WCERS. The Company hopes to refinance such indebtedness at lower interest rates. The Company also plans to continue searching for ways of reducing its operating costs. At the beginning of 2001, the Company set goals to equal or exceed the operating benchmarks of several of its competitors. The Company believes that it has attained those goals and it seeks continued improvement. During 2003, the Company also plans to fully implement new short-term and long-term marketing campaigns pursuant to which the Company hopes to increase revenues.

ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 9 DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following table provides information with respect to our directors and executive officers as of March 21, 2003. Each director serves for a one-year term and until his successor has been duly elected and qualified. Each executive officer has been appointed to serve until his successor is duly appointed by the board or his earlier removal or resignation from office. There are no family relationships between any director or executive officer.

Name	Age	Principal Occupation	Position with Big Buck	Director Since
Anthony P. Dombrowski	42	President, Chief Executive Officer, Chief Financial Officer and Treasurer of Big Buck	President, Chief Executive Officer, Chief Financial Officer and Treasurer	N/A
Timothy J. Pugh	43	Chief Operating Officer of Big Buck	Chief Operating Officer	N/A
Jonathon D. Ahlbrand	41	President and Chief Executive Officer of The Center of American Jobs	Director	2001
Matthew P. Cullen	47	General Manager of General Motors Enterprise Activity Group	Director	2000
Richard A. Noelke	51	Deputy Director of Wayne County Employees Retirement System	Director	2001
Mark S. Provenzano	45	President of Columbia Construction Services	Chairman of the Board	2002
Henry T. Siwecki	58	Sole Owner and President of Siwecki Construction	Director	1995
Ronald Yee	50	Director of Wayne County Employees Retirement System	Director	2002
Thomas E. Zuhl	42	Owner of Pac Rim Associates, Inc.	Director	2002

Anthony P. Dombrowski became the President and Chief Executive Officer of our company in March 2003. Mr. Dombrowski has also served as the Chief Financial Officer and Treasurer of our company since May 1996. He acted as a consultant to our company, in the capacity of Chief Financial Officer, from January 1996 to May 1996. From February 1995 to May 1996, Mr. Dombrowski operated his own financial and consulting business. From May 1989 to January 1995, Mr. Dombrowski was the Chief Financial Officer of Ward Lake Energy, Inc., an independent producer of natural gas in Michigan. Mr. Dombrowski began his career with Price Waterhouse LLP in 1982.

Timothy J. Pugh became our Executive Vice President of Operations in December 2000. He was promoted to Chief Operating Officer in May 2002. From November 1998 to November 2000, he was a

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franchisee partner of Damon s International, a full-service chain of over 100 casual dining restaurants, in Kalamazoo, Michigan. From April 1996 to October 1998, he was a regional manager at Damon s International. From October 1993 to April 1996, he was a general manager at Damon s International. From April 1991 to October 1993, he managed the Houston s restaurant in Dallas, Texas, and the Houston s restaurant in Memphis, Tennessee.

Jonathon D. Ahlbrand became a director in January 2001. Since June 1999, Mr. Ahlbrand has been President and Chief Executive Officer of The Center of American Jobs, a nation-wide recruiting service. Since April 1998, he has been a managing member of Private Equity, LLC, an entity that concentrates on the private placement of debt and equity securities. From April 1998 to July 1998, Private Equity performed certain consulting and advisory services for Seger Financial, Inc. Private Equity has provided certain financial advisory services to us. In addition, both Private Equity and Seger Financial have served as our private placement agents. From August 1997 to March 1998, Mr. Ahlbrand was Senior Vice President of IntelliQuest, an Austin, Texas based global research services firm. From December 1994 to August 1997, he was Chief Executive Officer of National TechTeam Europe, a global information services company. For more information regarding our transactions with Private Equity, Seger Financial and Mr. Ahlbrand, please review Certain Relationships and Related Transactions.

Matthew P. Cullen has been a director since July 2000. Mr. Cullen is General Manager of General Motors Enterprise Activity Group, which includes the company s worldwide real estate division. He joined General Motors in 1979 as a real estate administrator and subsequently assumed a variety of senior assignments. Prior to his current position, he was responsible for the disposal and redevelopment of surplus property as well as site selection and strategic site acquisition. Mr. Cullen is Vice Chairman of Detroit Downtown, Inc., past Chairman of Detroit News Center Area Council, and the Chair-Elect of the International Association of Corporation Real Estate Executives.

Richard A. Noelke became a director in December 2001. Mr. Noelke has served as the Deputy Director of WCERS since February 1997. Mr. Noelke was an elected Trustee of WCERS for ten years prior to becoming Deputy Director. He has been employed with Wayne County, Michigan, for the past 25 years, including ten years as an Accountant and Supervisor of Accounting, and ten years as the Assistant Finance Director, at Detroit Metropolitan Wayne County Airport. Mr. Noelke is also a director of Everest Energy Fund. WCERS beneficially owns approximately 38.6% of our common stock. For more information regarding our transactions with WCERS, please review Certain Relationships and Related Transactions.

Mark S. Provenzano became a director in February 2002 and Chairman of the Board in March 2003. He is the President and a shareholder of Columbia Construction Services, a general contracting and construction management firm he founded in 1981. Columbia specializes in hospitality, restaurant and retail construction in the Eastern United States. Mr. Provenzano is also the President and a shareholder of Supreme Heating and Supply Co, Inc., a family-operated firm started in 1950 by his father. Supreme provides HVAC services throughout Southeastern Michigan. Columbia, which beneficially owns less than one percent of our common stock, has provided certain services to our company pursuant to a Master Agreement for Program Management Services. Supreme has also provided certain services to our company. For more information regarding our transactions with Columbia and Supreme, please review Certain Relationships and Related Transactions.

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Henry T. Siwecki has been a director since August 1995. For more than the last five years, Mr. Siwecki has been the sole owner and President of Siwecki Construction, Inc., a commercial and residential contractor.

Ronald Yee became a director in February 2002. He has served as a Director of WCERS since February 1997. Prior to that, he was WCERS Deputy Director for six years. Mr. Yee also served as Wayne County s Risk Manager, Chief Labor Relations Analyst, Director of Administration for Personnel

as well as other professional level positions during his 28-year career. WCERS beneficially owns approximately 38.6% of our common stock. For more information regarding our transactions with WCERS, please review Certain Relationships and Related Transactions.

Thomas E. Zuhl became a director in January 2002. Mr. Zuhl has owned Pac Rim Associates, Inc., an automotive parts manufacturer s representative company, since October 1991. He also owns Up North Adventures, Inc. and Tried and True Builders, LLC. Mr. Zuhl beneficially owns 5.5% of our common stock. In July 2001, we granted a license to Up North Adventures (1) to use our intellectual property, (2) to import, sell and distribute our products, and (3) to open and operate Big Buck restaurants, in Japan, Thailand, Malaysia and Singapore. For more information regarding our transactions with Up North Adventures, Pac Rim Associates and Mr. Zuhl, please review Certain Relationships and Related Transactions.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Such officers, directors and shareholders are required by the SEC to furnish us with copies of all such reports. To our knowledge, based solely on a review of copies of reports filed with the SEC during the last fiscal year, all applicable Section 16(a) filing requirements were met, except that the following reports were not filed on a timely basis: (1) one report on Form 3 relating to the appointment of Ronald Yee to our board of directors on February 19, 2002, (2) one report on Form 3 relating to the appointment of Mark S. Provenzano to our board of directors on February 19, 2002, and (3) one report on Form 4 relating to the grant of options to purchase 2,142 shares received by Mr. Provenzano on February 19, 2002.

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ITEM 10 EXECUTIVE COMPENSATION

The following table sets forth information with respect to compensation paid by us to our Chief Executive Officer, our former Chief Executive Officer and the other highest paid executive officers (the Named Executive Officers) during the three most recent fiscal years.

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long-Term Compensation
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Awards Securities Underlying Options**
William F. Rolinski(1)	2002	$ 182,106	$ 0	0
Former President, Chief Executive	2001	$ 188,279	$ 0	0
Officer and Chairman of the Board	2000	$ 153,247	$ 0	32,037
Anthony P. Dombrowski(2)	2002	$ 130,500	$ 0	0
President, Chief Executive Officer,	2001	$ 108,953	$ 0	60,000
Chief Financial Officer and Treasurer	2000	$ 94,742	$ 0	14,962
Timothy J. Pugh(3)	2002	$ 127,500	$ 36,250	0
Chief Operating Officer	2001	$ 119,365	$ 0	75,000
	2000	$ 10,346	$ 0	0

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(1) Mr. Rolinski resigned as our President, Chief Executive Officer and Chairman of the Board on March 1, 2003.

(2) Mr. Dombrowski was named President and Chief Executive Officer on March 1, 2003.

(3) Mr. Pugh joined our company as Executive Vice President of Operations in December 2000. He was promoted to Chief Operating Officer in May 2002.

No stock options or stock appreciation rights were granted to the Named Executive Officers during 2002.

The following table sets forth information concerning the unexercised options held by the Named Executive Officers as of the end of the last fiscal year. No stock options were exercised by the Named Executive Officers during the last fiscal year. No stock appreciation rights were exercised by the Named Executive Officers during the last fiscal year or were outstanding at the end of that year.

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Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

Name	Number of Securities Underlying Unexercised Options at FY-End		Value of Unexercised In-the-Money Options at FY-End(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
William F. Rolinski	19,575	0	$ 0	N/A
Anthony P. Dombrowski	26,848	0	$ 0	N/A
Timothy J. Pugh	10,713	0	$ 0	N/A

(1) Market value of underlying securities at fiscal year end minus the exercise price.

Compensation of Directors

Directors who are also our employees receive no remuneration for services as members of the board or any board committee. Each non-employee director receives $500 for each regularly scheduled meeting of the board he attends. Effective July 1, 2001, our board resolved to pay each non-employee director who serves on our executive committee $3,000 per month for such service. To date, we have not made such payments. Our directors are reimbursed for expenses incurred solely in connection with our business purposes. During 2002, our non-employee directors received the options described below.

On December 1, 2002, pursuant to the automatic grant provisions of the 2000 Stock Option Plan, we granted (1) an option for the purchase of 20,000 shares of common stock to each non-employee director and (2) an option for the purchase of 10,000 shares of common stock to each non-employee member of the Executive Committee of the board. We automatically grant such options annually for each year of continued service. Any person who first becomes eligible to receive a grant pursuant to this provision of the 2000 Stock Option Plan following any December 1, will automatically receive a pro rata portion of such grant upon their appointment to such position. Each option is granted at fair market value on the date of grant, vests one year after the date of grant and expires ten years after the date of grant.

Employment Contracts and Termination of Employment, and Change-in-Control Arrangements

In May 2002, we entered into an employment agreement with our then Executive Vice President of Operations Timothy J. Pugh. Mr. Pugh was promoted to Chief Operating Officer in May 2002. The agreement provides for an annual base salary of $127,500, annual bonus potential based upon financial performance measures at the operating units, and benefits made available to other executives. The agreement is terminable by either party, at any time, with or without cause. However, if Mr. Pugh is terminated without cause prior to the third anniversary of the agreement, we will be obligated to pay him an amount equal to six months salary.

In February 2003, we entered into an employment agreement with our then Chief Financial Officer and Treasurer Anthony P. Dombrowski. Mr. Dombrowski assumed the additional positions of President and Chief Executive Officer in March 2003. The agreement provides for an annual base salary of $133,000, five weeks paid vacation per year, and benefits made available to other executives. The agreement is terminable by either party, at any time, with or without cause. However, if Mr. Dombrowski is terminated without cause prior to the third anniversary of the agreement, we will be obligated to pay him an amount equal to six months salary.

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ITEM 11 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of February 28, 2003, by (a) each person who is known to us to own beneficially more than five percent of our common stock, (b) each director, (c) our Named Executive Officers (as defined herein), and (d) all executive officers and directors as a group. Unless otherwise noted, each person identified below possesses sole voting and investment power with respect to such shares. Except as otherwise noted below, we know of no agreements among our shareholders which relate to voting or investment power with respect to our common stock.

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned (1)	Percent of Class (2)
Wayne County Employees Retirement System(3)	512,155	38.6%
28 West Adams, Suite 1900		
Detroit, Michigan 48226		
William F. Rolinski(4)	139,662	15.8%
5242 Greenview		
Gaylord, Michigan 49735		
Estate of Blair A. Murphy	83,572	9.7%
Thomas E. Zuhl(5)	50,112	5.5%
Michael G. Eyde(6)	45,782	5.1%
6250 West Michigan Avenue		
Lansing, Michigan 48917		
Henry T. Siwecki(7)	27,997	3.2%
Anthony P. Dombrowski(8)	27,705	3.1%
Timothy J. Pugh(9)	10,713	1.2%
Jonathon D. Ahlbrand(10)	9,939	1.1%
Mark S. Provenzano(11)	9,285	1.1%
Matthew P. Cullen(9)	7,142	*
Ronald Yee(12)	512,512	38.6%
Richard A. Noelke	71	*
All directors and executive officers as a group (9 persons)(13)	655,476	45.5%

* Represents less than one percent.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to securities. Securities beneficially owned by a person may include securities owned by or for, among others, the spouse, children or certain other relatives of such person as well as other securities as to which the person has or shares voting or investment power or has the option or right to acquire within 60 days of February 28, 2003. Unless otherwise indicated, the address of each shareholder is c/o Big Buck Brewery & Steakhouse, Inc., 550 South Wisconsin Street, Gaylord, Michigan 49734.

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(2) Percentage of beneficial ownership is based on 861,997 shares outstanding as of February 28, 2003. Shares issuable pursuant to derivative securities are deemed outstanding for computing the percentage of the person holding such derivative securities but are not deemed outstanding for computing the percentage of any other person.

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(3) Includes 28,571 shares purchasable upon the exercise of a warrant and 437,383 shares purchasable upon the conversion of promissory notes.

(4) Includes 19,575 shares purchasable upon the exercise of options.

(5) Includes 2,380 shares purchasable upon the exercise of options, 16,496 shares purchasable upon the conversion of a promissory note and 27,793 shares purchasable upon the conversion of a promissory note held by Pac Rim Associates, Inc.

(6) Includes 28,570 shares purchasable upon the conversion of promissory notes.

(7) Includes 9,284 shares purchasable upon the exercise of options.

(8) Includes 26,848 shares purchasable upon the exercise of options.

(9) Represents shares purchasable upon the exercise of options.

(10) Represents 7,856 shares purchasable upon the exercise of options and 2,083 shares purchasable upon the exercise of a warrant held by Seger Financial, Inc.

(11) Represents 2,142 shares purchasable upon the exercise of options and 7,143 shares held by Columbia Construction Services Michigan, Inc.

(12) Mr. Yee disclaims beneficial ownership of the securities owned by Wayne County Employees Retirement System.

(13) Includes 66,365 shares purchasable upon the exercise of options, 30,654 shares purchasable upon the exercise of warrants and 481,672 shares purchasable upon the conversion of promissory notes.

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Equity Compensation Plan Information

The following table provides information as of the end of the most recently completed fiscal year with respect to compensation plans under which our equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(a)	Weighted-average exercise price of outstanding options, warrants and rights(b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)
Equity compensation plans approved by security holders	104,608	$ 12.28	144,390(1)
Equity compensation plans not approved by security holders	57,080(2)	$ 14.49	0
Total	161,688	$ 13.06	144,390(1)

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(1) Represents (a) 27,051 shares remaining available for issuance under our 1996 Stock Option Plan, (b) 16,857 shares remaining available for issuance under our 1999 Employee Stock Purchase Plan (which we suspended in January 2003), and (c) 100,482 shares remaining available for issuance under our 2000 Stock Option Plan. We terminated our 1996 Director Stock Option Plan in September 2000.

(2) Represents (a) 7,142 shares underlying a warrant exercisable at $18.38 per share issued on November 5, 1998 to Bass Pro Outdoor World, L.L.C. that expires on August 31, 2003, (b) 2,083 shares underlying a five-year warrant exercisable at $19.34 per share issued on November 20, 1998 to Seger Financial, Inc., (c) 3,571 shares underlying a three-year warrant exercisable at $12.69 per share issued on January 26, 2000 to Michael G. Eyde, (d) 28,571 shares underlying a warrant exercisable at $14.00 per share issued on February 4, 2000 to Wayne County Employees Retirement System that expires on February 27, 2004, (e) an aggregate of 7,142 shares underlying options exercisable at $21.00 per share issued outside of our stock option plans on December 29, 1998 to certain of our executive officers, and (f) an aggregate of 8,571 shares underlying options exercisable at $7.00 per share issued outside of our stock option plans on March 30, 2001 to certain directors of Buck & Bass, L.P.

ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Agreements with Wayne County Employees Retirement System and Relationships with Ronald Yee and Richard A. Noelke

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We have obtained certain debt financing from WCERS. As of March 21, 2003, we owed WCERS approximately $10.2 million. A first priority lien in favor of WCERS on all of our assets, including the Gaylord unit, our leasehold interest in the Auburn Hills unit, our leasehold interest in the Grand Rapids unit, our limited partnership interest in Buck & Bass, L.P. and all of our other assets, now or hereafter acquired, secures this indebtedness. As of February 28, 2003, WCERS beneficially owned approximately 38.6% of our common stock. For more information regarding our transactions with WCERS, please review Management s Discussion and Analysis or Plan of Operation. Ronald Yee, who became one of our directors in February 2002, serves as Director of WCERS. Richard A. Noelke, who became one of our directors in December 2001, serves as Deputy Director of WCERS.

Agreements with Michael G. Eyde

We have entered into certain sale/leaseback transactions with Michael G. Eyde. As of February 28, 2003, Mr. Eyde beneficially owned approximately 5.1% of our common stock. For more information regarding our transactions with Mr. Eyde, please review Description of Property Grand Rapids and Auburn Hills.

Agreements with Up North Adventures, Transactions with Pac Rim Associates and Thomas E. Zuhl, and Relationship with Thomas E. Zuhl

In July 2001, we granted an exclusive license to Up North Adventures, Inc. (1) to use our intellectual property, (2) to import, sell and distribute our products, and (3) to open and operate our restaurants, in Japan, Thailand, Malaysia and Singapore. In consideration of such rights, the licensee, an entity owned by Thomas E. Zuhl, will pay us one and one half percent of its gross receipts for products sold in the territory for the first 24 months after the first Big Buck restaurant is opened. For the remainder of the 25-year term, the royalty amount will increase to two percent. In July 2001, we issued a convertible subordinated promissory note in the principal amount of $100,000 to Thomas E. Zuhl. This note matured in July 2002. It may be converted into 16,496 shares of common stock at a conversion price of $6.062 per share. In December 2001, we issued a convertible subordinated promissory note in the principal amount of $100,000 to Pac Rim Associates, Inc. Such entity is owned by Mr. Zuhl. This note matured in December 2002. It may be converted into 27,793 shares of common stock at a conversion price of $3.598 per share. In January 2002, Mr. Zuhl became one of our directors.

Agreements and Transactions with Columbia Construction Services, Transactions with Supreme Heating and Supply Co, Inc. and Relationship with Mark S. Provenzano

In January 2001, we entered into a Master Agreement for Program Management Services with Columbia Construction Services Michigan, Inc. Pursuant to this agreement, Columbia has provided us with certain project-specific construction management services and advice regarding development, design and construction issues related to our restaurant business. Mark S. Provenzano, who became one of our directors in February 2002, is President and a shareholder of Columbia. Under the agreement, Columbia conducted certain demolition and construction work in connection with the Nashville location. For such services, we paid Columbia $212,423 during 2001 and $19,930 during 2002. Columbia also provided us with advisory services in connection with our former construction litigation. For such services, we paid Columbia $79,613 during 2001 and $24,000 during 2002. Our agreement also provides that we will reimburse Columbia, at actual cost plus 15%, for all reimbursable costs incurred by it in connection with project-specific construction management services as well as advisory services. We did not pay Columbia for any project-specific construction management services during 2002 because we had no pending projects during such fiscal year. Effective February 9, 2001, we issued 7,142 shares of common stock to Columbia as compensation for field audit services provided by such entity to us in connection with the Grapevine unit. During 2002, we paid Supreme Heating and Supply Co, Inc. $17,456 for mechanical repair services on the HVAC system at our Auburn Hills location. Mr. Provenzano is President and a shareholder of Supreme.

Transaction with Seger Financial, Agreements with Private Equity, and Relationship with Jonathon D. Ahlbrand

On November 20, 1998, we issued a five-year warrant, exercisable at $2.7625 per share, for the purchase of 2,083 shares of our common stock to Seger Financial, Inc. This issuance was made in connection with the $1.4 million debt financing which Seger Financial obtained for us from Crestmark Bank. In addition, we paid Seger Financial a commission of 5% of the total amount of the debt placed ($70,000). Private Equity, LLC, an entity of which Jonathon D. Ahlbrand, who became one of our directors in January 2001, is a managing member, performed certain

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consulting and advisory services for

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Seger Financial from April 1998 to July 1998. In connection with the dissolution of such relationship, Mr. Ahlbrand came to beneficially own the securities underlying the foregoing warrant and was paid $17,500 of the above-referenced commissions.

On September 17, 1999, we entered into a consulting services agreement with Private Equity, LLC. Pursuant to this agreement, Private Equity agreed to provide advice, recommendations and introductions regarding financing options, market conditions, program structure and strategic options, including acquisitions and mergers. We agreed to bear all reasonable costs and expenses associated with such consulting efforts. We reimbursed Private Equity for $22,400 of costs and expenses during 2000. In addition, we issued warrants to purchase an aggregate of 28,571 shares of our common stock to Private Equity. Mr. Ahlbrand, who became one of our directors in January 2001, has served as a managing member of Private Equity since April 1998. All of such warrants expired unexercised on October 1, 2002.

Employment Agreements with Anthony P. Dombrowski and Timothy J. Pugh

Two of our executive officers have employment agreements with our company. For more information regarding such agreements, please review Executive Compensation Employment Contracts and Termination of Employment, and Change-in-Control Arrangements.

General

All future transactions between us and our officers, directors and principal shareholders and their affiliates will be approved by a majority of the board, including a majority of the independent and disinterested non-employee directors, and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

ITEM 13 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See Index to Exhibits.

(b) Reports on Form 8-K

On October 8, 2002, we filed a Current Report on Form 8-K relating to the delisting of our securities from The Nasdaq SmallCap Market. We filed no other Current Reports on Form 8-K during the quarter ended December 29, 2002.

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ITEM 14 **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. Within the 90-day period prior to the filing date of this periodic 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.

There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of their most recent evaluation.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Gaylord, State of Michigan, on March 31, 2003.

BIG BUCK BREWERY & STEAKHOUSE, INC.

By /s/ Anthony P. Dombrowski
Anthony P. Dombrowski
President, Chief Executive Officer, Chief Financial Officer and Treasurer (Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Anthony P. Dombrowski and Timothy J. Pugh as his or her true and lawful attorney-in-fact and agent, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant, and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Anthony P. Dombrowski Anthony P. Dombrowski	President, Chief Executive Officer, Chief Financial Officer and Treasurer (Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer)	March 31, 2003
Jonathon D. Ahlbrand	Director	
	Director	

Matthew P. Cullen

/s/ Richard A. Noelke Richard A. Noelke	Director	March 31, 2003

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/s/ Mark S. Provenzano Mark S. Provenzano	Chairman of the Board	March 31, 2003
Henry T. Siwecki	Director	
/s/ Ronald Yee Ronald Yee	Director	March 31, 2003
/s/ Thomas E. Zuhl Thomas E. Zuhl	Director	March 31, 2003

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CERTIFICATIONS

CERTIFICATION PURSUANT TO RULE 13a-14

I, Anthony P. Dombrowski, Chief Executive Officer and Chief Financial Officer of Big Buck Brewery & Steakhouse, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB of Big Buck Brewery & Steakhouse, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

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5. I have disclosed, based on my most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated:	March 31, 2003	By	/s/ Anthony P. Dombrowski
			Anthony P. Dombrowski
			Chief Executive Officer and
			Chief Financial Officer

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Big Buck Brewery & Steakhouse, Inc. (the Company) on Form 10-KSB for the annual period ended December 29, 2002, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Anthony P. Dombrowski, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2003

By /s/ Anthony P. Dombrowski
Anthony P. Dombrowski
Chief Executive Officer and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Articles of Incorporation, as amended (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 13, 2002 (File No. 0-20845)).
3.2	Amended and Restated Bylaws (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 13, 2002 (File No. 0-20845)).
4.1	See Exhibit 3.1.
4.2	See Exhibit 3.2.
4.3	Specimen common stock certificate (incorporated by reference to our Quarterly Report on Form 10-QSB, filed November 13, 2002 (File No. 0.20845)).
10.1	1996 Stock Option Plan (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 23, 1998 (File No. 0-20845)).
10.2	1996 Director Stock Option Plan (incorporated by reference to our Registration Statement on Form SB-2, filed on April 15, 1996 (File No. 333-3548)).
10.3	1999 Employee Stock Purchase Plan (incorporated by reference to our Definitive Schedule 14A (Proxy Statement), filed on October 26, 1999 (File No. 0-20845)).
10.4	Amendment No. 1 to 1999 Employee Stock Purchase Plan (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.5	2000 Stock Option Plan (incorporated by reference to our Definitive Schedule 14A (Proxy Statement), filed on October 18, 2000 (File No. 0-20845)).
10.6	Real Estate Purchase and Leaseback Agreement by and between Eyde Brothers Development Co., Landlord, and Big Buck, Tenant, dated April 11, 1997 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on May 9, 1997 (File No. 0-20845)).
10.7	Lease Agreement by and between Eyde Brothers Development Co., Landlord, and Big Buck, Tenant, dated April 11, 1997 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on May 9, 1997 (File No. 0-20845)).
10.8	Amendment to Lease Agreement by and between Eyde Brothers Development Co., Landlord, and Big Buck, Tenant, dated March 27, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.9	Amendment No. 2 to Lease Agreement by and between Eyde Brothers Development Co., Landlord and Big Buck, Tenant, dated March 29, 2002 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.10	Real Estate Purchase and Leaseback Agreement by and between Michael G. Eyde, Landlord, and Big Buck, Tenant, dated August 1, 1997 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on August 12, 1997 (File No. 0-20845)).
10.11	Lease Agreement by and between Michael G. Eyde, Landlord, and Big Buck, Tenant, dated October 1, 1997 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 23, 1998 (File No. 0-20845)).
10.12	Amendment to Lease Agreement by and between Michael G. Eyde, Landlord, and Big Buck, Tenant, dated January 26, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.13	Limited Partnership Agreement by and among BBBP Management Company, Bass Pro Outdoor World, L.L.C. (f/k/a Bass Pro Outdoor World, L.P.) and Big Buck, dated November 5, 1998 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 12, 1998 (File No. 0-20845)).
10.14	Shareholders Agreement by and among BBBP Management Company, Bass Pro Outdoor World, L.L.C. (f/k/a Bass Pro Outdoor World, L.P.) and Big Buck, dated November 5, 1998 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 12, 1998 (File No. 0-20845)).

10.15	Commercial Sublease Agreement by and between Bass Pro Outdoor World, L.L.C. (f/k/a Bass Pro Outdoor World, L.P.) and Buck and Bass, L.P., dated November 5, 1998 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 12, 1998 (File No. 0-20845)).
10.16	Common Stock Purchase Warrant issued by Big Buck to Bass Pro Outdoor World, L.L.C. (f/k/a Bass Pro Outdoor World, L.P.), dated November 5, 1998 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 12, 1998 (File No. 0-20845)).
10.17	Stock Option Agreement between Big Buck and William F. Rolinski, dated December 29, 1998 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 29, 1999 (File No. 0-20845)).
10.18	Stock Option Agreement between Big Buck and Anthony P. Dombrowski, dated December 29, 1998 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 29, 1999 (File No. 0-20845)).
10.19	Form of Non-Qualified Stock Option Agreement between Big Buck and certain directors of Buck & Bass, L.P., dated March 30, 2001 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on May 4, 2001 (File No. 0-20845)).
10.20	Common Stock Purchase Warrant issued by Big Buck to Seger Financial, Inc., dated November 20, 1998 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 29, 1999 (File No. 0-20845)).
10.21	Consulting Agreement by and between Big Buck and Private Equity, LLC, dated September 17, 1999 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.22	Subscription and Investment Representation Agreement for 10% Convertible Secured Promissory Note executed by Wayne County Employees Retirement System, dated February 4, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.23	10% Convertible Secured Promissory Note in the principal amount of $5,876,114.74, issued by Big Buck, Maker, to Wayne County Employees Retirement System, Payee, dated February 4, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.24	Amended, Restated and Consolidated Convertible Note in the principal amount of $1,623,885.26, issued by Big Buck, Maker, to Wayne County Employees Retirement System, Payee, dated February 4, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.25	Common Stock Purchase Warrant issued by Big Buck to Wayne County Employees Retirement System, dated February 4, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.26	Promissory Note and Security Agreement by and between Big Buck and Buck & Bass, L.P., dated August 23, 2000 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 15, 2000 (File No. 0-20845)).
10.27	Promissory Note in the principal amount of $1,500,000.00, issued by Big Buck, Maker, to Wayne County Employees Retirement System, Payee, dated August 21, 2000 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on November 15, 2000 (File No. 0-20845)).
10.28	First Loan Modification Agreement by and between Wayne County Employees Retirement System and Big Buck, dated August 21, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.29	Second Loan Modification Agreement by and between Wayne County Employees Retirement System and Big Buck, dated October 1, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.30	Third Loan Modification Agreement by and between Wayne County Employees Retirement System and Big Buck, dated February 20, 2001 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).

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10.31	Fourth Loan Modification Agreement by and between Wayne County Employees Retirement System and Big Buck, dated March 15, 2001 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.32	Fifth Loan Modification Agreement by and between Wayne County Employees Retirement System and Big Buck, dated March 20, 2002 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.33	Letter Agreement by and between Wayne County Employees Retirement System and Big Buck, dated February 1, 2001 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.34	Letter Agreement between by and between Wayne County Employees Retirement System and Big Buck, dated February 4, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.35	Letter Agreement by and between Wayne County Employees Retirement System and Big Buck, dated April 3, 2001 (incorporated by reference to our Annual Report on Form 10-KSB/A, filed on April 13, 2001 (File No. 0-20845)).
10.36	Letter Agreement by and between Wayne County Employees Retirement System and Big Buck, dated October 1, 2001 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed November 14, 2001 (File No. 0-20845)).
10.37	Letter Agreement by and between Wayne County Employees Retirement System and Big Buck, dated February 28, 2002 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.38	Letter Agreement by and between Wayne County Employees Retirement System and Big Buck, dated April 1, 2002 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.39	Form of Subscription and Investment Representation Agreement for 10% Convertible Subordinated Promissory Note (including form of note) (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 31, 2000 (File No. 0-20845)).
10.40	Form of First Amendment to 10% Convertible Subordinated Promissory Note (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.41	Promissory Note in the principal amount of $12,000.00, issued by Anthony P. Dombrowski, Maker, to Big Buck, Payee, dated April 18, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.42	Promissory Note in the principal amount of $100,000.00, issued by Big Buck, Maker, to Michael G. Eyde, Payee, dated December 4, 2000 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 2, 2001 (File No. 0-20845)).
10.43	First Amendment to Non-Convertible Subordinated Promissory Note issued by Big Buck to Michael G. Eyde, dated March 29, 2001 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed on May 4, 2001 (File No. 0-20845)).
10.44	Consulting Agreement between Big Buck and Morgan James & Associates, effective July 12, 2001 (incorporated by reference to our Quarterly Report on Form 10-QSB, filed November 14, 2001 (File No. 0-20845)).
10.45	Promissory Note in the principal amount of $100,000.00, issued by Big Buck, Maker, to Thomas E. Zuhl, Payee, dated July 20, 2001 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.46	Promissory Note in the principal amount of $100,000.00, issued by Big Buck, Maker, to Pac Rim Associates, Inc., Payee, dated December 11, 2001 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.47	License Agreement between Up North Adventures, Inc. and Big Buck, dated July 20, 2001 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.48	Promissory Note in the principal amount of $5,000,000.00, issued by Big Buck, Maker, to United Bank and Trust Company, Payee, dated March 15, 2002 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).

10.49	Master Agreement for Program Management Services between Big Buck and Columbia Construction Services Michigan, Inc., dated January 1, 2001 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.50	Possession Agreement between Big Buck and Opry Mills Limited Partnership, dated March 14, 2002 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.51	Settlement and Termination Agreement between Big Buck and Opry Mills Limited Partnership, dated March 28, 2002 (incorporated by reference to our Annual Report on Form 10-KSB, filed on April 1, 2002 (File No. 0-20845)).
10.52	Agreement for Specialized Financial and Organizational Consulting between Big Buck and Iridium Consulting, LLC, dated June 11, 2002.
10.53	Employment Agreement between Big Buck and Anthony P. Dombrowski, dated February 28, 2003.
10.54	Employment Agreement between Big Buck and Timothy J. Pugh, dated May 16, 2002.
21	Subsidiaries of Big Buck (incorporated by reference to our Annual Report on Form 10-KSB, filed on March 29, 1999 (File No. 0-20845)).
23	Consent of Independent Public Accountants.
24	Power of Attorney (included on signature page to Form 10-KSB).

$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-