

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

**FORM 10-K/A**

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

For the fiscal year ended December 26, 2006.

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

For the transition period from to .

Commission file number 000-29643

**GRANITE CITY FOOD & BREWERY LTD.**

(Exact name of registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of incorporation or organization)

**41-1883639**

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

**5402 Parkdale Drive, Suite 101**

**Minneapolis, Minnesota**

(Address of principal executive offices)

**55416**

(Zip Code)

**(952) 215-0660**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	NASDAQ Capital Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes   
No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes   
No

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

As of June 27, 2006, the aggregate market value of the registrant's common stock held by non-affiliates (assuming for the sole purpose of this calculation, that all directors and officers of the registrant are "affiliates") was \$38,409,560 (based on the closing sale price of the registrant's common stock as reported on the NASDAQ Capital Market). The number of shares of common stock outstanding at that date was 13,226,526 shares.

The number of shares of common stock outstanding as of April 13, 2007 was 15,991,767.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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**PART III****Item 10. Directors, Executive Officers and Corporate Governance****Our Directors**

Our directors are elected annually, by a plurality of the votes cast, to serve until the next annual meeting of shareholders and until their respective successors are elected and duly qualified. There are no familial relationships between any director or officer. The following table and related narrative set forth certain information concerning the members of our board of directors as of April 13, 2007.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Position with Company</u>	<u>Director Since</u>
Steven J. Wagenheim	53	President, Chief Executive Officer and Director of Granite City	President, Chief Executive Officer and Director	1997
James G. Gilbertson	45	Vice President, Business Development and Cable Distribution of ValueVision Media, Inc.	Director	1999
Eugene E. McGowan	70	President and Chief Executive Officer of The McGowan Group	Director	2003
Arthur E. Pew III	73	Private Investor	Director	1997
Dermot F. Rowland	69	Private Investor	Director	2004
Bruce H. Senske	52	Vice President of Distribution of U.S. Oil Co., Inc. and Managing Director and Co-Founder of Genoa Business Advisors LLC	Director	1999

**Steven J. Wagenheim**, our President, Chief Executive Officer and one of our founders. Mr. Wagenheim has over 25 years of hospitality industry experience as a corporate executive, owner/operator, manager and consultant for hotels, resorts, and individual and multi-unit restaurant operations. Mr. Wagenheim previously served as Chief Executive Officer and principal shareholder of New Brighton Ventures, Inc., an investment holding company that formerly operated a Champps Americana restaurant in New Brighton, Minnesota. Between 1989 and 1997, Mr. Wagenheim was involved in the expansion and operations of Champps restaurants, holding positions with Champps Entertainment, Inc., Champps Development Group, Inc. and Americana Dining Corporation.

**James G. Gilbertson** became one of our directors in November 1999. Mr. Gilbertson has served as Vice President, Business Development and Cable Distribution for ValueVision Media, Inc., an integrated direct marketing company that sells its products directly to consumers through television, the Internet and direct mail, since December 2005. From January 2001 to July 2005, Mr. Gilbertson served as Chief Financial Officer of Navarre Corporation, a major distributor of music, software, video games, interactive CD-ROM products and DVD videos. From January 2003 to July 2005, Mr. Gilbertson also served as a director of Navarre Corporation. Mr. Gilbertson held various positions at iNTELEFILM Corporation, an entity engaged in television commercial production, from July 1992 through January 2001, including serving as Co-President from August 2000 through January 2001, Chief Operating Officer from April 1996 through January 2001, and Chief Financial Officer from July 1992 through December 1999. Mr. Gilbertson served as Chief Operating Officer of Harmony Holdings, Inc., a corporation involved in the production of television commercials, music videos and related media, from

April 1998 through January 2001. He also served as Chief Executive Officer, President and a director of webADTV.com, Inc., a corporation involved in Internet enabling the advertising campaign process, from January 2000 through January 2001.

**Eugene E. McGowan** became one of our directors in January 2003. Since 2001, Mr. McGowan has been President and Chief Executive Officer of The McGowan Group, a private equity company that invests in early to mid-stage regional companies. In 1985, he joined Piper Jaffray, Inc. and in 1999 was promoted to Chief Operating Officer of Individual Investor Services with US Bancorp Piper Jaffray where he directed the day-to-day activities of over one hundred branch offices.

**Arthur E. Pew III** became one of our directors in August 1997. Retired since 1990, Mr. Pew served as a director of the Pew Charitable Trusts and the Glenmede Trust Company, N.A., both in Philadelphia, Pennsylvania, from October 1996 to March 2005. Mr. Pew owned several Champps Americana restaurants from 1989 to 1996.

**Dermot F. Rowland** founded Timber Lodge Steakhouse, Inc. and served as its Chairman of the Board, Chief Executive Officer, Treasurer and one of its directors from 1989 to 1998. Prior to forming Timber Lodge, Mr. Rowland was involved in the formation and management of Homestyle Buffets, Inc. He co-founded Homestyle in 1986 and served as its Chairman of the Board, President and Chief Executive Officer until 1991. From 1973 to 1986, Mr. Rowland served as President of Rowland Companies, Inc., and its subsidiary, Diversified Construction Company, a general contractor. In such capacity, he assisted in site selection, architectural planning and design, and was responsible for development of various building projects, including restaurants for chains such as Buffets, Inc., Godfather Pizza and Red Lobster.

**Bruce H. Senske** became one of our directors in November 1999. Over the last eight years, he has been part of the senior management teams of more than 15 businesses. Mr. Senske is currently Vice President of Distribution of U.S. Oil Co., Inc. and Managing Director and co-founder of Genoa Business Advisors LLC, a management advisory firm, advising mid-market companies in the areas of operations, finance and organizational design and development. Between June 2001 and January 2003, Mr. Senske was a Managing Director and co-founder of Volition Advisory Group, LLC, a management advisory firm specializing in assisting companies in transition. From June 1998 until May 2001, Mr. Senske was a Managing Partner at Manchester Companies, a private investment and management consulting firm formed in 1993. From September 1999 to September 2000, he served as Interim Chief Executive Officer of Telident, Inc., a NASDAQ company which designed, manufactured and marketed proprietary hardware and software systems to provide the exact location of a 911 telephone call. Mr. Senske served as President, Chief Executive Officer, Chief Financial Officer and Treasurer of U-Ship, Inc., a NASDAQ company, from January 1993 to June 1998. Prior to 1998, Mr. Senske was Vice President of Strategic Marketing and Product Planning at Vocam Systems, Inc., a manufacturer of transportation management software systems, which became a division of the Pitney Bowes Company in 1990. In addition, Mr. Senske spent eight years with US Bank leaving there in the capacity of Senior Vice President of Commercial Lending.

#### **Our Executive Officers**

Pursuant to General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, information regarding our executive officers is provided in Part I of our Form 10-K under separate caption.

## **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 one report on Form 4 setting forth the director stock option grant for 15,000 shares to Eugene E. McGowan on January 1, 2006, was not filed on a timely basis.

## **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that is applicable to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions) and directors. Our Code of Business Conduct and Ethics satisfies the requirements of Item 406 (b) of Regulation S-K and applicable NASDAQ Marketplace Rules. Our Code of Business Conduct and Ethics is posted on our website at [www.gcfb.net](http://www.gcfb.net) and is available, free of charge, upon written request to our Chief Financial Officer at 5402 Parkdale Drive, Suite 101, Minneapolis, MN 55416. We intend to disclose any amendments to or waivers from a provision of our Code of Business Conduct and Ethics that requires disclosure on our website at [www.gcfb.net](http://www.gcfb.net).

## **Audit Committee Matters**

Our audit committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. Each member of our audit committee is independent as defined in Rule 4200(a)(15) of the Marketplace Rules of the NASDAQ Stock Market and Exchange Act Rule 10A-3. Further, no member of our audit committee participated in the preparation of the financial statements of our company or any current subsidiary of our company at any time during the past three years.

Pursuant to our listing agreement with the NASDAQ Stock Market, each member of our audit committee is able to read and understand fundamental financial statements, including an issuer's balance sheet, income statement, and cash flow statement and at least one member of the committee has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication. In addition, our board of directors has determined that James G. Gilbertson is an "audit committee financial expert" as such term is defined by Item 407(d)(5) of Regulation S-K. Our audit committee financial expert and the other members of our audit committee are independent, as independence for audit committee members is defined in the Marketplace Rules of the NASDAQ Stock Market.

## **Item 11. Executive Compensation**

### **Compensation Discussion and Analysis**

#### *Compensation Philosophy and Objectives*

Our compensation committee is committed to an executive compensation philosophy that attracts and retains executive officers, motivates executive officers to achieve our company's business objectives, and aligns the interests of key leadership with the long-term interests of our company's shareholders. The current objectives of our compensation program are to pay compensation at or above market level for the

industry, and to link pay to performance by encouraging executive officers to focus on sales, income from operations, expense control and earnings per share.

#### *Setting Executive Compensation*

Executive compensation is intended to support our company's performance goals. Accordingly, the committee believes that a high percentage of compensation should be tied to the performance of our company and the individual's contribution to our company's performance. This philosophy is illustrated by the committee's practice of tying annual incentive compensation to our company's key metrics.

The committee endeavors to set total compensation, including base salary, annual incentive compensation and equity incentives, at or above market level for the industry to attract top management during our company's early growth years. In making its compensation decisions, the committee periodically references guides published by the National Restaurant Association for data on salary and benefit practices within the restaurant industry. In addition, the committee in 2006 engaged HCE Hospitality Compensation Exchange to provide benchmarks for base salary, cash bonuses and total compensation for our chief executive officer, chief financial officer and chief operating officer. The companies used for benchmarking purposes were Ark Restaurants Corp., Bertucci's Corp., BJ's Restaurants, Inc., Bubba Gump Shrimp Co. Restaurants, Inc., Cameron Mitchell Restaurants, LLC, Elephant & Castle Group, Inc., Fired Up, Inc., Fox Restaurant Concepts, Grill Concepts Inc., J. Alexander's Corp., Kona Grill, Margaritas Management Group, Max & Erma's Restaurants, Inc., Ram International, Smith and Wollensky Restaurant Group, and Tumbleweed Inc. The committee benchmarks total compensation at or above the average for this peer group.

The committee generally commences its review of compensation for our executive officers during the fourth quarter of each year with the final determination of base salary, annual incentive compensation and equity incentives in April of each year. Changes in annual base compensation, if any, may be implemented retroactive to the beginning of the fiscal year following completion of our audited financial statements for the prior fiscal year and the filing of such financial statements on Form 10-K. By April 2008, the committee intends to have the compensation of each named executive officer on the same review cycle.

#### *Compensation Policies*

*Employment Agreements* : We have entered into employment agreements with our chief executive officer and our chief financial officer. We had an employment agreement with our former chief financial officer. Based on the analysis of senior executive compensation practices in the food service industry and other relevant executive compensation factors and trends, the committee believes that employment agreements are customary at this level of leadership. Each of these agreements is described in detail in the narrative following "Potential Payments upon Termination or Change in Control." We have not entered into employment agreements with any other employees.

*Change-in-Control Agreements* : The above-referenced employment agreements contain provisions related to a change-in-control of our company. Each of these agreements is described in detail in the narrative following "Potential Payments upon Termination or Change in Control." In addition, our 2002 Equity Incentive Plan provides that awards issued under that plan are fully vested and all restrictions on the awards lapse in the event of a change in control, as defined in such plan. We do not maintain any other change-in-control policies or plans.

*Severance Policy* : The above-referenced employment agreements contain provisions related to severance payments upon termination of employment. Each of these agreements is described in detail in

the narrative following "Potential Payments upon Termination or Change in Control." We do not maintain any other severance policies or plans.

*Recoupment Policy Relating to Unearned Incentive Compensation* : It is the committee's policy to make retroactive adjustments to any cash or equity based incentive compensation paid to executive officers where the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement. Where applicable, our company may seek to recover any amount determined to have been inappropriately received by the individual executive.

The employment agreement with our chief executive officer provides that the board may require reimbursement of any incentive compensation previously paid if our chief executive officer breaches certain provisions of his employment agreement, or if our chief executive officer becomes obligated to disgorge to or reimburse our company for any compensation paid or payable to him by reason of the application of Section 304 of the Sarbanes-Oxley Act of 2002. This employment agreement is described in detail in the narrative following "Potential Payments upon Termination or Change in Control."

*Impact of Tax and Accounting Treatment on Compensation Decisions* : The committee makes every reasonable effort to ensure that all compensation paid to our executive officers is fully deductible, provided it determines that application of applicable limits are consistent with our needs and executive compensation philosophy. Our income tax deduction for executive compensation is limited by Section 162(m) of the Internal Revenue Code to \$1 million per executive per year, unless compensation above that amount is "performance-based." This limit applies to our chief executive officer and the other executive officers that are most highly compensated. They are identified in the Summary Compensation Table below. We have not had any deductions limited by Section 162(m) of the Internal Revenue Code to date.

*Guarantee Fees* : In March 2004, our board agreed to compensate our chief executive officer for his personal guaranties of certain equipment loans. During 2006, we accrued \$30,708 of such fees and paid \$15,000 of such fees. In August 2006, our board agreed to compensate our chief executive officer for his personal guaranty of certain equipment lease financing. During 2006, we accrued \$5,768 of such fees, none of which had been paid as of fiscal year end. The committee does not consider such guarantee fees in setting our chief executive officer's compensation as these fees are not considered to be compensation to our chief executive officer for his services to our company as an employee.

#### *Components of Executive Officer Compensation*

*Base Salary* . Executive officers receive a base salary to compensate them for services rendered throughout the year. Base salary is intended to recognize each officer's responsibilities, role in the organization, experience level, and contributions to the success of our company. The committee sets base salaries for the executive officers at or above market level for the industry based on our benchmarking data.

Pursuant to the terms of our employment agreement with our chief executive officer, the committee reviews his performance and base salary level each year. The committee has the sole discretion to increase (but not decrease) his base salary. Pursuant to the terms of our employment agreement with our chief financial officer, the board has the sole discretion to increase (but not decrease) his base salary. The committee makes base salary adjustments for the other executive officers based on the recommendation of our chief executive officer.

*Annual Incentive Compensation* . Executive officers receive annual incentive compensation to reward achievement of our key financial performance goals. These annual key financial performance

goals are sales, store-level EBITDA, general and administrative cost control, and earnings per share. They are based on annual operating budgets established by management and submitted to the board for review. Annual incentive compensation is paid in cash. The targeted amounts for annual incentive compensation are set at or above market level for the industry based on our benchmarking data.

Annual incentive compensation for executive officers during 2006 was paid in accordance with a senior management bonus plan. The amount of annual incentive compensation paid to our chief executive officer and our chief financial officer is computed in accordance with procedures set forth in their employment agreements. The senior management bonus plan provides for quarterly bonuses based on our company's financial performance, within minimum and maximum ranges. The specific ranges applicable to our named executive officers for 2006 appear below in the table under the caption "Grants of Plan-Based Awards." In addition, the ranges applicable to our chief executive officer and chief financial officer for 2007 appear below in the narrative following "Potential Payments upon Termination or Change in Control." The bonus payouts are based on year-to-date metrics tied to the annual operating budget approved by the board. Fifty percent of the quarterly bonuses paid to our chief executive officer, chief financial officer and chief operating officer are held in reserve, subject to verification of our company's performance after audited financial results become available. We intend to use this methodology for all executive officer annual incentive compensation during 2007.

In addition to the annual incentive compensation paid pursuant to the terms of his employment agreement, the committee paid our chief executive officer a merit bonus in recognition of his role in our company's performance during 2005. Our chief executive officer, also the founder of our company, received no base salary for a number of years. This merit bonus was intended to reflect our company's performance during 2005 and begin to bring his total compensation in line with other chief executive officers in the industry.

*Stock Option Awards* . The committee grants stock options to provide additional incentives to maximize our company's share value, and to make equity ownership an important component of executive compensation. Stock option award levels are determined based on market data, and vary based on an individual's position within our company, time at our company, and contributions to our company's performance. Stock options are granted at the closing market price of our common stock on the date of grant and vest over time. During 2006, we granted stock options to our chief executive officer and our chief financial officer in accordance with their employment agreements. Other stock options are granted from time to time based on the recommendation of our chief executive officer.

#### *Perquisites and Other Personal Benefits*

We provide the named executive officers with certain perquisites and other personal benefits. These perquisites and other personal benefits include a car allowance, health care and life insurance, and long term disability insurance. During 2006, we also paid certain moving expenses of our chief financial officer. Further, under his employment agreement, our chief financial officer receives a life insurance benefit at a level in excess of that generally available to our salaried employees. The committee believes the perquisites and other personal benefits of our executive officers are standard for the industry.

