

BIG BUCK BREWERY & STEAKHOUSE INC

Form 10QSB

November 10, 2003

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

## **FORM 10-QSB**

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

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

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

**Commission File Number 0-20845**

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

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

**Michigan**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**38-3196031**  
(I.R.S. Employer  
Identification No.)

**550 South Wisconsin Street**  
**Gaylord, Michigan 49734**  
**(989) 731-0401**  
(Address of Principal Executive Offices and Issuer's  
Telephone Number, including Area Code)

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

Yes ☒ No ☐.

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

Transitional Small Business Disclosure Format:

Yes ☐ No ☒.

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**PART I**

ITEM 1                      Financial Statements

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

**Consolidated Balance Sheets**



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

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



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

**Consolidated Statements of Operations**

**(Unaudited)**



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

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

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



**Consolidated Statements of Cash Flows**



**(Unaudited)**

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

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

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

Condensed Notes to Financial Statements

September 28, 2003

(1) Basis of Financial Statement Presentation

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

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

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

ITEM 2

Management's Discussion and Analysis or Plan of Operation

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

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

**Overview**

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

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

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

refinancing of existing indebtedness,

continued implementation of cost controls, and

increasing sales through additional marketing efforts.

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

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

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

	Three Months Ended		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
<b>REVENUE:</b>				
Restaurant sales	99.3%	99.0%	99.3%	99.1%
Wholesale and retail sales	0.7	1.0	0.7	0.9