

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

**FORM 8-K**

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

**November 29, 2007**

Date of report (Date of earliest event reported)

**Granite City Food & Brewery Ltd.**

(Exact name of registrant as specified in its charter)

**Minnesota**  
(State or other jurisdiction  
of incorporation)

**000-29643**  
(Commission  
File Number)

**41-1883639**  
(IRS Employer  
Identification No.)

**5402 Parkdale Drive, Suite 101**  
**Minneapolis, MN 55416**  
(Address of principal executive offices, including zip code)

**(952) 215-0660**  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.**

(b) On November 29, 2007, we removed Peter P. Hausback from his positions as our Chief Financial Officer and Principal Accounting Officer. As a result of this termination, Mr. Hausback will receive a severance payment equal to 12 months base salary, a pro rata portion of any bonus, and other benefits provided under his employment agreement.

(c) On November 29, 2007, our board elected James G. Gilbertson as our Chief Financial Officer and Principal Accounting Officer. Mr. Gilbertson, age 46, currently serves as an executive consultant to businesses in the Twin Cities area. From December 2005 to June 2007, he served as Vice President, Business Development and Cable Distribution, for ValueVision Media, Inc. From January 2001 to July 2005, Mr. Gilbertson served as Chief Financial Officer of Navarre Corporation, a major distributor of entertainment products. Mr. Gilbertson, who has served as a member of our board of directors since 1999, will continue to serve as a non-independent member of our company's board. He will no longer serve on our company's audit committee. Bruce H. Senske, a member of the audit committee, will succeed Mr. Gilbertson as our company's audit committee financial expert. There are no familial relationships between Mr. Gilbertson and any other officer or director of our company. There are no transactions in which Mr. Gilbertson has an interest requiring disclosure under Item 404(a) of Regulation S-K. Each of our company's executive officers is appointed to serve until his or her successor is duly appointed or his or her earlier removal or resignation from office. We issued a press release regarding the naming of Mr. Gilbertson as Chief Financial Officer on November 29, 2007, which is attached hereto as Exhibit 99 and incorporated herein by reference.

We have entered into an employment agreement with Mr. Gilbertson providing for his employment on an at-will basis at an annual base salary of \$225,000. He is entitled to participate in performance-based cash bonus or equity award plans for senior executives based upon goals established by the board or compensation committee after reasonable consultation with Mr. Gilbertson. He may be eligible to receive a bonus of up to 50% of his base salary. We also granted to Mr. Gilbertson a stock option for the purchase of 175,000 shares of common stock, vesting over a two-year period, upon the commencement of his employment. We previously filed the form of non-qualified stock option agreement used in connection with awards under our 2002 Equity Incentive Plan. Mr. Gilbertson declined to accept the non-employee director stock option for 15,000 shares of common stock he would have otherwise received on November 26, 2007. The employment agreement provides for provisions for termination with and without cause by our company and for good reason by Mr. Gilbertson and for the payment of a severance payment upon termination of employment resulting from a change of control of our company, or if Mr. Gilbertson is terminated without cause. The employment agreement contains other customary terms and conditions. A copy of the employment agreement with Mr. Gilbertson has been filed with this report as Exhibit 10 and is incorporated herein by reference.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits.

See "Exhibit Index."

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Granite City Food & Brewery Ltd.

Date: November 29, 2007

By: /s/ Steven J. Wagenheim  
Steven J. Wagenheim  
President and Chief Executive Officer

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
10	Executive Employment Agreement by and between the Registrant and James G. Gilbertson, dated November 29, 2007.
99	Press Release, dated November 29, 2007.

## EXECUTIVE EMPLOYMENT AGREEMENT

**THIS EXECUTIVE EMPLOYMENT AGREEMENT** (“Agreement”) is made and entered into November 29, 2007, by and between **Granite City Food & Brewery Ltd.**, a corporation duly organized and existing under the laws of the State of Minnesota, with a place of business at 5402 Parkdale Drive, Suite 101, St. Louis Park, Minnesota 55416 (hereinafter referred to as the “**Company**”), and **James G. Gilbertson**, a resident of the state of Minnesota (hereinafter referred to as “**Executive**”).

### BACKGROUND OF AGREEMENT

- The Company desires to employ Executive as its Chief Financial Officer and principal accounting officer, and Executive desires to accept such employment.
- This Agreement memorializes the terms and conditions of Executive’s employment.

In consideration of the foregoing, the Company and Executive agree as follows:

### ARTICLE 1

#### EMPLOYMENT

1.01 Subject to the terms of Articles 3 and 6, the Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive agrees to such employment as its Chief Financial Officer and as the Company’s principal accounting officer, and shall continue to hold such title under the terms of this Agreement. Executive’s primary place of employment shall be the Company’s executive offices at St. Louis Park, Minnesota.

1.02 Executive shall generally have the authority, responsibilities, and such duties as are customarily performed by the chief financial officer and principal accounting officer of a public company of similar size and industry, specifically including, without limitation, the following responsibilities:

- (i) working with senior management of the Company and its Board of Directors (the “Board”) in formulating short and long term goals and developing, implementing, and executing strategies to attain Company objectives;
  - (ii) participating as a key member of the senior management team and as the Chief Executive Officer’s financial advisor in setting and executing on strategies to meet Company objectives;
  - (iii) endeavoring to establish and maintain a relationship of trust and credibility with members of the senior management team, the Board, its committees, outside auditors and legal counsel;
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- (iv) supervising the implementation of the Company's policies and business processes in order to meet the corporate governance and internal control requirements established by the senior management team, the Board and relevant laws, including, but not limited to: (A) designing and implementing effective disclosure controls and procedures that are necessary to insure accurate financial reporting; (B) conducting periodic reviews and evaluations of the effectiveness of the Company's disclosure controls and procedures, including, without limitation, interfacing with the senior management team and other Company personnel, the Board, Audit Committee, outside auditors and legal counsel to insure the effectiveness of the Company's disclosure controls and procedures; (C) accurately reporting the results of Company operations and related matters to the Securities and Exchange Commission, and other regulatory agencies; and (D) acting as a certifying officer of the Company's financial reporting under the Exchange Act and other regulatory agencies;
- (v) interfacing with the financial/investment community;
- (vi) managing and protecting the Company's capital and liquid assets and monitoring and advising management regarding the availability of adequate capital at all times;
- (vii) regularly and systematically appraising and evaluating the Company's performance results against the Company's established objectives; and
- (viii) consistent with the foregoing, such other finance functions as the Chief Executive Officer of the Company may assign to Executive from time to time during his employment period.

Executive shall also render such additional services and duties within the scope of Executive's experience and expertise as may be reasonably requested of him from time to time by the Board.

1.03 Executive shall report to the Board or any committee thereof as the Board shall direct, and shall generally be subject to direction, orders and advice of the Board.

## **ARTICLE 2**

### **BEST EFFORTS OF EXECUTIVE**

2.01 In his capacity as Chief Financial Officer, Executive shall use his best energies and abilities in the performance of his duties, services and responsibilities for the Company.

2.02 During the term of his employment, Executive shall devote substantially all of his business time and attention to the business of the Company and its subsidiaries and affiliates and shall not engage in any substantial activity inconsistent with the foregoing, whether or not such activity shall be engaged in for pecuniary gain, unless approved by the Board; provided, however, that, to the extent such activities do not violate, or substantially interfere with his

performance of his duties, services and responsibilities under this Agreement, Executive shall be permitted to serve on civic or charitable boards or committees thereof.

2.03 Effective on the first day of the commencement of employment, the Company shall grant Executive a nonqualified stock option pursuant to its 2002 Equity Incentive Plan (the "Plan"), to purchase up to 175,000 shares of common stock at an exercise price equal to the Company's closing sale price of a share of common stock on such date. Such option shall have a ten-year term, and shall vest in three installments as follows: (i) 75,000 shares on the date of commencement of employment; (ii) an additional 50,000 shares on the first anniversary of the date of employment; and (iii) the remaining 50,000 shares on the second anniversary of employment, subject to acceleration upon a change of control as defined by Plan. The option will in all respects be governed under the terms and conditions of the Plan and the Company's standard form of non-qualified stock option agreement.

### **ARTICLE 3**

#### **TERM AND NATURE OF EMPLOYMENT**

3.01 Executive's employment shall commence on November 29, 2007.

3.02 Executive's employment pursuant to this Agreement shall be on an at-will basis, with either Executive or the Company having the right to terminate Executive's employment with or without cause on not less than sixty (60) days' prior written notice. The terms and conditions of this Agreement may be amended from time to time with the consent of the Company and Executive. All such amendments shall be effective when memorialized by a written agreement between the Company and Executive or by resolutions of the Board or the Company's Compensation Committee (the "Committee").

### **ARTICLE 4**

#### **COMPENSATION AND BENEFITS**

4.01 During the term of employment hereunder, Executive shall be paid a base salary at the rate of Two Hundred Twenty-five Thousand (\$225,000) per year ("Base Salary"), payable in monthly installments in accordance with the Company's established pay periods, reduced by all deductions and withholdings required by law and as otherwise specified by Executive. Executive's salary may be increased (but not decreased), in the sole discretion of the Board. In the event Executive's employment shall, for any reason, terminate during the Term, Executive's final monthly Base Salary payment shall be made on a pro-rated basis as of the last day of the month in which such employment terminated.

During the term of employment, in addition to payments of Base Salary set forth above, Executive shall be eligible to participate in any performance-based cash bonus or equity award plan for senior executives of the Company based upon achievement of individual and/or Company goals established with respect to each fiscal year by the Board or Committee after reasonable consultation with Executive. Executive's participation in bonus plans shall be within the discretion of the Company's Board or Compensation Committee. Subject to the terms of any

such plan, Executive may be eligible to receive a bonus of up to fifty percent of his Base Salary. Cash bonuses may be based upon performance of CFO duties under this Agreement and Company performance targets that are established by the Company's Compensation Committee for the Company's chief executive officer and chief operating officer. Annual performance metrics that may be used by the Compensation Committee may include, but not be limited to, objective performance criteria such as revenue, IROP, G&A, opening expenses, operating weeks and EBITDA, as well as achievement of individual performance goals. Any cash bonus will be pro-rated for any partial fiscal year in which Executive's employment may terminate. Cash bonuses will be paid in the same manner as the cash bonus payable to the Company's chief executive officer or other members of the Company's senior management team, to the extent earned.

4.02 During the term of employment, Executive shall be entitled to participate (without duplication) in employee benefit plans, policies, programs, perquisites and arrangements, as the same may be provided and amended from time to time, that are provided generally to similarly situated executive employees of the Company, to the extent Executive meets the eligibility requirements for any such plan, policy, program, perquisite or arrangement.

4.04 The Company shall reimburse Executive for all reasonable business expenses incurred by Executive in carrying out Executive's duties, services, and responsibilities under this Agreement. Executive shall comply with generally applicable policies, practices and procedures of the Company with respect to reimbursement for, and submission of expense reports, receipts or similar documentation of, such expenses.

## **ARTICLE 5**

### **VACATION AND LEAVE OF ABSENCE**

5.01 Executive shall be entitled to four (4) weeks of paid vacation per year, in addition to the Company's normal holidays. Vacation time will be scheduled taking into account the Executive's duties and obligations at the Company. Unused paid vacation time shall not accumulate from year to year, unless otherwise approved in writing by the Board or Committee. Sick leave and all other leaves of absence will be in accordance with the Company's stated personnel policies.

## **ARTICLE 6**

### **TERMINATION**

6.01 The Company may terminate Executive's employment without Cause by giving Executive at least sixty (60) days written notice thereof.

6.02 Executive's employment will be deemed terminated as of the date hereof the death of the Executive. In the event of such termination, there shall be payable to Executive's estate compensation earned through the date of death together with a pro-rata portion of any bonus due Executive pursuant to any bonus plan or arrangement established or mutually agreed-upon prior to termination, to the extent earned or performed based upon the requirements or criteria of such plan or arrangement, as the Board shall in good faith determine. Such pro-rated bonus, shall be

payable at the time and in the manner payable to other executives of the Company who participate in such plan or arrangement.

6.03 Any other provision of this Agreement notwithstanding, the Company may terminate Executive's employment upon written notice specifying a termination date based on any of the following events that constitute Cause:

- (a) Any commission or nolo contendere plea by Executive to a felony, gross misdemeanor or misdemeanor involving moral turpitude, or any public conduct by Executive that has or can reasonably be expected to have a detrimental effect on the Company;
- (b) Any act of material misconduct, willful and gross negligence, or breach of duty to the Company, including, but not limited to, embezzlement, fraud, dishonesty, nonpayment of an obligation owed to the Company, or willful breach of fiduciary duty to the Company which results in a material loss, damage, or injury to the Company;
- (c) Any breach of any material provision of this Agreement or of the Company's announced rules, codes or policies, which remains uncured or uncorrected for a period of thirty (30) days following written notice thereof to Executive specifying such breach;
- (d) Any act of insubordination by Executive; provided, however, an act of insubordination by Executive shall not constitute Cause if Executive cures or remedies such insubordination within thirty (30) days after written notice to Executive, without material harm or loss to the Company, unless such insubordination is a part of a pattern of chronic insubordination, which may be evidenced by reports or warning letters given by the Company to Executive, in which case such insubordination is deemed not curable.
- (e) Any unauthorized disclosure of any Company trade secret or confidential information, or conduct constituting unfair competition with respect to the Company, including inducing a party to breach a contract with the Company; or
- (f) A willful violation of federal or state securities laws.

The identification of a significant or material weakness in the Company's internal control over financial reporting, or an error, inaccuracy or misstatement in financial statements resulting in a restatement of financial statements shall not, by itself, constitute Cause, unless the same results from (i) a failure of Executive to address recommendations or directives from the Audit Committee or the Company's outside auditors; (ii) a chronic failure of Executive to carry out the major duties of his employment or to follow or implement Company's established internal controls over financial reporting; or (iii) a failure on the part of Executive to communicate material financial information on a timely basis to the Company's Audit Committee or outside auditors regarding the Company's financial reporting.

In making such determination, the Board shall act in good faith and give Executive a reasonably detailed written notice and a reasonable opportunity to be heard on the issues at a Board or Committee meeting. For purposes of this Agreement, no act or failure by the Executive shall be considered "willful" if such act is done by Executive in good faith in the belief that such act is or was lawful and in the best interest of the Company or one or more of its businesses. Nothing in this paragraph 6.03 shall be construed to prevent Executive from contesting the Board or Committee's determination that Cause exists. In the event of such termination, and notwithstanding any contrary provision otherwise stated, Executive shall receive only his Base Salary earned through the date of termination.

6.04 Executive may terminate his employment upon sixty (60) days prior written notice to the Company for "Good Reason." For purposes of this Agreement, "Good Reason" means any of the following actions taken by the Company without Cause:

- (a) the Company or any of its subsidiaries reduces Executive's Base Salary or base rate of annual Compensation as in effect immediately prior to the Change of Control, or otherwise fails to provide Executive compensation and benefit plans, arrangements, policies and procedures which, taken as a whole, are materially less favorable to Executive than those, taken as a whole, provided by the Company or any of its subsidiaries to Executive immediately prior to the Change of Control;
- (b) without Executive's express written consent, the Company or any of its subsidiaries significantly reduces Executive's job authority and responsibility as the Company's Chief Financial Officer, as conducted on the date preceding a Change of Control;
- (c) without Executive's express written consent, the Company or any of its subsidiaries requires Executive to change the location of Executive's job or office, so that Executive will be based at a location more than fifty (50) miles from the location of Executive's job or office immediately prior to the Change of Control;
- (d) a successor company fails or refuses to assume the Company's obligations under this Agreement;  
or
- (e) the Company or any successor company breaches any of the material provisions of this Agreement; provided, however, that Executive shall provide detailed information to the Company in such written notice and such grounds for Good Reason are not remedied or continue for a period of thirty (30) days or more following receipt of such notice.

If Executive intends to terminate this Agreement for Good Reason, Executive must give not less than sixty (60) days written notice to the Company of the facts or events giving rise to Good Reason, and must give such notice within ninety (90) days following the facts or event alleged to give rise to Good Reason. The failure to give such notice shall be deemed a waiver of the right to terminate this Agreement for Good Reason based on such fact or event.

6.05 During the term of his employment and for 24 months after the date of Executive's termination of employment, (i) Executive shall not, directly or indirectly, make or publish any

disparaging statements (whether written or oral) regarding the Company or any of its affiliated companies or businesses, or the affiliates, directors, officers, agents, principal shareholders or customers of any of them and (ii) neither the Company or any of its affiliated companies or businesses or their affiliates, directors, or officers shall directly or indirectly, make or publish any disparaging statements (whether written or oral) regarding Executive. Information which the Company or Executive is required to make or disclose regarding the other to comply with laws or regulations, or makes in a pleading on the advice of litigation counsel, shall not constitute a disparaging statement.

6.06 Upon any termination of Executive's employment with the Company, Executive shall be deemed to have resigned from all other positions he then holds as an officer, employee or director or other independent contactor of the Company or any of its subsidiaries or affiliates, unless otherwise agreed by the Company and Executive.

## ARTICLE 7

### SEVERANCE PAYMENTS

7.01 The Company, its successors or assigns, will pay Executive as severance pay a lump sum (the "Severance Payment") amount equal to twelve (12) months of the Executive's monthly Base Salary for full-time employment at the time of Executive's termination:

- (a) if (i) there has been a Change of Control of the Company (as defined in Section 7.02), and (ii) Executive is an active and full-time employee at the time of the Change of Control, and (iii) within twelve (12) months following the date of the Change of Control, Executive's employment is involuntarily terminated for any reason (including Good Reason (as definition Section 6.04)), other than for Cause or death or disability. If prior to a Change of Control (a) Executive's employment is involuntarily terminated by the Company without cause or (b) Executive terminates his employment for Good Reason, and such termination for Good Reason (x) occurred at the request of a person who indicated an intention, or taken steps reasonably calculated, to effect a Change of Control or (y) otherwise occurred in connection with, or in anticipation of, a Change of Control which actually occurs, then the termination of Executive's employment shall be deemed to have occurred immediately following a Change of Control; or
- (b) the employment of Executive is terminated by the Company without Cause, or by the Executive for Good Reason; or
- (c) if (i) a Change in Control (as defined in Section 7.02) occurred prior to Executive commencing his employment with the Company, and (ii) at the time of the Change in Control Executive had accepted employment with the Company as indicated by his execution of this Agreement and as a result he was no longer employed by his previous employer, and (iii) the Company decided to not commence Executive's employment as a result of the Change in Control.

