

Golden West Brewing Company, Inc.  
Form SB-2/A  
June 21, 2005

<R>  
**As filed with the Securities and Exchange Commission on June 17, 2005.**  
**Registration**  
**No. 333-121351**  
</R>

---

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

<R>

Pre-Effective Amendment No. 2  
to  
**FORM SB-2**

</R>

REGISTRATION STATEMENT  
UNDER  
SECURITIES ACT OF 1933

---

**GOLDEN WEST BREWING COMPANY, INC.**

*(Name of small business issuer in its Charter)*

Delaware

2082

90-0158978

(State or other jurisdiction of  
incorporation or organization)

(Primary Standard Industrial  
Classification Code Number)

(IRS Employer  
Identification Number)

945 West 2<sup>nd</sup> Street  
Chico, California 95928  
(530) 894-7906 (tel) (707) 448-7842 (fax)

*(Address, including zip code, and telephone number, including area code,  
of Registrant's principal executive offices)*

*(Address of Principal Place of Business or Intended Principal Place of Business)*

Brian Power, President  
945 West 2<sup>nd</sup> Street  
Chico, California 95928  
(530) 894-7906 (tel) (707) 448-7842 (fax)

*(Name, address, including zip code, and telephone number of agent for service of process)*

Copies to:

Clifford L. Neuman, Esq.  
 Clifford L. Neuman, P.C.  
 1507 Pine Street, Boulder, Colorado 80302  
(303) 449-2100 (tel) (303) 449-1045 (fax)

Approximate date of commencement of proposed sale to public:

As soon as practicable after the effective date of the Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box.

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share <sup>(1)</sup>	Proposed Maximum Aggregate Offering Price <sup>(1)</sup>	Amount of Registration Fee
Common stock, \$.0001 par value:	1,000,000	\$.50	\$500,000	\$100.00
TOTAL:			\$500,000	\$100.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 of Regulation C.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Golden West Brewing Company, Inc.

Cross-Reference Index

	Item No. and Heading In Form SB-2 <u>Registration Statement</u>	Location <u>in Prospectus</u>
1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Forepart of Registration Statement and Outside Front Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus	Inside Front and Outside Back Cover Pages of Prospectus
3.	Summary and Risk Factors	Prospectus Summary; Risk Factors
4.	Use of Proceeds	Use of Proceeds; Risk Factors
5.	Determination of Offering Price	The Offering
6.	Dilution	*
7.	Selling Securityholders	Selling Securityholders
8.	Plan of Distribution	Plan of Distribution
9.	Legal Proceedings	Legal Proceedings
10.	Directors, Executive Officers, Promoters and Controlling Persons	Management
11.	Security Ownership of Certain Beneficial Owners and Management	Security Ownership of Management and Principal Stockholders
12.	Description of Securities	Description of Securities

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

13.	Interest of Named Experts and Counsel	Legal Matters; Experts
14.	Disclosure of SEC Position on Indemnification for Securities Act Liabilities	Management - Indemnification and Limitation on Liability of Directors
15.	Organization Within Last Five Years	The Company; Business -- Overview
16.	Description of Business	Prospectus Summary; Risk Factors; Business
ii		
17.	Management's Discussion and Analysis or Plan of Operation	Management's Discussion and Analysis of Financial Condition and Results of Operations; Financial Statements; Business
18.	Description of Property	Business
19.	Certain Relationships and Related Transactions	Certain Transactions
20.	Market for Common Equity and Related Stockholder Matters	Market for Common Stock
21.	Executive Compensation	Management - Executive Compensation
22.	Financial Statements	Financial Statements
23.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	*

\* Omitted from Prospectus because Item is inapplicable or answer is in the negative

iii

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Prospectus

GOLDEN WEST BREWING COMPANY, INC.

1,000,000 Shares of Common Stock

We are offering up to 1,000,000 shares of the common stock of Golden West Brewing Company, Inc.

The offering is being conducted on a 400,000-share minimum, all-or-none, 1,000,000-share maximum, best efforts basis at an offering price of \$.50 per share. Each investor must purchase a minimum of 1,000 shares, for a minimum investment of \$500. Until we have sold at least 400,000 shares, all proceeds from the sale of the first 400,000 shares will be deposited into an escrow account with Corporate Stock Transfer, Inc., as escrow agent. If we are unable to sell at least 400,000 shares before the offering period ends, we will return all funds, without deduction or interest, to subscribers promptly after the end of the offering.

We will only close the minimum offering if we have also completed our acquisition of Butte Creek Brewing Company, LLC.

The offering will remain open until all of the shares offered are sold or \_\_\_\_\_ [90 days from the date of this Prospectus], whichever occurs sooner. We may extend the offering period for an additional 90 days, at our discretion. We may decide to cease selling efforts prior to such date if we determine that it is no longer beneficial to continue the offering.

We plan to offer the shares through our officers and directors. We do not plan to use underwriters or pay any commissions on any sales of shares in this offering.

To date, there has been no public market for any of our securities, and our securities are not listed on any stock exchange or traded on the over-the-counter market. The offering price has been determined by us arbitrarily.

No commissions will be paid on sales of shares in this offering.

	<u>Price to Public</u>	<u>Proceeds to Company</u>
Per Share	\$.50	\$.50
Minimum Offering	\$200,000	\$200,000
Maximum Offering	\$500,000	\$500,000

<R> Investing in our common stock involves a high degree of risk. You should read the "Risk Factors" beginning on Page 7.

</R>

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

<R>

The date of this Prospectus is June \_\_, 2005.

</R>

1

## Prospectus Summary

### About our Company

*This summary highlights important information about our business and about the offering. Because it is a summary, it does not contain all the information you should consider before investing in our securities. Please read this entire prospectus.*

We were recently formed to acquire substantially all of the business assets of Butte Creek Brewing Company, LLC, a California limited liability company. We plan to complete the acquisition of Butte Creek when we receive regulatory approval. We currently are a holding company for our wholly-owned subsidiary Golden West Brewing Company, a California corporation, which was formed to complete the acquisition.

<R>

Butte Creek has been operating as a premier regional craft brewery in Chico, California since 1996. It specializes in brewing certified organic craft beers. Our flagship brews consist of Organic Ale, Organic Porter, Organic India Pale Ale, Mount Shasta Pale Ale, Roland's Red, Creekside Wheat, and Gold Ale. In addition, we craft seasonal brews consisting of Winter Ale, Spring Ale, Christmas Cranberry Ale and Summer Pilsner.

</R>

In addition to brewing our own brand of products, we have recently begun contract brewing for third parties.

We currently distribute our products in a total of 19 states, including our core market of California which is serviced through both direct sales and distributors. The majority of our distribution outside of Northern California occurs through a network of independent alcoholic beverage distributors who are licensed in their respective jurisdictions.

Butte Creek's principal offices and brewery are located at 945 West 2<sup>nd</sup> Street, Chico, California 95928. Its telephone number at that address is (530) 894-7906. In addition, our internet website is located at [www.organicale.com](http://www.organicale.com).

### Acquisition of Butte Creek Brewing Company

<R>

On October 8, 2004, we executed a definitive Asset Purchase and Sale Agreement (the "Acquisition Agreement") pursuant to which we plan to acquire all of the business assets, subject to a maximum of \$300,000 in liabilities, of Butte Creek Brewing Company, LLC. In order to complete the acquisition, we will require the approval of the California Department of Alcoholic Beverage Control, which issues licenses to manufacture and sell in the State of California. We have already obtained the approval of the Alcohol and Tobacco Tax and Trade Bureau ("TTB"), formerly known as the United States Bureau of Alcohol, Tobacco and Firearms ("BATF"), which issues permits allowing the manufacture of fermented malt beverages. The regulatory approval from California is the only material condition to completing the acquisition. We believe that we have fulfilled all of the requirements for this regulatory approval and that it will be obtained within the next 60 days. The Acquisition Agreement has been extended and the closing is expected to occur as soon as we get regulatory approval, but in no event later than July 31, 2005.

</R>

Neither the minimum nor maximum offering described in this prospectus will be consummated until and unless the acquisition of Butte Creek has been completed. If we have not earlier terminated the offering without achieving the minimum offering, and if we have not completed the acquisition of Butte Creek by July 31, 2005, we will return all subscription amounts to investors, without deduction or interest.

2

Unless otherwise stated, all information, including share and per share information, contained in this prospectus assumes that we have completed the acquisition of Butte Creek.

3

### About The Offering

Securities offered:

Minimum	400,000 shares of common stock
Maximum	1,000,000 shares of common stock

Price to the public: \$ .50 per share

Total Offering:

Minimum	\$200,000
Maximum	\$500,000

Shares Outstanding After Offering:

Minimum	2,220,000*
Maximum	2,820,000*

\*Assumes we issue 200,000 shares of common stock, without adjustment, in connection with our acquisition of Butte Creek.

Manner of sales: Solely through our officers and directors. We do not plan to use the services of an underwriter.

Commissions: No commissions will be paid on sales of shares in this offering.

<R>

**Term of offering:** The offering will begin on the date of this prospectus and will end \_\_\_\_\_ [90 days from the date of this prospectus], unless all 1,000,000 shares of common

stock are sold sooner, or unless extended for an additional period of up to 90 days.

Minimum investment:

Each investor in this offering must purchase a minimum of 1,000 shares, or \$500.

</R>

Condition to Completing Offering

We will not close the minimum offering unless we have completed our acquisition of Butte Creek.

4

<R>

Escrow Arrangement:

This offering is being undertaken on a best efforts minimum of 400,000 shares and maximum of 1,000,000 shares. Within five days of our receipt of a subscription agreement accompanied by a check for the subscription amount, we will send by first class mail a written confirmation to notify the investor of the extent if any, to which such subscription has been accepted by us. Until the minimum offering of 400,000 shares has been sold and our acquisition of Butte Creek is completed, once subscriptions have been accepted, the proceeds will be deposited into an escrow account with Corporate Stock Transfer, Inc., our transfer agent, as escrow agent. Once the minimum offering is sold, and we have completed our acquisition of Butte Creek, the proceeds of the offering will be released from escrow and delivered to the Company. If the offering is terminated without achieving the minimum sale of 400,000 shares, or because we were unable to complete the acquisition of Butte Creek, all subscriptions will be promptly returned to the investors, without deduction or interest.

Subscription agreements:

Investors in the offering will be required to sign a subscription agreement at the time of their investment and deliver it together with payment for their shares, to Corporate Stock Transfer, Inc., as escrow agent. All subscription payments should be made payable to the order of "Golden West Brewing Company, Inc. Escrow Account." Assuming the sale of the minimum offering of 400,000 shares and our completing our acquisition of Butte Creek, investors will receive their certificates within 30 days following the termination date of this offering.

</R>

Participation by affiliates:

Our affiliates may not purchase shares in the minimum offering to satisfy the minimum offering requirement. Affiliates may participate after the minimum offering has been completed; however, no affiliate has made any commitment to participate. We have not placed any



limitation on the number of shares an affiliate may purchase in the offering.

5

### Pro Forma Summary Financial Data

<R>

The following pro forma summary financial data presents our pro forma consolidated condensed financial information as if we had completed the acquisition of Butte Creek as of and at the beginning of each period shown. The pro forma summary financial data is incomplete and should be read in conjunction with the complete financial statements of Golden West and Butte Creek contained elsewhere in this prospectus. Our pro forma historical operating information may not be indicative of our future operating results.

Pro Forma Statement of Operations Data:	Three Months Ended March 31, <u>2005</u>	Fiscal Year Ended December 31, <u>2004</u>
Total Revenues	\$ 164,293	\$ 664,542
Cost of Sales	113,672	441,171
Operating expenses	119,123	442,657
Other expense	(5,899)	(29,167)
Net loss	(74,401)	(248,453)
Net loss applicable to common stockholders	(74,401)	(248,453)
Basic and diluted loss per share	(0.04)	(0.14)
Shares used in computing basic and diluted loss per share	1,820,000	1,820,000

Pro Forma Balance Sheet Data:	At March 31, <u>2005</u>		
	<u>Unadjusted</u>	<u>Adjusted</u>	
		<u>Minimum<sup>(1)</sup></u>	<u>Maximum<sup>(2)</sup></u>
Working capital (deficit)	(321,384)	(171,384)	128,616
Total assets	883,927	933,927	1,133,927
Total Liabilities	541,378	491,378	391,378
Stockholders' equity	342,549	492,549	792,549

(1)

Adjusted to reflect net proceeds of \$150,000 from our assumed sale in this offering of 400,000 shares at an offering price of \$.50 per share.

(2)

Adjusted to reflect net proceeds of \$450,000 from our assumed sale in this offering of 1,000,000 shares at an offering price of \$.50 per share.

(3)

Assumes liabilities are reduced by \$100,000 if only the minimum offering is sold, and by \$200,000 if the maximum offering is sold.

</R>

## 6

### Risk Factors

An investment in our securities is speculative and involves a high degree of risk. Please carefully consider the following risk factors, as well as the possibility of the loss of your entire investment, before deciding to invest in our securities.

#### Risks Related to This Offering and Our Stock

The tangible book value of our common stock after the offering will be lower than the offering price, which will result in immediate and substantial dilution for investors.

<R>

Even if we sell all 1,000,000 shares that we are offering, investors purchasing shares of our common stock in this offering will incur immediate and substantial dilution of their investment of approximately \$.21 per share, or 42% of the offering price, based upon our adjusted net tangible book value as of March 31, 2005. If we sell fewer than 1,000,000 shares, the dilution will be even greater. To the extent that currently outstanding options to purchase our common stock are exercised, there will be further dilution to investors acquiring shares of common stock.

</R>

You may lose the use of your funds for up to 180 days if at least 400,000 shares are not sold.

The offering is being made on a 400,000 share, all or none basis. During the offering period, until at least 400,000 shares are sold, proceeds will be held in a non-interest-bearing escrow account. If the offering is not successful, your funds will be returned to you, with no deduction for expenses, and with no interest. Since the offering period may be extended to 180 days, if the minimum number of shares is not sold you would lose the use of your investment for that period of time.

<R>

**Changing conditions in our business may cause our management to change the use of the proceeds of this offering, which can be done without the approval of investors in this offering.**

Our board of directors presently plans to use the proceeds from the sale of the shares for the purposes described in the Use of Proceeds section of this prospectus. However, a number and a variety of factors that we cannot predict may cause it to vary the use of those proceeds. A substantial amount of the proceeds are allocated to "working capital" and

may be used by us in a number of unspecified ways. Our board will have broad discretion over the use of those proceeds, and we cannot assure you that such uses will not vary substantially from our current intentions.

</R>

Future issuances of our common stock could dilute current shareholders and adversely affect the market if it develops.

We have the authority to issue up to 20,000,000 shares of common stock and 5,000,000 shares of preferred stock and to issue options and warrants to purchase shares of our common stock, without shareholder approval. These future issuances could be at values substantially below the price paid for our common stock by investors in this offering. In addition, we could issue large blocks of our common stock to fend off unwanted tender offers or hostile takeovers without further shareholder approval.

7

<R>  
**We may issue preferred stock that would have rights that are preferential to the rights of the common stock that could discourage potentially beneficial transactions to our common stockholders.**

</R>

An issuance of additional shares of preferred stock could result in a class of outstanding securities that would have preferences with respect to voting rights and dividends and in liquidation over the common stock and could, upon conversion or otherwise, have all of the rights of our common stock. Our Board of Directors' authority to issue preferred stock could discourage potential takeover attempts or could delay or prevent a change in control through merger, tender offer, proxy contest or otherwise by making these attempts more difficult or costly to achieve.

There is currently no market for our common shares, and investors may be unable to sell their shares for an indefinite period of time.

There is presently no market for our common shares. There is no assurance that a liquid market for our common shares will ever develop in the United States or elsewhere, or that if such a market does develop that it will continue. Accordingly, an investment in common shares of our Company should only be considered by those investors who do not require liquidity and can afford to suffer a total loss of their investment. An investor should consult with professional advisers before making such an investment.

Over-the-counter stocks are subject to risks of high volatility and price fluctuation.

We have not applied to have our shares listed on any stock exchange or on the NASDAQ Stock Market, and we do not plan to do so in the foreseeable future. As a result, if a trading market does develop for our common stock, of which there is no assurance, it is likely that our shares will trade on the over-the-counter market. The OTC market for securities has experienced extreme price and volume fluctuations during certain periods. These broad market fluctuations and other factors, such as new product developments and trends in our Company's industry and the investment markets generally, as well as economic conditions and quarterly variations in our results of operations, may adversely affect the market price of our common stock.

Trading in our securities will in all likelihood be conducted on an electronic bulletin board established for securities that do not meet NASDAQ listing requirements. As a result, investors will find it substantially more difficult to dispose of our securities. Investors may also find it difficult to obtain accurate information and quotations as to the price of, our common stock.

Our stock price may be volatile and as a result, investors could lose all or part of their investment. The value of an investment could decline due to the impact of any of the following factors upon the market price of our common

stock:

- \* failure to meet sales and marketing goals or operating budget
- \* decline in demand for our common stock
- \* operating results failing to meet the expectations of securities analysts or investors in any quarter
- \* downward revisions in securities analysts' estimates or changes in general market conditions
- \* investor perception of our Company's industry or prospects
- \* general economic trends

In addition, stock markets have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, investors may be unable to resell their shares at or above the offering price.

8

Fluctuations in our quarterly operating results due, in part, to the seasonal nature of our business, could adversely affect the market for our common stock.

<R>  
Our Company's quarterly operating results are subject to fluctuations, and if we fail to meet the expectations of securities analysts or investors in any quarter, our share price could decline significantly. Our business is highly seasonal, with greater sales in the second and third quarters. In addition to these seasonal fluctuations, factors that may cause our operating results to vary include many of the risk factors discussed elsewhere in this prospectus, and also include:

- \* the nature of a significant proportion of our operating expenses, particularly personnel and facilities
- \* prices and suppliers of raw materials
- \* the effect of employee and contractor utilization rates and the time required to train and productively engage new employees
- \* changes in our pricing policies or those of our competitors

</R>

Outstanding shares that are eligible for future sale could adversely impact a public trading market for our common stock, if a public trading market develops.

All of the 1,620,000 common stock currently outstanding were offered and sold by us in private transactions in reliance upon an exemption from registration under the Securities Act. Accordingly, all of such shares are "restricted securities" as defined by Rule 144 ("Rule 144") under the Securities Act and cannot be resold without registration except in reliance on Rule 144 or another applicable exemption from registration. In general, under Rule 144 a person (or persons whose shares are required to be aggregated), including any affiliate of ours, who beneficially owns restricted shares for a period of at least one year is entitled to sell within any three month period shares equal in number to the greater of (i) one percent of the then outstanding shares of common stock or (ii) the average weekly trading volume of the same class of shares during the four calendar weeks preceding the filing of the required notice of sale with the Commission. The seller must also comply with the notice and manner of sale requirements of Rule 144, and there must be current public information available about the Company. In addition, any person (or persons whose shares are required to be aggregated) who is not, at the time of sale, nor during the preceding three months, an affiliate of the Company, and who has beneficially owned restricted shares for at least two years, can sell such shares without regard to notice, manner of sale, public information or the volume limitations described above. Approximately 700,000 shares of common stock are eligible for resale under Rule 144 provided other requirements of Rule 144 are met and assuming the proposed reductions in holding period are not adopted).

No prediction can be made as to the effect, if any, that future sales of restricted shares of common stock, or the availability of such common stock for sale, will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of such common stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price of the common stock.

<R>

### **Risks Related to Our Business**

Due to our history of operating losses our auditors are uncertain that we will be able to continue as a going concern.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. Due to our continuing operating losses and negative cash flows from our operations, the reports of our auditors issued in connection with our consolidated financial statements for the fiscal year ended December

9

31, 2004 contained an explanatory paragraph indicating that the foregoing matters raised substantial doubt about our ability to continue as a going concern. We cannot provide any assurance that we will be able to continue as a going concern.

Substantially all of our assets have been pledged as collateral to secure the repayment of loans to third parties. If we default in any of those loans, our assets would be subject to risk of forfeiture.

Substantially all of our assets have been pledged as security to third parties for the repayment of loans. If we are unable to pay any of those debts in a timely fashion or otherwise breach any of the terms of the loans or security agreements, our assets would be subject to foreclosure by the lender. Should foreclosure occur, it is likely that we would be forced to discontinue operations and our interest in the assets could be forfeited.

**We do not yet have a history of earnings, profit or return on investment and there is no assurance that we will operate profitably or provide a return on investment in the future.**

We have never been profitable, we expect to incur net losses for the foreseeable future and we may never be profitable. We incurred a pro forma consolidated net loss of \$(248,453) for the fiscal year ended December 31, 2004 and a pro forma consolidated loss of \$(74,401) for the three months ended March 31, 2005.

Our trademarks and other intellectual property rights do not provide us with protection against competition.

We do not claim intellectual property rights and do not believe that patents and copyrights can protect the recipes and formulas that we use in developing and manufacturing our craft beers. While we try to protect them as trade secrets through agreements with our employees, those agreements may not provide adequate protection against use by others.

We rely heavily on developing brand recognition for our products and claim common law trademark protection for all of our brands. However, we have not and do not have plans to apply to register any of our trademarks in the foreseeable future.

By assignment, we had acquired rights to Intent to Use trademark application covering the trademark "Mount Shasta Ale." The original applicant under that ITU has been involved in litigation with a third party concerning claims of infringement with respect to the use of that mark. That litigation has been settled under an agreement that will permit us to continue to use the trademark "Mount Shasta Ale." However, in the interim, we have received notification from Shasta Beverage Company that if we pursue our trademark registration for "Mount Shasta Ale," they will oppose the application (but not our unregistered use of the mark). As a result, we have decided to withdraw our ITU application

for the mark; but will continue to use the mark under a claim of common law trademark protection. However, given the foregoing history, we do not believe that we will be able to develop a strong trademark using the name "Mount Shasta Ale" and there exists serious doubt if we could successfully defend the use of the mark.

Other than our efforts to develop brand recognition and protect those brands with common law and federal and state trademark laws, we do not believe that intellectual property rights form a basis for significant competitive advantage.

10

We could become involved in costly and disruptive litigation related to our use of trademarks for our products, which could result in adverse judgments against us.

Subject to the uncertainties surrounding our use of the mark "Mount Shasta Ale" described above, we are not aware that any of our products or other intellectual property infringe upon the proprietary rights of third parties. However, there can be no assurance that third parties will not claim infringement by us with respect to current or future products. Furthermore, we may initiate claims or litigation against third parties for infringement of our proprietary rights, or for purposes of establishing the validity of our proprietary rights. Litigation, either as plaintiff or defendant, could cause us to incur substantial costs and divert management resources from productive tasks whether or not such litigation is resolved in our favor, which could have a material adverse effect on the business. Parties making claims against us could seek to recover substantial damages, as well as injunctive or other equitable relief, which could effectively block our ability to sell or license our products.

We will continue to need significant capital, without which our business may fail.

We are dependent on and intend to use virtually all of the net proceeds of this offering for debt repayment, for working capital and to develop a marketing plan. We estimate that we will need approximately \$250,000 to provide necessary working capital over the next 12 months. The proceeds received from this offering may not be sufficient to meet our working capital requirements. The proceeds from only the minimum offering would enable us to operate for only five months without additional funds. At March 31, 2005, on a pro forma basis, we also owed in excess of \$506,291 in short term debt to various persons, including vendors, our officers and directors and other related parties. At least \$100,000 will be used to pay in part some of our creditors and it is possible that additional proceeds of this offering will be needed to pay some of those creditors since we have no other assured source of funds. We do not have any commitments for any other funds outside this offering and there can be no assurance that additional funds will be available on acceptable terms, if at all. We do not have any agreements with our creditors, including our officers and directors, concerning payment of our liabilities and if we are unable to continue in business we would be required to pay those obligations before any payment could be made to any shareholder, including investors in this offering. Investors should be aware that there is a substantial risk that they could lose the full amount of their investment in our securities.

If we are unable to increase our production volume, we may not be able to achieve break-even or profitable operations.

Our current production rate is approximately 4,000 barrels per year. We estimate that we will need to increase production volume to at least 6,000 barrels per year in order to achieve break-even operating results. To increase production, we will need to purchase additional brewing equipment, which will require additional working capital. There can be no assurance that the proceeds of this offering will be sufficient to enable us to increase our production capacity to reach break-even or profitable operations.

If we are unable to expand our product distribution, we may not be able to achieve break-even operation results.

Our direct distributions have historically been concentrated in Northern California. Our direct sales in Northern California accounted for 49% of 2004 sales and 41% of sales through March 31, 2005. We also have third-party distributor sales in Northern California, as well as in 18 other states; however, those sales are sporadic, unpredictable and difficult to manage. There is no assurance that consumers in new geographic markets will be receptive to our products. We believe that Northern California is likely to continue to be the largest market for our brands, and that regional identification may assist our competitors in other regions.

11

Penetration into other regional markets is an important element of our growth plan, and failure to accomplish this objective will hinder the success of the expansion plan which is necessary to achieve break-even operations.

We rely heavily upon independent distributors to market our product. Those distributors also market other alcoholic beverages, including other craft beers that are competitive with ours. As a result, distributors over whom we exercise little control can significantly influence the degree to which retailers and consumers buy our products instead of products of competitive microbreweries.

We distribute our products through a network of independent import distributors for resale to retailers such as restaurants, taverns, and bars as well as to local distributors. Accordingly, we are dependent upon these distributors to sell our beer and to assist us in creating demand for, and promoting market acceptance of our products. We also depend upon them to provide adequate service to our retail customers. There can be no assurance that our distributors will devote the resources necessary to provide effective sales and promotional support to us.

Our most significant wholesaler, Mountain People's Warehouse, accounted for approximately 14% of our shipments in the year ended December 31, 2004. A retailer, Ray's is the Place, was responsible for 11% of sales. A disruption of our distributors or wholesalers' or the loss of a significant customer, or the termination by any major distributor could have a material adverse impact on our sales and results of operations.

The distributors that we rely upon also market competing imported and domestic craft beers. Although by law distributors are independent of any brewer, a distributor can be controlled if it relies on one or two large brewers who account for the majority of its sales. We have no formal written distribution agreements with our distributors. A down-turn in the performance or loss of a single distributor can have a material adverse impact on sales and, as a result, on our business, financial condition, and results of operations.

Aging of inventories may result in material losses in the future.

We do not use preservatives in our products, and accordingly the packaged beer has a shelf life of approximately 120 days from the release date. Our policy is to sell product to distributors with sufficient remaining shelf life to ensure that the beer will be fresh when sold to the consumer. Product that remains unsold after 120 days is returned to us for destruction or other disposition. If and to the extent that near-term sales projections exceed actual performance and result in material excess packaged beer inventories, we may experience inventory write-downs, spoilage and associated losses.

Our compliance with governmental regulation of environmental matters could pose additional expenses on our business.

The manufacture and sale of alcoholic beverages is regulated by both federal and state authorities. We have obtained and currently maintain all required federal and state permits, licenses and bonds required to operate our brewery. In addition, our brewery is subject to regulation by the water pollution control divisions of the United States Environmental Protection Agency and the State of California. Although we believe that we are in full compliance with all applicable environmental regulations, there can be no assurance that future changes in those regulations may

require us to alter our method of operations or install fixtures and equipment with associated delays and increased costs.

Our waste products consist of water, spent grains, hops, glass and cardboard. Disposal of our waste, including sewer discharge from the brewery, is monitored by local governmental agencies. While we believe

12

we currently comply with all governmental regulations, if we fail to comply with applicable standards for such disposal, fines could be levied and our business operations suspended until we achieve compliance.

Possible increases in excise taxes could adversely affect our business.

Alcoholic beverages are subject to substantial federal and state excise taxes. The federal rate of taxation increases from \$7.00 per bbl. to \$18.00 per bbl. for annual production in excess of 60,000 bbl. Our current production rate is 4,000 bbl per year. The State of California imposes an excise tax of \$6.20 per bbl. Alcoholic beverages have in recent years been targets of attempts to increase so-called "sin taxes." If excise taxes are increased, we could have to raise prices to maintain profit margins. Historically, price increases due to additional excise taxes have not reduced unit sales, but past experience does not necessarily indicate future effects, and the actual effect is likely to depend on the amount of the increase, general economic conditions, and other factors. The occurrence of significant tax increases could require us to cut or increase our prices, which could adversely impact sales, or erode our margins.

Operating hazards related to our business could result in liability risks in excess of our insurance.

Our operations are subject to certain hazards and liability risks faced by all brewers, such as bottle flaws or potential contamination of ingredients or products by bacteria or other external agents that may be accidentally or wrongfully introduced into products or packaging. Our products are not pasteurized, irradiated or chemically treated and require careful product rotation to prevent spoilage. However, neither spoiled beer nor the bacteria introduced in the brewing process is known to be harmful to human health. We run periodic diagnostic tests on all of our products to assure that they meet our quality control guidelines and comply with federal and state regulatory requirements. While we have not experienced a serious contamination problem in our products, the occurrence of such a problem could result in a costly product recall and serious damage to our reputation for product quality. Our operations are also subject to certain injury and liability risks normally associated with the operation and possible malfunction of brewing and packaging equipment. We currently maintain general liability insurance, which includes liquor liability coverage, currently limited to \$1,000,000 per occurrence and \$2,000,000 in the aggregate annually. While we believe these general liability insurance limits are adequate, there can be no assurance that future claims may not exceed those limits. Further, future increases in premiums could make it prohibitive for us to maintain adequate insurance. A large uninsured or underinsured damage award could force us to discontinue operations.

Shifting public attitudes toward alcohol consumption may impact revenues.

The alcoholic beverage industry has become the subject of considerable societal and political attention in recent years due to increasing public concern over alcohol-related social problems including drunk driving, underage drinking, and health consequences from the misuse of alcohol, including alcoholism. In addition, a number of anti-alcohol groups are advocating increased governmental action on a variety of fronts unfavorable to the beer industry, including the legislation of new labeling or packaging requirements and restrictions on advertising and promotion that could adversely affect the sale of our products. If beer consumption in general were to come into disfavor among domestic consumers, or if the domestic beer industry were subjected to significant additional governmental regulations, our business could be materially adversely affected. In addition, there can be no assurance that the operations of our brewery will not become subject to increased taxation by federal or state agencies, which may materially and adversely affect our operations, revenues and potential profitability. Congress and many state legislatures are



considering various proposals to impose additional excise taxes on the production and sale of alcoholic beverages, including beer.

13

Some of the excise tax rates being considered are substantial. Restrictions on the sale and consumption of beer or increases in the retail cost of beer due to increased governmental regulations, taxes or otherwise, could materially and adversely impact sales and erode our margins.

Supply shortages could adversely affect our business.

Shortages or increased costs of fuel, water, raw materials or power, or allocations by suppliers could restrict the operations of our brewery. We do not have any long-term contracts for our supplies.

While we attempt to use organic hops wherever possible, many forms of hops are not available organically. In the United States, only one type of hops are organically grown. All other organically-grown hops must be purchased from foreign sources, and those quantities are limited. As a result, the limited supply of organic hops limits our possible production of 100% organic microbrews. This limited supply impairs our ability to exploit our competitive advantage over non-organic microbrewers. In addition, if we experience difficulty or inability to acquire the particular hops needed for a production run, we may be forced to curtail production and lose potential revenues.

Our directors, executive officers and key employees lack significant brewing experience or experience running brewing operations.

None of our executive officers or directors have any significant experience running brewing operations or other brewing experience. We rely on the services of our general manager and brewer, each of whom is an at will employee and may voluntarily terminate his employment at any time. Should we lose the services of either of these individuals, our operations could experience a material interruption and associated financial losses.

</R>

#### Determination Of Offering Price

The offering price of the shares being offered hereby was arbitrarily determined by us and is not necessarily related to our assets, book value or financial condition. In determining the offering price and the number of shares to be offered, we considered such factors as our financial condition, our net tangible book value, limited operating history and general condition of the securities market. Accordingly, the offering price of the shares may not indicate the actual value of our securities.

There currently exists no public trading market for our common stock, and we cannot assure you that such a market will develop in the future. In the absence of an active public trading market, an investor may not be able to liquidate his investment without considerable delay, if at all. If a market does develop, the price for our securities may be highly volatile and may bear no relationship to our actual financial condition or results of operation.

If our securities are not quoted on the OTC Electronic Bulletin Board, they may be quoted in the "pink sheets" maintained by the Pink Sheets, LLC, which reports quotations by brokers or dealers making a market in particular securities. We have no agreement with any other broker or dealer to act as a market maker for our securities and there is no assurance that we will be successful in obtaining any market makers. The lack of a market maker for our securities could adversely influence the market for and price of our securities, as well as your ability to dispose of, or to obtain accurate quotations as to the price of, our securities.

## Use of Proceeds

The net proceeds to us from the sale of the shares after deducting offering expenses, are expected to be approximately \$150,000 if the minimum number of 400,000 shares are sold at an offering price of \$.50 per share, \$300,000 if the median number of 700,000 shares or sold, or \$450,000 if the maximum number of 1,000,000 shares are sold.

These proceeds are intended to be utilized substantially in the dollar amounts and percentage of total proceeds set forth below.

<R>

<u>Application of proceeds</u>	<u>Minimum</u>	<u>%</u>	<u>Median</u>	<u>%</u>	<u>Maximum</u>	<u>%</u>
Repayment of debt	\$100,000	66.7%	\$150,000	50%	\$200,000	44.4%
Working capital	\$50,000	33.3%	\$150,000	50.0%	\$250,000	55.6%

"Repayment of Debt." Will consist of payments of delinquent accounts payable of Butte Creek, including payroll taxes (with interest accruing at 6%), California Redemption Value Taxes (with interest accruing at 6%) and fees owed to the TBB and California Alcohol Beverage Control (with interest accruing at 6%) in the aggregate amount of \$75,000. We will also repay to two of our directors, Mr. J. Andrew Moorer and Mr. John Power \$25,000 in partial repayment of advances they have extended to the Company.

"Working capital" includes costs associated with the following expenditures necessary for our ongoing operations, including:

- Rent
- Utilities
- Employee salaries and benefits
- Professional and consulting fees
- Marketing expansion, including engaging new distributors in new territories

We cannot predict the exact amounts and mix that will be allocated to these categories.

</R>

The amounts set forth above represent our best estimate for the use of the net proceeds of this offering in light of current circumstances. However, actual expenditures could vary considerably depending upon many factors, including, without limitation, changes in economic conditions, unanticipated complications, delays and expenses, or problems relating to the development of additional products and/or market acceptance for our products and services. Other factors and contingencies that could impact actual use of proceeds would include the need to service debt in order to preserve our assets which are pledged as collateral for the repayment of that debt, should the need arise. Any reallocation of the net proceeds of the offering will be made at the discretion of our Board of Directors but will be to preserve our assets or in furtherance of our strategy to achieve growth and profitable operations through the development of our products and expansion of our marketing efforts. Our working capital requirements are a function of our future growth and expansion, neither of which can be predicted with any reasonable degree of certainty. We may need to seek funds through loans or other financing arrangements in the future, and there can be no assurance that we will be able to make these arrangements in the future should the need arise.

Pending our use of the net proceeds of the offering, the funds will be invested temporarily in certificates of deposit, short-term government securities, or similar investments. Any income from these short-term

15

investments will be used for working capital.

The net proceeds from this offering, together with internally generated funds and funds on hand at the time of the offering, based on historical experience, are expected to be adequate to fund our working capital needs for at least the next five months if only the minimum proceeds are received, or for the next 12 months if the maximum proceeds are received.

16

#### Dividend Policy

We have not declared or paid cash dividends on our common stock in the preceding two fiscal years. We currently intend to retain all future earnings, if any, to fund the operation of our business, and, therefore, do not anticipate paying dividends in the foreseeable future. Our Board of Directors will determine whether any cash dividends will be declared in the future.

17

#### Pro Forma Capitalization

<R>

The following table sets forth our pro forma capitalization as of March 31, 2005, giving retroactive effect to our acquisition of Butte Creek as of that date. This section should be read in conjunction with the consolidated financial statements and pro forma financial information and related notes contained elsewhere in this prospectus.

	<u>Unadjusted</u>	<u>As of March 31, 2005</u>	
		<u>As Adjusted<sup>(1)</sup></u>	
		<u>Minimum</u>	<u>Maximum</u>
Stockholders' Equity:			
Common Stock, \$.0001 par value,			
20,000,000 shares authorized;			
1,620,000 shares issued and			
outstanding at March 31,			
2005; 2,220,000 shares issued			
and outstanding, as adjusted,			
assuming the minimum			
number of shares are sold;			
2,820,000 shares issued and			
outstanding, as adjusted,			

assuming the maximum number of shares are sold <sup>(1)</sup> (4)	162	222	282
Preferred Stock, \$.0001 par value, 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2005.	-	-	-
Capital in excess of par value	364,838	564,818 <sup>(2)</sup>	864,818 <sup>(3)</sup>
Accumulated (deficit)	<u>(72,451)</u>	<u>(72,451)</u>	<u>(72,451)</u>
Stockholders equity	292,549	492,589	792,649

(1)

Does not include up to 500,000 shares reserved for issuance pursuant to the Company's 2004 Equity Incentive Plan.

(2)

Assumes the sale of the minimum offering of 400,000 shares of common stock for net proceeds of \$150,000.

(3)

Assumes the sale of the maximum offering of 1,000,000 shares of common stock for net proceeds of \$450,000.

(4)

Assumes we issue 200,000 shares in connection with the acquisition of Butte Creek. Actual number of shares is subject to adjustment, although it is our present intent to waive any required adjustments.

</R>

18

#### Dilution

<R>

At March 31, 2005, we had a historical pro forma net tangible book value deficit of \$360,698 or \$.20 per share, based upon 1,820,000 shares of common stock outstanding. Pro forma net tangible book value per share is determined by dividing the number of outstanding shares of common stock into our pro forma net tangible book value, meaning total assets less total liabilities, and then subtracting capitalized offering costs.

If we sell all 1,000,000 shares that we are offering, of which there is no assurance, after deducting \$50,000 of estimated offering expenses, the adjusted pro forma net tangible book value as of March 31, 2005, would have been \$810,698 or \$.29 per share of common stock, based upon 2,820,000 shares outstanding. This represents an immediate increase in pro forma net tangible book value of \$.09 per share to current stockholders and an immediate decrease of \$.21 per share to you as an investor in our offering. To the extent fewer shares are sold in the offering, the dilution to investors will be greater.

If we sell the median of 700,000 shares, of which there is no assurance, after deducting \$50,000 of estimated offering expenses, the adjusted pro forma net tangible book value as of March 31, 2005, would have been \$660,698,

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

or \$.26 per share of common stock, based upon 2,520,000 shares outstanding. This represents an immediate increase in pro forma net tangible book value of \$.06 per share to current stockholders and an immediate decrease of \$.24 per share to you as an investor in our offering.

If we sell the minimum of 400,000 shares, of which there is no assurance, after deducting \$50,000 of estimated offering expenses, the adjusted pro forma net tangible book value deficit as of March 31, 2005, would have been \$510,698 or \$.23 per share of common stock, based upon 2,220,000 shares outstanding. This represents an immediate increase in pro forma net tangible book value of \$.03 per share to current stockholders and an immediate decrease of \$.27 per share to you as an investor in our offering.

The following table illustrates the per share dilution, assuming (i) 400,000 shares are sold in our offering; and (ii) all 1,000,000 shares are sold:

	<u>Minimum</u>	Median	<u>Maximum</u>
Public offering price per share of common stock	\$.50	\$.50	\$.50
Pro forma net book value deficit per share of common stock before offering	\$.20	\$.20	\$.20
Increase per share of common stock attributable to present stockholders	\$.03	\$.06	\$.09
Decrease per share of common stock attributable to new investors	\$.27	\$.24	\$.21
Dilution per share as a percent	54%	48%	42%

These numbers do not include up to 500,000 shares reserved for issuance pursuant to our 2004 Equity Incentive Plan. There are currently no outstanding options or other rights to purchase shares of common stock under the Plan.

19

The following table sets forth, as of June 1, 2005, the number of shares of common stock that have been purchased, or that may be purchased under outstanding options by affiliated shareholders only, assuming for this purpose that all such options have been exercised, the percentage of total consideration paid, and the average price per share paid by (i) our officers, directors, promoters, and affiliated persons (ii) all present shareholders; and (iii) investors purchasing shares in this offering.

Assuming 400,000 shares are sold:

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Price</u> <u>Per Share</u>
Affiliated shareholders <sup>1</sup>	828,000	37.3%	\$157,000	27.8%	\$0.19

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

All present shareholders	1,820,000	82.0%	\$365,000	64.6%	\$0.20
New investors	<u>400,000</u>	<u>18.0%</u>	<u>\$200,000</u>	<u>35.4%</u>	<u>\$0.50</u>
Total	2,220,000	100.0%	\$565,000	100.0%	\$0.25

Assuming 700,000 shares are sold:

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Price</u>
					<u>Per Share</u>
Affiliated shareholders <sup>1</sup>	828,000	32.9%	\$157,000	22.3%	\$0.19
All present shareholders	1,820,000	72.2%	\$365,000	51.0%	\$0.20
New investors	<u>700,000</u>	<u>27.8%</u>	<u>\$350,000</u>	<u>49.0%</u>	<u>\$0.50</u>
Total	2,520,000	100%	\$715,000	\$100%	\$0.28

Assuming 1,000,000 shares are sold:

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Price</u>
					<u>Per Share</u>
Affiliated shareholders <sup>1</sup>	828,000	29.4%	\$157,000	18.2%	\$0.19
All present shareholders	1,820,000	64.5%	\$365,000	42.2%	\$0.20
New investors	<u>1,000,000</u>	<u>35.5%</u>	<u>\$500,000</u>	<u>57.8%</u>	<u>\$0.50</u>
Total	2,820,000	100.0%	\$865,000	100.0%	\$0.31

(1)

Includes 200,000 shares of common stock issuable to Butte Creek Brewing Co., LLC in connection with the acquisition.

</R>

Information about the Market for Our Securities

There currently exists no public trading market for our securities. We do not intend to develop a public trading market until our offering has terminated. There can be no assurance that a public trading market will develop at that time or be sustained in the future. Without an active public trading market, you may not be able to liquidate your investment without considerable delay, if at all. If a market does develop, the price for our securities may be highly volatile and may bear no relationship to our actual financial condition or results of operations. Factors we discuss in this prospectus, including the many risks associated with an investment in us, may have a significant impact on the market price of our common stock. Also, because of the relatively low price of our common stock, many brokerage firms may not effect transactions in the common stock.

In addition, it is likely that our common stock will be subject to rules adopted by the Commission regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to penny stocks require a broker dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission. That disclosure document advises an investor that investment in penny stocks can be very risky and that the investor's salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in penny stocks, to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

21

### Safe Harbor for Forward-looking Statements

#### In General

This prospectus contains statements that plan for or anticipate the future. In this prospectus, forward-looking statements are generally identified by the words "anticipate," "plan," "believe," "expect," "estimate," and the like. These forward-looking statements include, but are not limited to, statements regarding the following:

- \* our product and marketing plans
- \* consulting and strategic business relationships;
- \* statements about our future business plans and strategies;
- \* anticipated operating results and sources of future revenue;
- \* our organization's growth;
- \* adequacy of our financial resources;
- \* development of new products and markets;
- \* competitive pressures;
- \* changing economic conditions;
- \* expectations regarding competition from other companies; and
- \* our ability to manufacture and distribute our products.

Although we believe that any forward-looking statements we make in this prospectus are reasonable, because forward-looking statements involve future risks and uncertainties, there are factors that could cause actual results to

differ materially from those expressed or implied. For example, a few of the uncertainties that could affect the accuracy of forward-looking statements, besides the specific factors identified above in the Risk Factors section of this prospectus, include:

- \* changes in general economic and business conditions affecting the craft/microbrew industries;
- \* developments that make our beers less competitive;
- \* changes in our business strategies;
- \* the level of demand for our products; and

In light of the significant uncertainties inherent in the forward-looking statements made in this prospectus, particularly in view of our early stage of operations, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

22

The safe harbor provisions of the Private Securities Litigation Reform Act of 1995 with respect to forward looking statements contained in this prospectus are not available and do not apply to us.

23

Selected Pro Forma Financial Data

<R>

We have set forth below certain selected pro forma financial data. This pro forma financial data was prepared as if our acquisition of Butte Creek had occurred as of and at the beginning of the periods shown. The information has been derived from the financial statements, pro forma financial information and notes thereto included elsewhere in this prospectus.

Pro Forma Statement of Operations Data:	Three Months Ended March 31, <u>2005</u>	Fiscal Year Ended December 31, <u>2004</u>
Total Revenues	164,293	664,542
Cost of sales	113,672	441,171
Operating expenses	119,123	442,657
Other expense	(5,899)	(29,167)
Net loss	(74,401)	(248,453)
Net loss applicable to common stockholders	(74,401)	(248,453)
Basic and diluted loss per share	(0.04)	(.14)
Shares used in computing basic and diluted loss per	1,820,000	1,820,000



share

Pro Forma Balance Sheet Data:	At March 31,		
		<u>2005</u>	
	<u>Unadjusted</u>	<u>Adjusted</u>	
		<u>Minimum<sup>(1)</sup></u>	<u>Maximum<sup>(2)</sup></u>
Working capital (deficit)	(321,384)	(171,384)	128,616
Total assets	883,927	933,927	1,133,927
Total Liabilities	541,378		391,378
		491,378	
Stockholders' equity	342,549	492,549	792,549

(1)

Adjusted to reflect net proceeds of \$150,000 from our assumed sale in this offering of 400,000 shares at an offering price of \$.50 per share.

(2)

Adjusted to reflect net proceeds of \$450,000 from our assumed sale in this offering of 1,000,000 shares at an offering price of \$.50 per share.

(3)

Assumes liabilities are reduced by \$100,000 if only the minimum offering is sold and by \$200,000 if the maximum offering is sold.

&lt;/R&gt;

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

&lt;R&gt;

### Plan of Operations

Golden West Brewing Company, Inc. (the "Company" or "Golden West") was formed in December 2003 to acquire substantially all of the business assets of Butte Creek Brewing Company, LLC ("Butte Creek" or "Butte"). We are currently a holding company for our wholly-owned subsidiary Golden West Brewing Company, a California corporation, which was formed to complete the acquisition, which is scheduled to occur upon receipt of all necessary regulatory approvals and no later than July 31, 2005. Butte Creek has been operating as a craft brewery in Chico, California since 1996. It specializes in brewing certified organic craft beers. Upon completion of the acquisition and closing of the proposed initial public offering, we intend to increase our production, increase sales and reduce our operating losses. We have recently doubled our production capacity from 4,000 barrels per year to 8,000 barrels per year with the acquisition of two 80 barrel fermentation tanks and one 80 barrel conditioning or "brite" tank. We still face operational challenges as our sales and production levels increase. The following are the key issues and

challenges facing the Company:

\* Production Planning

. It is difficult to project future sales and as a result, we have had to delay orders or only fill partial orders. We believe our increased production capacity will help us with our production planning.

\* Working Capital Shortage

. Our history of working capital deficiencies make it difficult to build finished inventory. We owe delinquent taxes to several Federal and State agencies. In addition, we have increased our production capacity and plan to launch a new organic product and will require increased levels of inventory.

\* Lack of Marketing Materials

. We have very limited marketing budgets and are not competitive with other breweries of our size in the amount and quality of marketing materials needed to support our distribution network.

\* Availability of Hops

. We are facing a shortage of hops this season and have had to substitute hops and purchase large amounts in anticipation of our future needs.

\* Continued Operating Losses

. Our history of operating losses makes it difficult to raise capital for our working capital needs.

\* New Product Launch

. We are planning to release a new product in the 3<sup>rd</sup> quarter of 2005. This will require increased working capital for raw materials and packaging.

\* Lack of Inventory Controls

. We need to improve our control and management of our finished inventory.

This offering is critical to our future success to improve our working capital. Sales will increase with the increased market penetration of existing brands and the creation of new brands and products. An increase in net sales and gross profits will reduce net losses only if other operating expenses can be managed effectively. Specifically, general, administration and marketing levels will be increased but are intended to be increased as net sales and gross profits increase. There is no guarantee that we will be able to achieve this plan.

Both Golden West and Butte Creek have sustained losses from operations, and have net capital and working capital deficits which raise substantial doubts about their ability to continue as a going concern. Both

companies' audited financial statements have received going concern qualifications from their Independent Registered Public Accounting Firm.

The following discussion and analysis has been prepared assuming our acquisition of Butte Creek had been completed as of the beginning of the periods shown and should be read in conjunction with the pro forma Financial Statements and Notes thereto of Golden West Brewing Company, Inc. and Butte Creek Brewing Company, LLC included herein. The discussion and analysis includes pro forma period-to-period comparisons of our financial results. Although period-to-period pro forma comparisons may be helpful in understanding our financial results, we believe that they should not be relied upon as an accurate indicator of future performance.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. Our financial statements are based upon a number of significant estimates, the allowance for doubtful accounts, obsolescence of inventories and the estimated useful lives selected for property and equipment. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

#### Overview - Factors Affecting Results of Operations

Sales in the craft beer industry generally reflect a degree of seasonality, with the first and fourth quarters historically being the slowest and the rest of the year typically demonstrating stronger sales. We have historically operated with little or no backlog and, therefore, our ability to predict sales for future periods is limited.

Our sales are affected by several factors, including consumer demand, price discounting and competitive considerations. We compete in the craft brewing market as well as in the much larger specialty beer market, which encompasses producers of import beers, major national brewers that produce fuller-flavored products, and large spirit companies and national brewers that produce flavored alcohol beverages. Beyond the beer market, craft brewers also face competition from producers of wines and spirits. The craft beer segment is highly competitive due to the proliferation of small craft brewers, including contract brewers, and the large number of products offered by such brewers. Imported products from foreign brewers have enjoyed resurgence in demand since the mid-1990s. Certain national domestic brewers have also sought to appeal to this growing demand for craft beers by producing their own fuller-flavored products. In 2001 and 2002, the specialty segment saw the introduction of flavored alcohol beverages, the consumers of which, industry sources generally believe, correlate closely with the consumers of the import and craft beer products. While sales of flavored alcohol beverages were initially very strong, these growth rates slowed in 2003 and 2004. The wine and spirits market has experienced a surge in the past several years, attributable to competitive pricing, increased merchandising, and increased consumer interest in spirits. Because the number

of participants and number of different products offered in this segment have increased significantly in the past ten years, the competition for bottled product placements and especially for draft beer placements has intensified.

Our current production rate is approximately 4,000 barrels per year. We estimate that we will need to increase production volume to at least 6,000 barrels per year in order to achieve break-even operating results. To increase production, we will need to successfully integrate our two new 80 barrel fermentation tanks and our new 80 barrel conditioning or "brite" tank and will require additional working capital for raw materials and finished inventory. There is no assurance that we will be able to expand our capacity to a break-even level or that we can generate the sales volume to maintain it.

## Operating and Financial Review and Prospects

### Operating Results

Three months ended March 31, 2005 compared to the three months ended March 31, 2004:

**SALES** Net sales for the first three months of 2005 increased 21.58% or \$29,172 to \$164,293 from \$135,121 for the comparable period in 2004. The increase was due to higher direct sales to retailers as we continue to improve our self-distribution channel, the continued development of our network of independent distributors and a small price increase on January 1, 2005.

**COST OF GOODS SOLD** Cost of goods sold for the first three months of 2005 was \$113,672 or 69.19% of Net Sales as compared to \$99,506 or 73.64% of Net Sales for the corresponding period of 2004 due to higher sales, more efficient production levels and the purchase of certain key raw materials in bulk and a price increase on January 1, 2005.

**GROSS PROFIT** As a result of the higher revenues as described above and the improvement in cost of goods sold because of more efficient and consistent production levels and the continued purchase of certain key raw materials in bulk, gross profit for the first three months of 2005 increased to \$50,621 or 30.8% of net sales from \$35,615 or 26.38% of net sales in the corresponding period of 2004.

**OPERATING EXPENSES** Total operating expenses rose \$39,574 or 50% to \$119,123 for the first three months of 2005 compared to \$79,549 in the corresponding period of 2004. The increase was primarily due to increased sales compensation and other expenses as a result of the increased level of net sales and higher general and administrative expenses. Also in the first three months of 2005, Golden West incurred \$9,461 in general and administrative expenses. Components of operating expenses were:

\* Depreciation

expense increased \$1,159 to \$8,185 or 16.5% from \$7,026 for the first three months of 2005 as compared to the corresponding period of 2004.

\* Member compensation

decreased \$3,600 to \$9,000 or 28.5% from \$12,600 for the first three months of 2005 compared to the corresponding period of 2004 as one of the founding members retired in 2004 and only one member was employed by the Company in 2005.

\* Rent

expense was level at \$7,950 for both the first three months of 2005 and the same period in 2004.

\* Salesman compensation

increased \$3,272 or 21% to \$18,848 for the first three months of 2005 compared to \$15,576 in the comparable period in 2004. The increase was due to the increased focus on direct sales or self-distribution in 2005.

\* Other Operating Expenses

increased \$38,743 or 106% for the first three months of 2005 to \$75,140 from \$36,397 in the prior period as a result of increased expenses related to increased operations experienced in 2005 and higher general and administrative expenses.

27

**OPERATING LOSS.** The operating loss for the first three months of 2005 increased \$24,568 or 56% to \$68,502 from \$ 43,934 in the corresponding period of 2004 as a result of the increase in total operating expenses exceeding the improved net sales and gross profits.

**OTHER INCOME & EXPENSE** Total other expense decreased \$1,471 or 20.0% to \$5,899 for the first three months of 2005 compared to \$7,370 for the corresponding period of 2004. The decrease is primarily from less interest expense incurred in the first three months of 2005 compared to the corresponding period of 2004.

**NET LOSS** Net loss increased \$23,097 or 45.0% to \$74,401 for the first three months of 2005 compared to \$51,304 for the corresponding period of 2004.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

**SALES** Net sales for the fiscal year 2004 increased \$225,789 or 51.46% to \$664,542 compared to \$438,753 in net sales for the fiscal year 2003. The increase in net sales was result of the launch of a new product (Mount Shasta Extra Pale Ale), direct sales efforts in the region surrounding our brewery facility in Chico, California, and an improved working capital compared to fiscal 2003 when a shortage of working capital forced a temporary production shut-down in fiscal 2003.

**COST OF SALES** Cost of sales for the fiscal year 2004 were \$441,171 or 66.4% of net sales as compared to \$338,160 or 77% of net sales in fiscal year 2003 because of lower production volumes in 2003 caused by a shortage of working capital in fiscal 2003.

**GROSS PROFIT** As a result of the higher net sales and the improved cost of sales, gross profit for fiscal year 2004 increased 122% to \$223,371 or 33.6% of net sales from \$100,593 or 23% of net sales in fiscal year 2003.

**OPERATING EXPENSES** Total operating expenses increased \$205,013 or 86% to \$442,657 in fiscal year 2004 compared to \$237,644 in fiscal year 2003. The overall increase was the result of increased operations in fiscal 2004, including payroll, insurance and marketing, as compared to fiscal 2003 when operations were shut down for approximately four months as a result of a working capital shortage. There were also significant legal, general and administrative expenses by Golden West related to its trademark dispute regarding Mount Shasta Ale™.

The components consisted of:

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

	2004	2003
* Depreciation	\$32,145	\$29,678
* Member Compensation	\$38,500	\$49,400
* Rent	\$31,800	\$31,100
* Salesman Compensation	\$67,672	\$30,689

An increase of \$36,983 or 121% as a focus on direct sales or self-distribution.

28

* Other	\$272,540	\$96,777
<b>TOTAL OPERATING EXPENSES</b>	<b>\$442,657</b>	<b>\$237,644</b>

**OPERATING LOSS** The operating loss for the year ended December 31, 2004 was \$219,286, compared to an operating loss of \$137,051 for the year ended December 31, 2003, an increase in net loss of \$82,235, or 60%.

**OTHER INCOME AND EXPENSE** Total other income and expense for the year ended December 31, 2004 was \$29,167, compared to total other expense of \$30,082 for the prior year, a decrease of \$915 or 3.1%. This change was due to less interest expense incurred in 2004 compared to 2003.

**NET LOSS** Net loss for the year ended December 31, 2004 was \$248,453 compared to a net loss of \$167,133 in 2003, an increase in net loss of \$81,320, or 48.7% higher. This unfavorable increase in net loss was the result of higher operating expenses in 2004 as the Company focused on developing its distribution channels compared to 2003 when a shortage of working capital forced the company to temporarily curtail operations.

#### Liquidity and Capital Resources

We have required capital principally for the proposed purchase of Butte Creek and the funding of operating losses and working capital. To date, we have financed our capital requirements through the sale of equity and short and long-term borrowings. We expect to meet our future financing needs and working capital and capital expenditure requirements through cash on hand, borrowings and offerings of debt or equity securities, although there can be no assurance that our future financing efforts will be successful beyond this offering. The terms of future financings could be highly dilutive to investors in this offering.

The net proceeds of the minimum offering should satisfy our working capital requirements for approximately five months; if the maximum offering is sold, the proceeds should be sufficient to satisfy our working capital needs for 12 months. We have no commitments, understandings or arrangements for any additional working capital. If this offering is not successful, or if we are unable to secure additional financing to cover our operating losses until break-even operations can be achieved, we may not be able to continue as a going concern.

Butte Creek had \$19,342 of cash and cash equivalents and a negative working capital of \$778,198 at March 31, 2005. Cash at May 31, 2005 was \$13,686. Butte Creek had long-term debt of \$13,159 at March 31, 2005. Golden

West and Butte Creek do not have sufficient cash on hand or available credit facilities to continue operations for more than 30 days and are dependent upon the completion of this offering to provide adequate working capital to continue operations. In the interim, Golden West has raised capital through the sales of unregistered securities and advances and/or loans from its officers and directors to fund its operations to date, meet its obligations to Butte Creek under the Acquisition Agreement and to provide funds necessary for Butte Creek to maintain operations. Butte Creek has no other sources for capital other than Golden West. There are no assurances that we will be able to secure additional capital to maintain the operations of Butte Creek until the proposed initial public offering is completed.

During the three months ended March 31, 2005, the Company's capital expenditures totaled \$4,773.

#### Lines of Credit

We have available a \$25,000 line of credit with Wells Fargo Bank, with interest at the rate of 14.25%. The note is uncollateralized and guaranteed by Tom Atmore, one of Butte Creek's managing members. We had \$25,220 and \$25,542 outstanding on March 31, 2005 and December 31, 2004, respectively.

29

We have available a \$15,400 line of credit on a Company Credit Card with MBNA with interest at the rate of 27.98%. The note is uncollateralized but guaranteed by Tom Atmore, one of the managing members of Butte Creek. We had \$12,883 and \$12,748 outstanding on March 31, 2005 and December 31, 2004, respectively.

#### Notes Payable

At March 31, 2005, Butte Creek had notes payable in the aggregate amount of \$61,821, of which \$48,663 was considered current. A note to a financial institution with an approximate outstanding balance of \$35,000 accrues interest at 9% per annum and is due in September 2006. A note to another financial institution with an outstanding balance of approximately \$7,000 accrues interest at the rate of 11.5% and is due in October 2005. Notes to related parties in the approximate amount of \$18,200 accrue interest at the rate of 8% per annum and were due December 2004. We have pledged substantially all of our assets to secure some of the notes. Should we default in the payment of these secured notes, the collateral could be subject to forfeiture.

#### Management Fees Payable

Butte Creek's Operating Agreement provided certain guarantees to the managers for management fees during the first five years of existence. Portions of these guarantees were not paid during the five year period and portions of these guarantees were deferred for the first two years of the five year period. According to the Operating Agreement, interest at 8% per annum was to be accrued on the deferred portion of the management fees. Also, an original employee accepted a reduced salary while employed and agreed to defer the payment of the reduced salary amount until such time as the managers received their management fees. As of March 31, 2005 and December 31, 2004, the total amount of unpaid management fees and salaries was \$231,495 and \$230,468, respectively, including accrued interest of \$31,834 and \$30,807 on the deferred portion as of each date, respectively. Interest expense related to the management fees payable for the three months ended March 31, 2005 was \$1,027, and \$4,107 each for the years ended December 31, 2004 and 2003.

Under the terms of the Asset Purchase and Sale Agreement pursuant to which we will acquire Butte Creek, we have agreed to assume a maximum of \$300,000 in Butte Creek liabilities. As a result, it is likely that Butte Creek's liabilities for accrued management fees and salaries will not be assumed by us in the transaction, but rather will remain in Butte Creek.

## Delinquent Payables

At March 31, 2005 and December 31, 2004 we had outstanding payroll tax liabilities of \$33,350 and \$20,041, respectively. Of these amounts \$22,210 and \$10,352 are considered delinquent.

At March 31, 2005 and December 31, 2004 we had outstanding rent obligations on our operating facility of \$20,600 and \$17,950, respectively. We have entered into a verbal forbearance agreement with our landlord whereby the landlord will not proceed with collection actions to enforce its rights under the lease as long as we pay current rent and 8% interest on the outstanding rent obligation timely.

California Redemption Value (CRV) is a tax collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Bureau of Alcohol, Tobacco and Firearms ("BATF"), now the TTB, and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At March 31, 2005 and December 31, 2004, we had CRV and excise taxes payable of \$42,458 and \$33,747, respectively. Of these amounts, \$38,639 and \$31,321 are considered delinquent.

## 30

These delinquent payables will likely be assumed by us in connection with our acquisition of Butte Creek as the continuation of regulatory compliance is material to our ability to continue as a going concern. Continued operations could be severely impaired should the TTB or any other governmental agency seek to collect any of the delinquent payables before we are able to pay them.

## Overview of Product Distribution

Our products are available for sale directly to consumers in draft and bottles at restaurants, bars and liquor stores, as well as in bottles at supermarkets, warehouse clubs and convenience stores. Like substantially all craft brewers, our products are delivered to these retail outlets through a network of local distributors whose principal business is the distribution of beer and, in some cases, other alcoholic beverages, and who traditionally have local distribution relationships with one or more national beer brand.

Sales in the craft beer industry generally reflect a degree of seasonality, with the first and fourth quarters historically being the slowest and the rest of the year typically demonstrating stronger sales. We have historically operated with little or no backlog and, therefore, our ability to predict sales for future periods is limited.

## Certain Considerations: Issues and Uncertainties

We do not provide forecasts of future financial performance or sales volume, although this prospectus contains certain other types of forward-looking statements that involve risks and uncertainties. Those risks and uncertainties are discussed more fully in the section of this prospectus titled "Risk Factors." While we are optimistic about our long-term prospects, the following issues and uncertainties, among others, should be considered in evaluating its business prospects and any forward-looking statements.

In light of uncertain contingencies relating to our acquisition of Butte Creek, we anticipate that a material impairment charge is reasonably likely to occur in the future, resulting in a material impact on our financial statements and results of operations. Should the acquisition not be consummated, the value and recoverability of our investment in Butte Creek is uncertain. Should the acquisition be consummated, we will be required to determine if a valuation allowance with respect to our investment in Butte Creek will be required. Based upon the financial history of Butte Creek, it appears to us that a valuation allowance is reasonably likely.



## Recent Accounting Pronouncements

There were various accounting standards and interpretations issued during 2004 and 2003, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

</R>

31

## Business

### Background and Overview

Golden West Brewing Company, Inc., a Delaware corporation, was formed and organized on December 23, 2003, for the purpose of acquiring the business and assets of Butte Creek Brewing Company, LLC, a California limited liability company.

Butte Creek Brewing Company, LLC was formed on October 4, 1995 and since that time has been operating a microbrewery in Chico, California. Butte Creek specializes in brewing certified organic craft beers, meaning that at least 95% of the final product has been derived from organic ingredients.

To acquire Butte Creek, we formed and organized a company on November 19, 2003 under the name Golden West Brewing Company, a California corporation. That company became our wholly-owned subsidiary after we were formed and organized.

Effective October 8, 2004, we executed a definitive Asset Purchase and Sale Agreement to acquire Butte Creek. Under the terms of the Acquisition Agreement, we plan to purchase substantially all of the business assets of Butte Creek. In consideration of the Butte Creek assets, we have agreed to pay:

- \* the sum of \$350,000 in cash all of which has already been advanced;
- \* the assumption of not more than \$300,000 in trade and accounts payable; and
- <R> \* issue to Butte Creek an aggregate of up to 200,000 shares of our common stock, subject to a working capital adjustment, pursuant to which if Butte Creek's working capital ratio is less than .69 and it has a net working capital deficit of less than \$65,000 on the Closing Date, the number of shares will be reduced, dollar for dollar, based upon the shares having a value of \$.25 each. It is currently our intention to waive any working capital adjustment, since we expect the amount would be immaterial. Those shares will be issued pursuant to a Subscription Agreement to be executed by Butte Creek in which it makes representations to the effect that it will acquire the shares for investment purposes and not with the view to subsequent resale or redistribution. The shares will be restricted as to resale and issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

Under an Extension Agreement to the Acquisition Agreement, completion of the acquisition of Butte Creek in accordance with the Acquisition Agreement is scheduled to close upon obtaining all regulatory approvals, but no later than July 31, 2005, with an effective date of January 1, 2005. In order to complete the acquisition, we will require the approval of the California Department of Alcoholic Beverage Control, which issues licenses to manufacture and sell beer in the State of California. We have already obtained the approval of the TTB, which issues permits allowing the manufacture of fermented malt beverages. We believe that our acquisition of Butte Creek will be approved by the

California ABC and that we will complete the acquisition of Butte Creek on or before the scheduled closing date. We have confirmed that the application of Golden West for a license from California ABC will not be adversely effected by a prior license revocation that had been issued to a discontinued business named Signature Wines in which John C. Power and Brian Power had an equity interest.

In anticipation that he would be participating as a founder and promoter of Golden West in connection with its acquisition of Butte Creek, prior to his formation and organization of Golden West, John C. Power

32

caused to be filed an application with the United States Patent and Trademark Office and Application of Intent to Use for the trademark "Mount Shasta Ale" and registered the domain name www.ales.com. In addition, Mr. Power made advances to Butte Creek in the amount of \$59,500 through an entity controlled by him, Nova Redwood LLC. The domain name of www.ales.com was acquired by another company controlled by Mr. Power, Alta California Broadcasting, Inc., and the intent to use trademark application was submitted in the name of a wholly-owned subsidiary of Alta California, Four Rivers Broadcasting, Inc. In October 2004, those assets were then used by Alta California Broadcasting to redeem some of its outstanding equity interests from certain investors, on the condition that those investors assign those assets to Golden West in consideration of an equity investment in Golden West.

</R>

#### The U.S. Beer Industry

According to publications of the Association of Brewers (Beertown, September 14, 2004), in 2003 the total beer sales in the United States consisted of approximately 203 million barrels (each barrel consisting of 31 U.S. gallons). Of those total sales approximately 23 million barrels, or 11.3%, consisted of sales of imports in the United States. Of the remaining 180 million barrels, more than 85% of sales were dominated by the four largest brewing companies:

Anheuser Busch	51%
Coors	11%
Miller Brewing Company	19%
Pabst	4%

Craft brewers represented the remaining approximate 3.5% of total U.S. sales, or 6.65 million barrels of craft beer.

#### Beer Styles

While the beers from the major American brewers are brewed to high quality standards, they are relatively neutral in flavor. They are brewed with less hops and malt than traditional European or craft-brewed beers, creating a less bitter, lighter bodied flavor. In addition, these beers are usually brewed with a high percentage of rice, corn or corn syrup, which further dilutes the flavor and body of the beers. Traditional lager beers use 100% malted barley in the mash (with the exception of specialty wheat beers), which ensures a robust, full-bodied character. The major U.S. brewers have been successful in creating products that appeal to a wide consumer base and have spent heavily to advertise and promote their products. As a result, they have achieved a dominant position in the market for their mass-produced beers. The older regional brewers traditionally produced beers similar in style to the products of major breweries, but several have benefitted from the recent boom in specialty, craft-brewed beers as both contract producers and marketers of their own products. Imported beers have long been viewed by the beer-drinking public as being more flavorful and "authentic" than the standard American beers. Although this has not always been the case, the high price and foreign origin of the imported beers created a niche category of "specialty" beers. In recent years, craft-brewed beers have further expanded the "specialty" beer market, and have increased in sales and visibility.

The vast majority of existing craft/microbrewed products in the U.S. are ales. According to a survey published in THE NEW BREWER published by the Brewers Association at www.beertown.org, the five most popular beer styles produced in brewpubs are all ales, and among the 130 responding craft/microbrewers, only the fourth most popular style (European Pilsner) is a lager. The cost of building and operating a lager brewery is substantially greater than that for an ale brewery.

33

The following terms are helpful in understanding our business and industry:

**Craft Brewing**: Beers produced by microbreweries, regional specialty breweries, brewpubs and contract brewers. The common appeal of these beers is a more robust flavor than the standard domestic beers, and an image based on traditional, European beer styles.

<R>

**Microbrewery**: Originally used to refer to a small brewery producing less than 10,000 barrels a year, which packages and distributes its beers for sale off site. The cut-off volume has since been increased to 15,000 barrels a year. The new breweries that were founded in the late 1970s and early 1980s were the first to be called microbreweries.

</R>

**Regional Specialty Brewery**: A term used to describe those breweries which were founded as microbreweries, but have since outgrown the category, having a capacity to brew between 15,000 and 2,000,000 barrels per year. A new category was needed to distinguish these breweries from the older, established regional breweries. Examples of regional specialty breweries are: Sierra Nevada (Chico, California), Anchor Brewing (San Francisco, California), Rockies Brewing (Boulder, Colorado) and Abita Brewing (Abita Springs, Louisiana).

**Brewpub**: A brewery that sells its beers exclusively or primarily at its own bar or restaurant. Since the market is restricted to one outlet, brewpubs tend to be quite small (typically in the 500 to 2,000 barrel range). Examples of brewpubs are Zip City (New York, New York), Crescent City Brewhouse (New Orleans, Louisiana), Wynkoop (Denver, Colorado) and Commonwealth (Boston, Massachusetts).

**Contract Brewer**: A company that does not have its own brewery but rather markets beer produced "under contract" by an existing (usually regional) brewery. Examples of contract brewers are Boston Beer Company (Samuel Adams brand beers), Pete's Brewing Company and Neuweiler.

**Hard Cider**: A fermented apple cider with an alcohol content between 7 and 14 percent.

**Draft Cider**: A fermented apple cider with an alcohol content of less than 7 percent.

#### Development of Craft-Brewing Industry

Fritz Maytag bought and revived the failing Anchor Brewery in San Francisco in 1965 and is considered the grandfather of the microbrewing movement. However, it wasn't until the late 1970s and early 1980s that the first new microbreweries opened in the U.S., such as New Albion, Redhook, Yakima Brewing & Malting and Sierra Nevada on the West Coast and Newman Brewing Co. (Albany, New York) on the East Coast. By 1983, there were 11 operating microbreweries in the U.S., which were defined as breweries producing less than 10,000 barrels per year (although all were much smaller in 1983). At least one of these (Buffalo Bill's Brewery, Hayward, California) was a brewpub. In the early to mid 1980s, the first contract brewers appeared.

What all of the craft-brewed beers have in common is an appeal based on traditional, highly flavored European beer styles. They have benefited from their contrast with the products of the major brewers, which are much lighter in body and flavor. We believe they also were helped by an increasing concern by consumers about how alcoholic beverages fit into a healthy, active, contemporary lifestyle. Like fine wines, we believe that consumers view craft-brewed beers as beverages of moderation.

#### Craft Beer Industry Segment

34

Craft beers are characterized by their full-flavor and are usually produced along traditional European brewing styles. The majority of craft beers are ales, although some are malt lagers. Wheat beers and fruit flavoured ales and lagers have enjoyed recent popularity among craft beer consumers.

The craft beer category consists of:

- \* Contract brews
  - any style brew produced by one brewer for sale under the label of someone else who does not have a brewery or whose brewery does not have sufficient capacity.
- \* Regional craft brews -
  - "hand-crafted" brews, primarily ales, sold under the label of the brewery that produced it.
- \* Microbrews
  - "hand-crafted" brews, primarily ales, sold under the label of the brewery that produced it, if the capacity of the brewery does not exceed 15,000 bbl. per year.
- \* Large brewer craft-style brews
  - a brand brewed by a national brewer which may only imitate the style of a craft beer. These craft-style brews are often sold under the label of a brewery that does not exist or the label of a brewpub with no bottling capacity. The term "phantom brewery" is sometimes used to describe such brands.
- \* Brewpub brews
  - "hand-crafted" brews produced for sale and consumption at the brewery, which is normally connected with a restaurant/saloon. Brewpub brews are not normally sold for off-site consumption in significant quantities.

In 2003, U.S. craft beer industry annual retail sales reached 6.65 million barrels, having a total retail value of \$3.5 billion. That 2003 production volume was divided into the following categories:

Volume

Percent

Regional specialty breweries	4.4 million barrels	66.2%
Contract breweries	943,000 barrels	14.2%
Microbreweries	690,000 barrels	10.4%
Brewpubs	615,000 barrels	9.2%

See Beertown, [www.beertown.org](http://www.beertown.org)

According to *Beertown*, a trade publication, as of September 30, 2004, there were a total of 1,362 total craft breweries operating in the United States, consisting of:

- 55 Regional specialty breweries
- 371 Microbreweries
- 936 Brewpubs
- 20 Large breweries

#### Business Strategy

Our business objective is to become recognized as the premier organic craft brewer in the United States. It is our objective to produce the finest quality organic craft beers and to market them strategically in niche markets to capitalize on our dedication to the use of organic ingredients, which we consider to be our principal differentiator and competitive advantage.

35

Our business strategy includes the following key objectives:

- \* Further develop our existing facility and position as a leading organic ale producer;
- \* Develop new brands utilizing the existing facility;
- \* Produce on a contract basis for other craft brewers, where capacity permits; and
- \* Expand regional self-distribution and minimize reliance upon local wholesale distributors.
- \* Expand our production capacity to at least 5,000 bbl per year.

#### Products

Butte Creek produces a variety of distinctive craft beers ranging in color from light to dark. Three of our beers are certified organic: Organic Ale, Organic Porter and Organic India Pale Ale. In making these three products, we adhere strictly to the National Organic Program of the United States Department of Agriculture pursuant to which our beers are certified as organic by independent accredited certifiers. All of our beer is made from four traditional ingredients: water, hops, yeast and malted barley. Each beer exhibits unique properties of color, richness, bitterness and aroma, creating a special signature for each beer. In order to maintain full flavor, our beer is not pasteurized or homogenized. We never use adjuncts in substitute for all grain.

We currently produce the following principal brands, each with its own distinctive combination of flavor, color and clarity:

- \* Organic Ale                      An amber ale made with certified organic hops and barley, brewers yeast

	and water.
* Organic Porter	A porter with a full bodied malty flavor balanced with a crisp hop bitterness.
* Organic India Pale Ale	A full-flavored traditional India Pale Ale.
<R> * Mount Shasta Pale Ale	A full-flavored pale ale.
</R>	
* Roland's Red	A full-flavored rendition of a traditional English ale, using imported roasted malts from Belgium.
* Creekside Wheat	A crisp refreshing version of a German hefeweizen, brewed with a little less wheat and a little more hops than the average wheat beer.
* Winter Ale/Spring Ale (seasonal)	Our Winter Ale is a full-bodied, chestnut brown ale. Our Spring Ale is a crisp amber.
* Christmas Cranberry Ale (seasonal)	A pleasant Christmas Ale with a hint of cranberry fruitiness. This ale is available in December and January.
* Summer Pilsner (seasonal)	Our Summer Pilsner captures the flavour of a fresh European pilsner using German and Czech hops and a blend of the finest Belgian and American barleys. It is available July-September.

For the year ended December 31, 2003 and the nine months ended September 30, 2004, sales of Organic Ale, Porter and India Pale Ale represented 74.7 and 63.5% of our total sales, respectively. During 2003, 88.4% of sales were cases and 11.6% were kegs, compared to sales during the first nine months of 2004 being comprised of 82.1% cases and 17.9% kegs.

In addition to our current craft brews, we are constantly developing new products in order to be responsive to changing customer tastes. We believe that our continued success will be affected by our ability to be innovative and attentive to consumer desires while maintaining consistently high product quality.

## Brewing Operations

### The Brewing Process

Beer is produced from four main ingredients: malt, hops, yeast and water. Malt, the main ingredient of beer, is produced when barley is moistened, allowed to germinate and then dried. The malted barley is then crushed and mixed with hot water and strained, producing a clear amber liquid called "wort". Wort is boiled in the brew kettle and hops are added which add bitterness and variety to the brew. The mixture is then strained and placed in a fermentation vessel where yeast is added and the beer is allowed to ferment. During fermentation, yeast metabolizes the sugars in the wort and produces alcohol and carbon dioxide.

Upon completion of fermentation, the beer is then transferred to aging tanks where the flavor is developed and matured. The brewing process, from the conversion of raw materials to the serving of beer, is typically completed in 14 to 28 days, depending on the type of beer being brewed. The production schedule for all of our ale products requires a fourteen (14) day cycle. Our lager products requires a twenty-eight (28) day cycle, from brewing through filtration and packaging. The production cycle includes the following steps:

\* Day 1. Mashing. Weighed amounts of milled, malted barley, a cereal grain that provides the body and color to the beer, are mixed and steeped with hot water in a Mash Tun. This serves to extract fermentable and non-fermentable sugars, thus creating a mash. At the end of the mashing process, the sweet, fermentable liquid from the mash, called wort, is run off through screened plates and then transferred into the brew kettle. While the wort is

running off, the grain is sprayed with hot water again, a process called "sparing". (This is a process similar to making coffee.)

Once the wort run off is completed, the spent grains are given to local farmers for cattle feed or to local mushroom growers.

\* Day 1. Brewing. When the sweet liquid wort transfer is completed, we start the boil, then add fresh hops that provide bitterness and aroma, thus creating the balance and flavor of our beer.

\* Day 1. Clarification. After approximately an hour and one half of boiling, the wort and the spent hops are transferred into a whirlpool. A centrifugal force is created inside the vessel during whirlpooling. This force separates the malt proteins and the spent hops from the wort.

\* Day 1. Cooling. The wort is pumped from the whirlpool through a heat exchanger which rapidly cools the wort. The cool wort is transferred into a fermenter.

\* Day 1. Inoculation. Pure culture lager yeast or ale yeast is added to the wort in the fermenter and the tank is closed up.

\* Days 2-7. Fermentation. Within three to five days, the yeast has metabolized and utilized the sugars from the wort, creating alcohol and carbon dioxide. Our ales are made with a top fermenting ale strain that actually floats to the top of the fermenter. Our lagers are made with a bottom fermenting lager strain that settles during fermentation.

37

When the yeast completely settles it is collected from the tank and used in the next lager or ale brew cycle.

\* Days 5-27. Cooling and Conditioning. At the end of the fermentation cycle, our beer is cooled from its fermentation temperature (between 65-70-F for ales and 58-55-F for lagers) to 32- Fahrenheit. Beer flavors mature during this stage. Our beer is then stored for seven to fourteen days. Isinglass finings are added to aid in the clarification process.

\* Day 14. Filtration for Ales. While under pressure, the beer is transferred through cellulose sheets in a Filter Press in order to remove protein haze and yeast while stabilizing and clarifying the beer. The beer is transferred from the Filter Press into a Serving Tank which is counter pressured, for service directly to draft taps at each bar.

\* Day 28. Filtration for Pilsners. Our pilsner beer remains in the Cellar Tank for an additional fourteen days of fermentation. It is then processed in the same manner as our ale.

#### Our Brewing Facility

<R>  
Our Chico, California brewery currently produces approximately 4,000 barrels of craft beer per year. Without adding additional fermentation tanks, our current capacity is 8,000 barrels a year  
</R>

We package our craft beers in bottles and kegs which are clearly marked with freshness dates. This is to ensure that our products are consumed at the height of their flavor. Bottled products utilize the latest technology in bottle crowns that prevent oxygen from causing deterioration of the beer's fresh taste. Our beer is naturally carbonated and pasteurized to ensure the customers enjoy the full fresh flavour. The shelf life of our bottled beer is 120 days and the shelf life of our keg beer is 90 days.

## Ingredients and Raw Materials

In order to be certified as organic under the National Organic Program of the USDA, our craft beers must have no more than 5% non-organic ingredients in the finished product. We use only the finest, all natural and certified organic ingredients available to brew our products whenever possible.

There are many different varieties of hops which are used in the production of beers. The selection of particular varieties of hops influences the bitterness and aroma of the finished product. The selection of hops in any particular recipe contributes to the final signature of the microbrew.

Not all hops are available organically-grown. In fact, in the United States, only one type of hops is organically grown; and all other organically-grown hops must be purchased from international sources, primarily New Zealand.

For microbrews whose recipes call for hops that are not available organically, those products can still be manufactured and marketed as "organic," since hops comprise less than 5% of the finished product. Nevertheless, there is intense competition for organically-grown hops, and quantities are limited.

<R>

Our Organic Ale is the only product that is 100% organic, including organic hops. Our Organic India Pale Ale and Organic Porter use non-organic hops but are nevertheless marketed as organic microbrews. Our principal competitors in the organic microbrew market: Wolavers and Eel River Brewing Company, use non-organic hops. Our principal hops suppliers are Hopunion, Fresh Hops and Certified Foods.

</R>

38

We currently obtain our malted barley (grain) from two sources: Breiss supplies our organic barley and Great Western Malting our non-organic barley. We do not have any supply contracts with any of our vendors to meet our grain or hop requirements.

<R>

We have multiple competitive sources for packing materials, such as bottles, labels, six-pack carriers, crowns and shipping cases, as well as kegs. However, California Glass Company of Oakland, CA is currently the only company offering reasonable bottle pricing for Butte Creek's current production level. Purchases of bottles, six-pack carriers and case boxes from California Glass Company amount to over 40% of the total purchases from all unaffiliated vendors.

</R>

## Sales and Distribution

<R>

We market and sell our craft beers through a combination of company marketing personnel and wholesale distributors. We currently distribute our products in a total of 19 states including our core market of California which is serviced through both direct sales and distributors. We plan to expand distribution into four additional states: New York, Texas, North Carolina and Montana. During 2003 and the first three months of 2005, our direct sales in Northern California accounted for 49% and 41% of total sales, respectively.

In each state where our beer is distributed, we must satisfy the state's regulatory requirements for beer sales. Those requirements generally consist of completing an application and paying a distribution fee. Some states also impose product quality standards which must be met as a condition to distribution. We have not experienced any difficulties in obtaining approvals to distribute in states where we have sought that approval.



Wholesale distributors sell our products to supermarkets, warehouse stores, liquor stores, taverns and bars, restaurants and convenience stores. Most of our brands are also available on draft and these are delivered directly to retail outlets. Our independent distributors also distribute a variety of other alcoholic beverages, including other craft beers, import beers and national beer brands. We rely on our distributors not only to provide product sales and deliveries but also to maintain retail shelf space and to oversee timely rotation of inventory. Favorable consumer demand for microbrewed products and higher profit margins are the two primary factors that contribute to strong interest from distributors in handling our regional microbrewed products. Our success is dependent upon our ability to maintain and develop our third party distributor, bar and restaurant accounts.

We have written distribution agreements with all of our wholesale distributors; however, the agreements are all terminable upon written notice and provide no reliable assurance of future performance.

Sales are distributed widely over our customer base with only two large customers comprising a significant portion of sales. For the year ending December 31, 2004 and three months ended March 31, 2005, Mountain People's Warehouse (MPW) was responsible for 14% and 17% of Butte Creek's sales, respectively. For the same periods, Ray's is the Place, Inc. was responsible for 11% and 7% of sales, respectively.

</R>

#### Marketing

Our marketing efforts are focused on bars, restaurants, grocery stores and retailers of premium beer products in order to obtain shelf and tap space. This is accomplished by intensive one-on-one contact to familiarize our customers thoroughly with our products and our commitment to service. The microbrewers'

39

market is not for the masses but rather it is focused on customers searching for a flavor that is superior and in some cases unique.

We have designed slogans, logos and trade names for use in radio, television and printing advertising. To create additional name recognition and customer identification, we plan to sell T-shirts, sweatshirts and other merchandise featuring our name and logo. Distributors and package store locations are provided with point-of-purchase cards, banners, static stickers and shelf channels.

Sales of beer in general are seasonal in nature and are at their highest level in the second and third calendar quarters and at their lowest in the first and fourth calendar quarters. This seasonality has historically had a significant impact on our operations on a quarter to quarter basis.

#### Dependence on Major Customers

During 2003 and for the first nine months of 2004, wholesale distributors were responsible for 63.9% and 52.5% of our sales, respectively. Three distributors accounted for 22.8% of our sales in 2003 and two distributors accounted for 30% of our sales for the nine months ending September 30, 2004.

#### Trademarks and Intellectual Property

We consider all of our beer recipes to be trade secrets which we protect by confidentiality and non-disclosure agreements.

We claim common law trademark protection to all of our trademarks, words and design. However, we have not applied for any federal or state registrations of those trademarks.

<R>

On September 29, 2002, Four Rivers Broadcasting, Inc. filed a trademark application with the United States Patent and Trademark Office ("USPTO") for Mount Shasta Ale based on its intent to use the proposed mark. Four Rivers Broadcasting, Inc. is a subsidiary of Alta California Broadcasting, Inc., an affiliate of John C. Power, our Director. Alta California Broadcasting, Inc. also registered the domain name [www.ales.com](http://www.ales.com). In 2004, Four Rivers Broadcasting and Alta California Broadcasting assigned their interests in the trademark, and domain name, respectively, to an investor group who in turn assigned those intellectual property rights to the Company in exchange for shares of Company common stock. Documents governing the assignments have been executed but the formal assignments have not been formally registered in the respective registration offices controlling these intellectual property rights.

Four Rivers Broadcasting was involved in trademark infringement litigation with a third party over the use of that trademark. In that litigation, both Four Rivers and the third party claimed a prior right to use the trademark and that the other is infringing on their intellectual property rights. That litigation has now been resolved under the terms of an agreement in which to the other party has agreed that we may use the trademark "Mount Shasta Ale." However, because we have been advised by Shasta Beverage Company that they would oppose the application if we pursued it (but not our unregistered use of the mark), we have decided to withdraw our trademark application pending with the USPTO, and rather will rely upon common law trademark principles to protect our use of the mark.

</R>

In addition to the domain name [www.ales.com](http://www.ales.com), we have registered the domain name [www.organicale.com](http://www.organicale.com) and [www.buttecreek.com](http://www.buttecreek.com). Both domain addresses link to the same website. We

40

believe that our domain name plays an important role in expanding the awareness of our products on the Internet.

Notwithstanding our efforts to develop and protect our intellectual property rights, trademark protection and the uncertainty surrounding the legal protections of domain names, may be unenforceable or limited. As a result, we may not be able to maintain our current trademarks or domain name if they are subject to challenge. We believe that any successful challenge to our use of a trademark or our domain name could have a material adverse impact upon our business, financial condition and future operations.

#### Competition

As of September 30, 2004, there were a total of 1,362 craft breweries that included 936 brew pubs, 371 microbreweries, 55 regional breweries and 20 large breweries. For the first nine months of 2004, 24 brew pubs and five microbreweries closed. But 22 brew pubs and 15 microbreweries opened. One brewer also reached regional status.

We compete with other craft brewers on the basis of product quality and freshness, packaging design, distribution, marketing support and regional identification. The beer industry in general and the craft brewing segment in particular is highly competitive and we experience stiff competition and expect that competition to increase in the future. Our products compete with products from large and small domestic and foreign breweries and from an increasing number of regional specialty breweries, microbreweries, brew pubs and contract brewers. Many of these competing breweries, including some existing microbreweries, have significantly greater financial, production, distribution and marketing resources than ours.

In the organic microbrew market, our principal competitors are Wolavers and Eel River Brewing Company. As both are privately held, there is little information available concerning their relative financial strength and resources. Both Wolavers and Eel River produce a variety of organic beers, all of which use non-organic hops, as previously

discussed. However, we believe that Wolavers has broader distribution and greater market penetration than either we or Eel River enjoy.

<R>  
In addition, we contract microbrew for Bison Brewing Company, of Berkeley, California. One of the beers that we make for Bison is marketed as organic, although it too uses non-organic hops. Bison Brewing has a California Department of Alcohol Beverage Control license at our facility as part of this contract brewing arrangement. We do not consider the relationship with Bison to be material at the present time.

</R>

#### Governmental Regulation

The Company's United States operations are subject to licensing by both state and federal governments, as well as to regulation by a variety of state and local governments and agencies. The Company is licensed to manufacture and sell beer by the Department of Alcoholic Beverage Control in California. A federal permit from the United States Bureau of Alcohol, Tobacco and Firearms ("BATF") allows the Company to manufacture fermented malt beverages. To keep these licenses and permits in force, the Company must pay annual fees and submit timely production reports and excise tax returns. Prompt notice of any changes in the operations, ownership, management or company structure must also be made to these regulatory agencies. BATF must also approve all product labels, which must include and alcohol use warning. These agencies require that individuals owning equity securities in the aggregate of 10% or more in the Company be investigated as to their suitability. The Company's production operations must also comply with the Occupational Safety and Health Administrations' workplace safety and worker health regulations and

41

comparable state laws. Management believes that the Company is presently in compliance with the aforementioned laws and regulations.

In the United States, taxation of alcohol has increased significantly in recent years. Currently, the federal tax rate is \$7.00 per bbl. For up to 60,000 bbl. Per year and \$18.00 per bbl. For over 60,000 bbl. The California tax rate is \$6.20 per bbl. Federal and state excise taxes on alcoholic beverages are subject to change. It is possible that excise taxes will be increased in the future by both the federal government and State of California. In addition, increased excise taxes on alcoholic beverages have in the past been considered in connection with various governmental budget balancing or funding proposals. Any such increased in excise taxes, if enacted, could adversely affect our business. We believe that we currently have all licenses, permits and approvals necessary for our current operations. However, existing permits or licenses could be revoked if we were to fail to comply with the terms of such permits or licenses, and additional permits or licenses could in the future be required for our existing or expanded operations. If licenses, permits or approvals necessary for our brewery were unavailable or unduly delayed, or if any such permits or licenses were revoked, our ability to conduct our business could be substantially and adversely affected.

Various federal and state labor laws govern our relationship with our employees, including minimum wage requirements, overtime, working conditions and immigration requirements. Significant additional government-imposed increased in minimum wages, paid leaves of absence and mandated health benefits, or increased tax reporting and tax payment requirements for employees could have an adverse effect on our results of operations.

#### Research and Development

During the last two fiscal years, except for \$928 expended in the nine months ended September 30, 2004 for hops rhizomes, we have not expended any working capital on product research and development.

#### Compliance with Environmental Laws

We are subject to various federal, state and local environmental laws which regulate the use, storage, handling and disposal of various substances.

Our waste products consist of water, spent grains, hops, glass and cardboard. We have instituted a recycling program for our/ office paper, newspapers, magazines, glass and cardboard at minimal cost to us. We sell or give away our spent grain to local cattle ranchers. We have not purchased any special equipment and do not incur any identifiable fees in connection with our environmental compliance.

The Chico facility is subject to various federal, state and local environmental laws which regulate use, storage and disposal of various materials. The Company pays approximately \$190 per month towards sewer fees for liquid waste. The sewer discharge from the brewery is monitored and is within the standards set by the Butte County Sewer Department.

Various states in which the Company sells its products in the U.S., including California, have adopted certain restrictive packaging laws and regulations for beverages that require deposits on packages. The Company continues to do business in these states, and such laws have not had a significant effect on the Company's sales. The adoption of similar legislation by Congress or a substantial number of states or additional local jurisdictions might require the Company to incur significant capital expenditures to comply.

42

#### Employees and Consultants

<R>

As of June 1, 2005, we had a total of nine employees, five of whom were full time and four of whom were part time. The full time employees include Tom Atmore, general manager, Larry Berlin, master brewer, and two sales persons and one brewing support. Our part time employees are involved in brewing support and sales.

</R>

In addition, we utilize the services of two independent contractors, one in marketing and sales and the other who performs accounting services.

Given adequate capital, we would like to hire additional marketing and sales personnel.

#### Facilities

Our executive offices and main brewery are located at 945 West 2<sup>nd</sup> Street, Chico, California. The entire building consists of approximately 8,600 square feet, of which 1,000 square feet is used for executive offices, 4,600 square feet for our brewery and 3,000 square feet for bottling and shipping. The property is an industrial building which we lease from a former Butte Creek member. The lease has a term of five years, expiring in 2007, and provides for monthly rental of \$2,650 per month. We believe that our ability to occupy the present facility under the existing lease is secure and that the facilities are adequate for the foreseeable future.

#### Legal Proceedings

There are no material legal proceedings in which either we or any of our affiliates are involved which could have a material adverse effect on our business, financial condition or future operations.

43

#### Management

Directors, executive officers and key employees

Our executive officers, key employees and directors and their respective ages and positions are set forth below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
<R>		
John C. Power <sup>(1)</sup>	42	Chief Financial Officer, Principal Accounting Officer and Director
</R>		
Brian Power <sup>(1)</sup>	38	Chief Executive Officer, President and Director
J. Andrew Moorer	42	Secretary, Chief Financial Officer and Director

(1)

John C. Power and Brian Power are brothers.

<R>  
*John C. Power*, age 42, has been a director of Golden West since its inception in December 2003 and Chief Financial Officer since March 2005. He was President (since September 1992) and Director (since September 1989) of Redwood MicroCap Fund, Inc., a registered closed-end investment company regulated under the Investment Company Act of 1940, until March 2005. In addition, he serves as Vice President of TriPower Resources, Inc., an oil and gas exploration company, (since December 1993), President and Director of Alta California Broadcasting, Inc. which operates local market radio stations, (since May 1994), President and Director of Four Rivers Broadcasting, Inc., also a radio broadcaster, (since May 1997), Managing Member of Nova Redwood, LLC, which held undeveloped real property which has now been sold, (since November 1999), Managing Member of Wyoming Resorts, LLC, which owns and operates an historic hotel in Thermopolis, Wyoming, (since June 1997), Managing Member of Montana Resorts, LLC, which is a holding company for Yellowstone Gateway Resorts, LLC, (from May 2002), Managing Member of Yellowstone Gateway Resorts, LLC, which owns and operates the Gallatin Gateway Inn, (from May 2002) and co-Managing Member of Napa Canyon, LLC, which owns undeveloped real estate in Napa, California, (since September 2001). On November 16, 2004, Yellowstone Gateway Resorts, LLC filed a voluntary petition in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in response to an adverse arbitration award in favor of a former employee. He served as Director of Redwood Energy, Ltd. from 1994 to 2004, President and Director of Redwood Broadcasting, Inc. from December 1994 to June 1998, President and Director of Power Surge, Inc., which was involved in radio broadcasting from December 1996 to June 1998. He also serves as President of Power Curve, Inc., a private investment company, (since 1986), Managing Member of Sea Ranch Lodge and Village, LLC, which owns and operates the Sea Ranch Lodge in Sonoma County, California, (since December 1997), Managing Member of Best of Sea Ranch, LLC, which owns a 50% interest in Sea Ranch Escapes which is involved in home rentals at the Sea Ranch (since December 2004) and co-Managing Member of Napa Partners, LLC, which is a real estate holding company (since November 1999). He also served as Managing Member of Sea Ranch California, LLC from December 1997 to June 2004. Mr. Power attended Occidental College and University of California at Davis.

</R>

On June 1, 1998, the Securities and Exchange Commission issued an Order instituting proceedings alleging, among other things, that John C. Power, one of our directors, violated Section 10(b) of the Securities

Exchange Act of 1934 and Rule 10(b)(5) promulgated thereunder by participating in a manipulation through his personal account of the public trading market for the stock of Premier Concepts, Inc., from approximately June 1994 through December 1994. On March 9, 2001, an Initial Decision was issued in which it was determined that Mr. Power had engaged in the conduct alleged. The only sanction imposed was an Order requiring him to cease and desist from committing or causing any violations or future violations of Section 10(b) of the Exchange Act, and Rule 10(b)(5) promulgated thereunder. On March 29, 2001, Mr. Power petitioned the Commission for review of the initial decision. The petition was granted on April 10, 2001. On June 1, 2004, the Commission denied the Petition. On August 2, 2004, Mr. Power filed a Notice of Appeal of the Commission's denial to the United States Circuit Court for the District of Columbia. The matter is still pending.

Brian Power,

age 38, has been CEO, President and Director of Golden West since its inception in December 2003. He has been President and Director from February 1997 to the present of Lone Oak Vineyards, Inc., a California real estate investment company. From October 1998 to present, he has been founder and managing member of Spirit of Adventure, LLC, formed to develop deep ocean exploration technologies and design and build high technology-based manned submersibles. From February 2002 to present, he has been founder and managing member of West Indies Investments, LLC, a company that sponsors tourist excursions in Providenciales, Turks and Caicos Islands, and the British West Indies. He has been Director of Snuba, Inc. from 1996 to present, a licensor of and manufacturer of patented dive apparatus. From September 1996 to April 2002, he was a Director of Combined Penny Stock Fund, Inc., a registered closed-end investment management company regulated under the Investment Company Act of 1940; and from May 2000 to December 2001, served as managing member of Binghampton Meadows, LLC, a single purpose real estate development entity located in Solano County, California. Mr. Power attended Solano Community College and the University of California at Davis.

J. Andrew Moorer,

age 42, has been Secretary, Chief Financial Officer and Director of Golden West since December 2004. From 2003 to present he has been Chief Executive Officer, President and Director of Black Mountain Holdings, Inc, a holding company that owns an interest in a steel fabrication business. From 1998 to 2003, he was Chief Executive Officer, President, Chief Financial Officer and Director of Guardian Technologies International, Inc., a publicly-traded holding company. He was Chief Financial Officer of Redwood MicroCap Fund from 1994 until 1998. Mr. Moorer began his career as a Certified Public Accountant in the Audit and Emerging Business Services Group of the international accounting firm of PriceWaterhouseCoopers. Since leaving public accounting in 1987, Mr. Moorer has held various positions in finance with increasing levels of responsibility, including the position of Chief Financial Officer for several firms. Mr. Moorer received his formal education at Loyola College of Maryland.

Except as indicated above, during the last five years none of our directors or officers have:

- a. had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- b. been convicted in a criminal proceeding or subject to a pending criminal proceeding;
- c. been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining,

barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

45

- d. been found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Our executive officers are elected annually at the annual meeting of our Board of Directors held after each annual meeting of shareholders. Our directors are elected annually at the annual meeting of our shareholders. Each director and executive officer will hold office until his successor is duly elected and qualified, until his resignation or until he shall be removed in the manner provided by our by-laws.

We currently do not have standing audit, compensation or nominating committees of the Board of Directors. We plan to form audit, compensation and nominating committees when it is necessary to do so to comply with federal securities laws or to meet listing requirements of a stock exchange or the Nasdaq Stock Market.

Except for the filial relationship between John C. Power and Brian Power, no other family relationship exists among our directors. There do not exist any arrangements or understandings between any director and any other person pursuant to which any director was elected as such.

#### 2004 Equity Incentive Plan

On December 10, 2004, we adopted our 2004 Equity Incentive Plan for our officers, directors and other employees, plus outside consultants and advisors. Under the Equity Incentive Plan, our employees, outside consultants and advisors may receive awards of non-qualified options and incentive options, stock appreciation rights or shares of stock. As required by Section 422 of the Internal Revenue Code of 1986, as amended, the aggregate fair market value of our common stock underlying incentive stock options granted to an employee exercisable for the first time in any calendar year may not exceed \$100,000. The foregoing limitation does not apply to non-qualified options. The exercise price of an incentive option may not be less than 100% of the fair market value of the shares of our common stock on the date of grant. The same limitation does not apply to non-qualified options. An option is not transferable, except by will or the laws of descent and distribution. If the employment of an optionee terminates for any reason, (other than for cause, or by reason of death, disability or retirement), the optionee may exercise his options within a 90-day period following such termination to the extent he was entitled to exercise such options at the date of termination. A maximum of 500,000 shares of our common stock are subject to the Equity Incentive Plan. As of the date of this prospectus, no options, stock appreciation rights or bonus stock have been granted under the Equity Incentive Plan. The purpose of the Equity Incentive Plan is to provide employees, including our officers and employee directors, and non-employee consultants and advisors, with an increased incentive to make significant and extraordinary contributions to our long-term performance and growth, to join their interests with the interests of our shareholders, and to facilitate attracting and retaining employees of exceptional ability.

The Equity Incentive Plan may be administered by the Board or in the Board's sole discretion by the Compensation Committee of the Board or such other committee as may be specified by the Board to perform the functions and duties of the Committee under the Equity Incentive Plan. Subject to the provisions of the Equity Incentive Plan, the Committee and the Board shall determine, from those eligible to be participants in the Equity Incentive Plan, the persons to be granted stock options, stock appreciation rights and restricted stock, the amount of stock or rights to be optioned or granted to each such person, and the terms and conditions of any stock option, stock appreciation rights and restricted stock.

## Director Compensation

Under our Equity Incentive Plan, each of our directors and officers is eligible to receive options to purchase shares of our common stock. To date, no option grant has been made to any director. We plan to make annual grants to directors in the future, but the basis of such grants has not yet been established.

## Executive Compensation

The following table and discussions summarize all plan and non-plan compensation earned by or paid to our chief executive officer for our last two completed fiscal years. No other executive officer received total annual salary and bonus of at least \$100,000 during those periods.

TABLE 1  
SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			<u>Long Term Compensation</u>			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	<u>Awards</u>	<u>Payouts</u>		
					Restricted Stock Award(s) (\$)	Options/ SARs(#)	LTIP Payouts (\$)	All Other Compensation (\$)
Brian Power, CEO	2004	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2003	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Thomas Atmore, Managing Member, Butte Creek	2004	\$42,000	-0-	-0-	-0-	-0-	-0-	-0-
	2003	\$36,000	-0-	-0-	-0-	-0-	-0-	-0-

No executive officer will receive perquisites and other personal benefits which, in the aggregate, exceed the lesser of either \$50,000 or 10% of the total of annual salary and bonus paid during the fiscal year.

The following table summarizes information related to grants of stock options (whether or not in tandem with SARs) and freestanding SARs made during the last completed fiscal year to each of the named executive officers specified below:

TABLE 2  
OPTIONS/SAR GRANTS IN THE LAST FISCAL YEAR  
(INDIVIDUAL GRANTS)

&lt;R&gt;



<u>Name</u>	<u>Number of Securities Underlying Options/SARs Granted</u>	<u>% of Total Options/SARs Granted to Employees in Fiscal Year</u>	<u>Exercise or Base Price (\$/Sh)</u>	<u>Expiration Date</u>
Brian Power	-0-	0%		
Thomas Atmore	-0-	0%		

The following table sets forth certain information concerning the number and value of unexercised options held by each of the Named Executive Officers at December 31, 2004.

47

TABLE 3

### AGGREGATED OPTION EXERCISES IN THE YEAR ENDED DECEMBER 31, 2003 AND OPTION VALUES

	<u>Number of Securities Underlying Unexercised Options at December 31, 2004</u>		<u>Value of Unexercised in the Money Options at December 31, 2004</u>	
	<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Brian Power	-0-	-0-	\$-0-	\$-0-
Thomas Atmore	-0-	-0-	-0-	-0-

- Options are in the money if the market value of the shares covered thereby is greater than the option exercise price. Based on the estimated fair market value of the common stock at December 31, 2004, of \$.25 per share, less the exercise price.

&lt;/R&gt;

#### Employment and Consultation Agreements

We do not have any written employment agreements with any of our executive officers or key employees, nor do we have or maintain key man life insurance on any of our employees.

We have two consulting agreements with persons who perform services as independent contractors.

Accounting services are performed by Ben Kirby in consideration of a monthly fee. This arrangement is terminable at will.

Scott Burchell is our full time sales agent in consideration of a monthly fee. This arrangement is also terminable at will.

#### Limitation On Directors' Liability; Indemnification

Our certificate of incorporation limits the liability of a director for monetary damages for his conduct as a director, except for:

- \* Any breach of the duty of loyalty to us or our stockholders,
- \* Acts or omissions not in good faith or that involved intentional misconduct or a knowing violation of law,
- \* Dividends or other distributions of corporate assets from which the director derives an improper personal benefit.
- \* Liability under federal securities law

The effect of these provisions is to eliminate our right and the right of our stockholders (through stockholder's derivative suits on our behalf) to recover monetary damages against a director for breach of his fiduciary duty of care as a director, except for the acts described above. These provisions do not limit or eliminate our right or the right of a stockholder to seek non-monetary relief, such as an injunction or

48

rescission, in the event of a breach of a director's duty of care.

Our certificate of incorporation also provides that we shall indemnify, to the full extent permitted by Delaware law, any of our directors, officers, employees or agents who are made, or threatened to be made, a party to a proceeding by reason of the fact that he or she is or was one of our directors, officers, employees or agents. The indemnification is against judgments, penalties, fines, settlements, and reasonable expenses incurred by the person in connection with the proceeding if certain standards are met. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons in accordance with these provisions, or otherwise, we have been advised that, in the opinion of the SEC, indemnification for liabilities arising under the Securities Act of 1933 is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

49

#### Certain Relationships and Related Transactions

<R>  
In December 2003, we issued 400,000 shares valued at \$60,000 to five investors in exchange for certain assets the investors had acquired from the Alta Group. Those investors consisted of Webquest, Inc., Donald E. Fruh, Hangar Development Group, LLC, Triumph Capital, Inc., and Rockies Fund, Inc.  
</R>

The assets acquired had been sold by Alta California Broadcasting, Inc. and its affiliates Nova Redwood, LLC and Four Rivers Broadcasting, Inc. (hereinafter referred to as the "Alta group"). John C. Power, an officer, director and founder of the Company, is also an officer and director of all three entities that comprise the Alta Group.

Alta California Broadcasting, Inc. had acquired the domain name www.ales.com. On September 29, 2002, Four Rivers Broadcasting, Inc. filed a trademark application number 78169062 with the United States Patent and Trademark Office ("USPTO") for Mount Shasta Ale™ based on its intent to use the proposed mark. In 2003, Nova Redwood, LLC had advanced \$59,500 to Butte Creek Brewing Company, LLC as part of a planned acquisition. In October 2003, the Alta Group decided to not pursue the acquisition of Butte Creek and sold the domain name www.ales.com, all rights to the Federal Trademark application for Mount Shasta Ale™ and the advances to Butte Creek for \$60,000 to a group of five investors who vended the assets into the Company as founding shareholders. These investors are not affiliates of the Company.

On December 1, 2003, John C. Power purchased a delivery vehicle (2003 Ford Van) for the purposes of assisting Butte Creek Brewing Company, LLC ("Butte Creek") maintain and expand its self-distribution capabilities. The vehicle is 100% utilized by Butte Creek as a delivery vehicle. The purchase price of the vehicle was \$22,920.70 and was financed for 60 months with Ford Credit at an annual percentage rate of 5.99%. The payments on the vehicle are paid by the Company and are recorded as advances to Butte Creek under the asset purchase agreement. The liability to Ford Credit is in the name of John C. Power and is therefore not recorded as a liability on these financial statements. There are no written agreements between the Company and Butte Creek memorializing this transaction.

In July 2004, John C. Power purchased a delivery vehicle (2004 Ford Van) for the purpose of assisting Butte Creek maintain and expand its self-distribution capabilities. The vehicle is 100% utilized by Butte Creek as a delivery vehicle. The purchase price was \$26,155.91 and was financed for 60 months with Ford Credit at an annual percentage rate of 0.90%. The payments on the vehicle are paid by the Company and are recorded as advances to Butte Creek under the Asset Purchase Agreement. The liability to Ford Credit is the name of the officer and director of the Company and is therefore not recorded as a liability on the Company's financial statements. There are no written agreements between the Company and Butte Creek memorializing this transaction.

<R>  
In 2003, John C. Power guaranteed a \$25,000 line of credit for Butte Creek with one of its key suppliers. No compensation has been paid by either the Company or Butte Creek for the guarantee. Thomas Atmore was guaranteed the Butte Creek credit facilities with MBNA and Wells Fargo.

In 2004, we purchased certain hops rhizomes for research and development purposes. The rhizomes were planted on the property of Brian Power. The rhizomes were expensed as research and development expense in 2004. The value of the personal real property used by the directors to farm the hops was an insignificant portion of their property.

The Company has advances payable to John C. Power in the amounts of \$43,908 as of December 31, 2004 and \$71,367 as of March 31, 2005. The advances are uncollateralized, are due on demand and do not bear interest.

On September 28, 2002, Butte Creek, under the terms of its existing facility lease, exercised an option to purchase the brewery land and building for \$208,009, including expense of sale. Butte Creek then sold the building

and additional improvements for \$400,000 to one of its members with less than a one percent (1%) membership interest. This resulted in a net capital gain of \$98,007. Butte Creek then entered into a lease agreement with that former member for an initial term of five years.

In December 2004, John Power purchased an additional 48,000 shares of common stock in consideration of \$12,000.

In January 2005, John Power, one of our directors and principal shareholders, converted \$22,500 in outstanding advances owed to him into 90,000 shares of common stock, and Clifford Neuman, legal counsel to the Company, converted \$7,500 in outstanding and unpaid fees for legal services into 30,000 shares of common stock. The shares were "restricted securities" under Rule 144 of the Securities Act.

At December 31, 2004 and March 31, 2005, the Company had advances payable to J. Andrew Moorer, a director, of \$8,750 and \$13,750, respectively. In addition, at December 31, 2004 and March 31, 2005, the Company had advances payable to John Power, a director, and related entities of \$35,158 and \$95,558, respectively. Subsequent to March 31, 2005, the Company had additional advances payable of \$28,585 payable to John Power and \$62,000 to Lone Oak Vineyards LLC, an affiliate of Brian Power, a director. The advances are uncollateralized, are due on demand and do not bear interest.

</R>

Security Ownership of Management and Principal Stockholders

The following table sets forth information with respect to beneficial ownership of our common stock by:

- \* each person who beneficially owns more than 5% of the common stock;
- \* each of our executive officers named in the Management section;
- \* each of our Directors; and
- \* all executive officers and Directors as a group.

<R>

The table shows the number of shares owned as of June 1, 2005 and the percentage of outstanding common stock owned as of June 1, 2005. Each person has sole voting and investment

power with respect to the shares shown, except as noted.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership (2)	Before Offering(3)	Percent of Class (2)	
			After Offering (Minimum) (4)(5)	After Offering (Maximum) (4)(6)
Allan W. Williams  21071 43A Avenue Langley, British Columbia CANADA V3A 8K4  John C. Power Post Office Box 44	160,000	9.9%	7.2%	5.7%

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

60 Sea Walk Drive Sea Ranch, CA 95497	498,000	30.1%	22.0%	17.3%
Clifford L. Neuman 1507 Pine Street Boulder, CO 80302	130,000	8.0%	5.9%	4.6%
J. Andrew Moorer	130,000	8.0%	5.9%	4.6%
Post Office Box 3618 Carefree, AZ 85377				
Kevin Houtz	140,000	8.6%	6.3%	5.0%
3000 Chestnut Avenue Suite 343D Baltimore, Maryland 21211				
Brian Power	0	0	0	0
All officers and directors as a group (three persons)	628,000	38.1%	27.8%	21.9%

(1) Unless otherwise stated, address is 945 West 2<sup>nd</sup> Street, Chico, California 95928.

52

(2) Under SEC Rules, we include in the number of shares owned by each person the number of shares issuable under outstanding options or warrants if those options or warrants are exercisable within 60 days of the date of this prospectus. In calculating percentage ownership, we calculate the ownership of each person who owns exercisable options by adding (i) the number of exercisable options for that person only to (ii) the number of total shares outstanding and dividing that result into (iii) the total number of shares and exercisable options owned by that person.

(3) Shares and percentages beneficially owned are based upon 1,620,000 shares outstanding on June 1, 2005.

(4) Assumes shareholder did not purchase any shares in the offering.

(5) Assumes 2,220,000 shares outstanding.

(6) Assumes 2,820,000 shares outstanding.

</R>

The Offering

<R>

We are offering on a best efforts basis up to 500,000 shares of our common stock on a 400,000 minimum, all-or-none, 1,000,000 share maximum basis at an offering price of \$.50 per share. The terms of the offering are as follows:

- \* We are offering the shares to the public through our officers and directors, and will rely primarily on the efforts of John Power, one of our directors. No sales commission will be paid to our officers and directors. We do not presently intend to use the services of any broker-dealer or investment banking firm in the offering.
- \* Until we have sold at least 400,000 shares of common stock, we will not accept subscriptions for any shares. None of our officers, directors or promoters will purchase shares in the offering in order to achieve the minimum offering amount. All proceeds of at least the minimum offering will be deposited in an escrow account with Corporate Stock Transfer, Inc., our transfer agent. If we are unable to sell at least 400,000 shares before the offering ends, we will return all funds, without deduction or interest, to subscribers within 10 business days after the end of the offering.
- \* We will also not close upon the minimum offering until and unless we have completed our acquisition of Butte Creek. If we have not completed our acquisition of Butte Creek on or before the termination date of the offering, we will return all funds, without deduction or interest, to subscribers.
- \* We have the right to completely or partially accept or reject any subscription for shares offered in this offering, for any reason or for no reason. The offering will remain open until the earlier of all of the shares are sold or 90 days from the date of this prospectus, which may be extended by us, in our discretion, for an additional 90 days. We may decide to cease selling efforts at any time prior to such date if our Board of Directors determines that there is a better use of funds and management time than the continuation of this offering.

</R>

- \* If this offering is not oversubscribed, within a reasonable time after effectiveness, we plan to accept all subscriptions as soon as reasonably practicable. If this offering is oversubscribed or appears likely to be oversubscribed within a reasonable time after effectiveness, we plan to allocate the shares among subscribers in our sole discretion.
- \* We anticipate having one or more closings of this offering, the first of which cannot be held until we are able to sell at least 400,000 shares. After that, we could have multiple closings whenever we receive and accept subscriptions.

We will reimburse our officers and directors for expenses incurred in connection with the offer and sale of shares in this offering. All of our officers and directors except John Power are relying on Rule 3a4-1 of the Securities and Exchange Act of 1934 as a "safe harbor" from registration as a broker-dealer in connection with the offer and sales of the shares. In order to rely on such "safe harbor" provisions provided by Rule 3a4-1, an officer or director must be in compliance with all of the following:

- He must not be subject to a statutory disqualification;

54

- He must not be compensated in connection with such selling participation by payment of commission or other payments based either directly or indirectly on such transactions;
- He must not be an associated person of a broker-dealer;
- He must restrict participation to transactions involving offers and sale of the shares;
- He must perform substantial duties for us after the close of the offering not connected with transactions in securities, and not have been associated with a broker or dealer for the preceding 12 months, and not participate in selling an offering of securities for any issuer more than once every 12 months; and
- He must restrict participation to written communications or responses to inquiries of potential purchasers.

We believe that each of our officers and directors qualifies to rely upon the foregoing safe harbor, except for John Power, who would be deemed to be subject to a statutory disqualification as a result of the regulatory matter discussed more fully in this prospectus under the heading "Management - Directors and Officers." Our officers and directors have no current plans to purchase shares in the offering.

#### How to Invest in the Offering

Prior to effectiveness, no one may purchase any shares in this offering. Following the effectiveness of this offering, in order to purchase shares in this offering, an investor must:

- \* Execute and deliver to us a subscription agreement that will provided by us to investors.
- \* Deliver the subscription agreement to us at the same time that you deliver payment of the subscription amount for your shares. All payments should be made payable to the order of "Golden West Brewing Company, Inc. Escrow Account."
- \* Deliver a signed subscription agreement and payment of the subscription amount to Corporate Stock Transfer, Inc. as follows:

Corporate Stock Transfer, Inc.  
3200 Cherry Creek Drive South, Suite 430  
Denver, CO 80209

Attention: Carylyn K. Bell

\*

Following the effectiveness of this offering, an investor can request a paper copy of the subscription agreement and prospectus by calling us, writing to us, or e-mailing us at the number and address listed in this prospectus.

We intend to deliver to investors certificates for their shares within 30 days of accepting their subscription agreements.

55

### Description of Securities

<R>  
We are authorized to issue up to 20,000,000 shares of \$.0001 par value common stock and 5,000,000 shares of \$.0001 par value preferred stock. As of June 1, 2005, 1,620,000 shares of common stock and no shares of preferred stock were issued and outstanding, and there were approximately 13 shareholders of record.  
</R>

#### Common Stock

Each holder of common stock is entitled to one vote for each share held of record. There is no right to cumulative voting of shares for the election of directors. The shares of common stock are not entitled to pre-emptive rights and are not subject to redemption or assessment. Each share of common stock is entitled to share ratably in distributions to shareholders and to receive ratably such dividends as may be declared by our Board of Directors out of funds legally available therefor. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive, pro-rata, our assets which are legally available for distribution to shareholders.

#### Preferred Stock

We are authorized to issue up to 5,000,000 shares of \$.0001 par value preferred stock. Our preferred stock can be issued in one or more series as may be determined from time-to-time by our Board of Directors. In establishing a series our Board of Directors shall give to it a distinctive designation so as to distinguish it from the shares of all other series and classes, shall fix the number of shares in such series, and the preferences, rights and restrictions thereof. All shares of any one series shall be alike in every particular. Our Board of Directors has the authority, without shareholder approval, to fix the rights, preferences, privileges and restrictions of any series of preferred stock including, without limitation:

- \* the rate of distribution,
- \* the price at and the terms and conditions on which shares shall be redeemed,
- \* the amount payable upon shares for distributions of any kind,
- \* sinking fund provisions for the redemption of shares,
- \* the terms and conditions on which shares may be converted if the shares of any series are issued with the privilege of conversion, and
- \* voting rights except as limited by law.



We could authorize the issuance of additional series of preferred stock which would grant to holders preferred rights to our assets upon liquidation, the right to receive dividend coupons before dividends would be declared to common shareholders, and the right to the redemption of such shares, together with a premium, prior to the redemption to common stock. Our common shareholders have no redemption rights. In addition, our Board could issue large blocks of voting stock to fend off unwanted tender offers or hostile takeovers without further shareholder approval.

#### Anti-takeover Effects of Certain Provisions of Our Certificate of Incorporation and Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the "business combination" or the transaction in which the person became an "interested stockholder" is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15% or more of the corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

#### Transfer Agent, Warrant Agent and Registrar

The transfer agent and registrar for our common and preferred stock is Corporate Stock Transfer, Inc., 3200 Cherry Creek Drive South, Suite 430, Denver, CO 80209.

#### Reports to Shareholders

We intend to furnish annual reports to shareholders that will include audited financial statements reported on by our independent certified public accountants. In addition, we will issue unaudited quarterly or other interim reports to shareholders, as we deem appropriate.

#### Shares Eligible For Future Sale

Prior to the offering, there has been no public market for our common stock. If a public trading market develops, of which there can be no assurance, future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices.

Upon completion of the offering, and assuming we issue 200,000 shares, without adjustment, in connection with the Butte Creek acquisition, we will have between 2,220,000 and 2,820,000 shares of common stock outstanding, depending on how many shares are sold in the offering. All 1,620,000 shares which were outstanding prior to this offering are "restricted securities" under the Securities Act and may not be resold except pursuant to an exemption from the registration requirements of the Securities Act, including Rule 144. All of the shares sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares owned by our officers, directors, and major shareholders, which will be subject to certain resale limitations of Rule 144 promulgated under the Securities Act. Officers and directors who own in the aggregate a total of 618,000 shares have agreed with us not to sell, transfer, assign, or make any other disposition of any shares owned by them for a period of six months after the

date of this prospectus.

#### Legal Matters

The validity of the issuance of the common stock offered hereby will be passed upon for us by Clifford L. Neuman, P.C. of Boulder, Colorado. Mr. Neuman is the beneficial owner of 130,000 shares of common stock of the Company.

57

#### Experts

<R>  
Our financial statements and those of Butte Creek as of and for the year ended December 31, 2004 have been included herein in reliance on the reports of Schumacher & Associates, Inc., independent public accountants, appearing elsewhere herein, given upon the authority of that firm as experts in auditing and accounting.  
</R>

#### Additional Information

<R>  
We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file at the Commission's Public Reference Rooms, 450 Fifth Street, N.W., Washington, D.C. Please call the Commission at 1-800-SEC-0330 for further information on the Public Reference Rooms. You can also obtain copies of our Commission filings by going to the Commission's Website at <http://www.sec.gov>.  
</R>

We have filed with the Securities and Exchange Commission a Registration Statement on Form SB-2 to register the shares of our common stock and common stock warrants to be sold by the Selling Securityholders and issued pursuant to the exercise of the warrants. This Prospectus is part of that Registration Statement and, as permitted by the Commission's rules, does not contain all of the information set forth in the Registration Statement. For further information about us or our common stock, you may refer to the Registration Statement and to the exhibits filed as part of the Registration Statement. You can review a copy of the Registration Statement and its exhibits at the public reference rooms maintained by the Commission and on the Commission's Website as described above.

58

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

BUTTE CREEK BREWING COMPANY, LLC

FINANCIAL STATEMENTS

AND

PRO FORMA FINANCIAL INFORMATION

F-1

<R>

GOLDEN WEST BREWING COMPANY, INC.

INDEX TO FINANCIAL STATEMENTS

	<u>PAGE</u>
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Balance Sheets - March 31, 2005 (unaudited) and December 31, 2004	F-4
Consolidated Statements of Operations - For the three months ended March 31, 2005 and 2004 and the period from December 23, 2003 to March 31, 2005 (unaudited)	F-6
Consolidated Statements of Operations - For the period from December 23, 2003 (inception) through December 31, 2003, the year ended December 31, 2004, and the period from December 23, 2003 through December 31, 2004	F-7
Consolidated Statement of Stockholders' Equity - For the period from December 23, 2003 (inception) through December 31, 2004, and for the three months ended March 31, 2005 (unaudited)	F-8
Consolidated Statements of Cash Flows - For the three months ended March 31, 2005 and 2004 and the period from December 23, 2003 to March 31, 2005 (unaudited)	F-9
Consolidated Statements of Cash Flows - For the period from December 23, 2003 (inception) through December 31, 2003, the year ended December 31, 2004, and the period from December 23, 2003 through December 31, 2004	F-10

REPORT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Golden West Brewing Company, Inc.  
(a Development Stage Company)

We have audited the accompanying consolidated balance sheet of Golden West Brewing Company, Inc. (a development stage company), as of December 31, 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from December 23, 2003 (inception) to December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Golden West Brewing Company, Inc. (a development stage company) as of December 31, 2004, and the results of its operations and cash flows for the period from December 23, 2003 (inception) to December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1, the Company has sustained losses from operations, and has net capital and working capital deficits which raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SCHUMACHER & ASSOCIATES, INC.

Denver, Colorado  
May 18, 2005

F-3

## GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

**(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED BALANCE SHEETS**

	<u>ASSETS</u>	
	As of March 31, 2005 <u>(unaudited)</u>	As of <u>December 31, 2004</u>
Current Assets		
:		
Cash and cash equivalents	\$ -	\$ -
Total current assets		
Other Assets		
:		
Investment in Butte Creek	426,000	350,000
Intangibles	1,990	1,990
Deferred offering costs	90,013	69,847
Deposits on equipment	15,600	-
Other assets	<u>324</u>	<u>324</u>
Total other assets	<u>533,927</u>	<u>422,161</u>
<b>Total Assets</b>	<b><u>\$ 533,927</u></b>	<b><u>\$ 422,161</u></b>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
:		
Current maturities on long term debt (Note 2)	3,262	-
Checks written in excess of funds available	9,758	2,196
Accounts payable	84,528	104,047
Advances payable, related parties	109,308	43,908
Advance payable	<u>12,594</u>	<u>-</u>
Total current liabilities	219,450	-
Long Term Debt	<u>21,928</u>	<u>-</u>
(Note 2)		

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

Total Liabilities	<u>241,378</u>	<u>150,151</u>
Commitments and Contingencies		
(Notes 1,2,3,4,8 and 9)		
Stockholders' Equity		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common Stock, \$.0001 par value, 20,000,000 shares authorized, 1,500,000 and 1,620,000 shares issued and outstanding at December 31, 2004 and March 31, 2005, respectively	162	150
Additional paid-in capital	364,838	334,850
Accumulated (Deficit) during development stage	<u>(72,451)</u>	<u>(62,990)</u>
Total Stockholders' Equity	<u>292,549</u>	<u>272,010</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ <u>533,927</u></b>	<b>\$ <u>422,161</u></b>

See accompanying notes to these financial statements.

F-4

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	For the Three Months Ended <u>March 31,</u>	<u>2004</u>	For the period from December 23, 2003 to <u>March 31, 2005</u>
	<u>2005</u>		
Revenues	\$ -	\$ -	\$ -
Operating Expenses:			
Organizational expenses	-	-	7,515
Legal & accounting	6,666	-	53,689
Research & development	-	713	928
Selling, general and administrative	<u>2,795</u>	<u>19</u>	<u>10,319</u>
Total operating expenses	<u>9,461</u>	<u>732</u>	<u>72,451</u>
Net (Loss)	<u>\$( 9,461)</u>	<u>\$ (732)</u>	<u>(72,451)</u>
Net (Loss) Per Share	<u>\$ (0.01)</u>	<u>\$ nil</u>	<u>\$ (0.05)</u>
Weighted Average Shares Outstanding	<u>1,500,000</u>	<u>700,000</u>	<u>1,347,755</u>

See accompanying notes to these financial statements.

F-5

**GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED**

**STATEMENTS OF OPERATIONS**

	For the year ended December 31, 2004	For the period from December 23, 2003 (inception) through December 31, 2003	For the period from December 23, 2003 (inception) through December 31, 2004
Revenues	\$ -	\$ -	\$ -
Operating Expenses:			
Organizational expenses	7,198	317	7,515
Legal and accounting	47,025	-	47,025
Research and development	928	-	928
Selling, general and administrative	<u>7,392</u>	<u>130</u>	<u>7,522</u>
 Total operating expenses	 <u>62,543</u>	 <u>447</u>	 <u>62,990</u>
Net (Loss)	\$ <u>(62,543)</u>	\$ <u>(447)</u>	\$ <u>(62,990)</u>
Net (Loss) Per Share	\$ <u>(.06)</u>	\$ <u>nil</u>	\$ <u>(.07)</u>
Weighted Average Shares Outstanding	<u>1,001,388</u>	<u>433,333</u>	<u>924,691</u>

See accompanying notes to these financial statements.

F-6

**GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY**

**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**FROM DECEMBER 23, 2003 (INCEPTION) THROUGH DECEMBER 31, 2004**  
**(THE PERIOD FROM JANUARY 31, 2005 THROUGH MARCH 31, 2005 IS UNAUDITED)**

<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional</u>	<u>Accumulated</u>		
<u>Shares</u>	<u>Shares</u>	<u>Paid-In</u>	<u>(Deficit) During</u>	<u>Development</u>	
<u>Amount</u>	<u>Amount</u>	<u>Capital</u>	<u>Stage</u>	<u>Totals</u>	

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

Balance, inception	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Stock issued for assets at \$0.15	-	-	400,000	40	59,960	-	60,000
Stock issued for cash at \$0.25	-	-	300,000	30	74,970	-	75,000
Net (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(447)</u>	<u>(447)</u>
Balance, December 31, 2003	-	-	700,000	70	134,930	(447)	134,553
Stock issued for cash at \$0.25	-	-	800,000	80	199,920	-	200,000
Net (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,543)</u>	<u>(62,543)</u>
Balance, December 31, 2004	-	-	1,500,000	150	334,850	(62,990)	272,010
Stock issued for cash at \$0.25	-	-	-	-	-	-	30,000
	-	-	120,000	12	29,988	-	-
Net (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,461)</u>	<u>(9,461)</u>
Balance, March 31, 2005 (Unaudited)	<u>-</u>	<u>\$ -</u>	<u>1,620,000</u>	<u>\$ 162</u>	<u>\$ 364,838</u>	<u>\$ (72,451)</u>	<u>\$ 292,549</u>

See accompanying notes to these financial statements.

F-7

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Three Months Ended March 31, 2005	For the Three Months Ended March 31, 2004	For the Period from December 23, 2003 (inception) through March 31, 2005
Cash Flows from Operating Activities			
:			
Net loss	\$ (9,461)	\$ (732)	\$ (72,451)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in operating assets and liabilities:			
(Increase) in:			
Other assets	-	(237)	(1,814)
Increase (decrease) in:			



Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

Checks written in excess of funds available	7,562	-	9,758
Accounts payable and advances payable	(6,591)	-	99,038
Accounts payable, related party	<u>87,900</u>	<u>6,000</u>	<u>130,226</u>
Net cash provided by operating activities	<u>79,410</u>	<u>5,031</u>	<u>164,757</u>

Cash Flows from Investing Activities

:			
Equipment deposits	(15,600)	-	(15,600)
Advances to Butte Creek	<u>(76,000)</u>	<u>(64,000)</u>	<u>(366,500)</u>
Net cash (used in) investing activities	<u>(91,600)</u>	<u>(64,000)</u>	<u>(382,100)</u>

Cash Flows from Financing Activities

:			
Proceeds from issuance of stock	-	64,000	275,000
Deferred offering costs	(13,000)	(5,000)	(82,847)
Proceeds from notes payable	<u>25,190</u>	<u>-</u>	<u>25,190</u>
Net cash provided by financing activities	<u>12,190</u>	<u>59,000</u>	<u>217,343</u>

Increase in Cash and Cash Equivalents	-	31	-
Cash and Cash Equivalents	<u>-</u>	<u>-</u>	<u>-</u>

, beginning of period			
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>

, end of period

Supplemental Schedule of Cash Flow Information

:			
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Issuance of stock for conversion of liabilities	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>

See accompanying notes to these financial statements.

F-8

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period from	For the period from
	December 23, 2003	December 23, 2003
	For the year ended (inception) through	(inception) through
	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Cash Flows from Operating Activities		December 31, 2004

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

:				
	Net loss	\$ (62,543)	\$ (447)	\$ (62,990)
	Adjustments to reconcile net loss to net cash			
	used in			
	operating activities:			
	Changes in operating assets and liabilities:			
	(Increase) in:			
	Other assets	(1,144)	(670)	(1,814)
	Increase in:			
	Checks written in excess of funds	2,196	-	2,196
	available			
	Accounts payable	104,047	1,582	105,629
	Accounts payable, related party	<u>42,326</u>	<u>-</u>	<u>42,326</u>
	Net cash provided by operating activities	<u>84,882</u>	<u>465</u>	<u>85,347</u>

Cash Flows from Investing Activities

:				
	Advances to Butte Creek	<u>(215,035)</u>	<u>(75,465)</u>	<u>(290,500)</u>
	Net cash (used in) investing activities	<u>(215,035)</u>	<u>(75,465)</u>	<u>(290,500)</u>

Cash Flows from Financing Activities

:				
	Proceeds from issuance of stock	200,000	75,000	275,000
	Deferred offering costs	<u>(69,847)</u>	<u>-</u>	<u>(69,847)</u>
	Net cash provided by financing activities	<u>130,153</u>	<u>75,000</u>	<u>205,153</u>

	Increase in Cash and Cash Equivalents	-	-	-
	Cash and Cash Equivalents	<u>-</u>	<u>-</u>	<u>-</u>
	, beginning of period			
	Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	, end of period			

Supplemental Schedule of Cash Flow Information

:				
	Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Issuance of stock for assets	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

See accompanying notes to these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003  
(References to March 31, 2005 and 2004 are unaudited)

1. **Nature of Business and Significant Accounting Policies:**

This summary of significant accounting policies of Golden West Brewing Company, Inc. (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in preparation of the financial statements. The Company has selected December 31 as its year end.

**Description of Business**

- Golden West Brewing Company, Inc. (the "Company") a Delaware Corporation and its wholly-owned California subsidiary Golden West Brewing Company ("GWB-CA") are development stage companies formed in December 2003 for the purpose of acquiring Butte Creek Brewing Company, LLC ("Butte Creek").

The Company's sole activities have been the acquisition of certain assets from five of the founding shareholders and to raise capital to pursue the acquisition of Butte Creek.

The Company issued 400,000 shares valued at \$60,000 to five investors in exchange for certain assets. The assets consisted of advances to Butte Creek of \$59,500, a trademark application number 78169062 with the United States Patent and Trademark Office ("USPTO") for Mount Shasta Ale™ valued at \$335 and a domain name www.ales.com valued at \$165.

The consolidated financial statements include the accounts of the companies listed above for the year ended December 31, 2004, the period from December 23, 2003 (inception) through December 31, 2004 and the three months ended March 31, 2005 and 2004. All inter-company account balances and transactions are eliminated in consolidation.

**Income Recognition**

- The Company is a development stage company and has generated no revenues.

**Accounting Estimates**

- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. The Company's financial statements are based upon a number of significant estimates including the allowance for doubtful accounts. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

F-10

**Financial Instruments**

## Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

- The Company discloses fair value information about financial instruments when it is practicable to estimate that value. The carrying value of the Company's cash, cash equivalents, and accounts payable approximate their estimated fair values due to their short-term maturities.

### Concentrations of Credit Risk

- Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and advances. At December 31, 2004 and March 31, 2005, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

### Valuation of Long-Lived Assets

- The Company evaluates the carrying value of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the projected undiscounted future cash flows are less than its carrying value. The Company measures impairment based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the projected cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

### Income Taxes

- The Company recognizes deferred tax assets and liabilities for temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements, the effect of net operating losses, based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

### Intangibles

- Intangibles consist of receipts, trade names, trademarks and other intangibles. Amounts are amortized using the straight-line method over 20 years, which is the estimated useful life of the intangibles. Assets determined to have indefinite lives are no longer amortized in accordance with SFAS No. 142, "Goodwill and Other Intangibles," but are tested for impairment on an annual basis.

### Recent Accounting Pronouncements

- There were various accounting standards and interpretations issued during 2004 and 2003, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

### Interim Financial Statements

- The balance sheet as of March 31, 2005 and the statements of operations and statements of cash flows for the three month periods ended March 31, 2005 and 2004 and the period from December 23, 2003 (inception) through March 31, 2005, and the statement of changes in stockholders' deficit for the three months ended March 31, 2005 have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to fairly present the financial position, results of operations, cash flows and changes in stockholders' deficit for

all periods presented have been made.

F-11

#### Development Stage Enterprise

- Based upon the Company's business plan, it is a development stage enterprise since planned principal operations have not yet commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply in establishing operating enterprises. As a development stage enterprise, the Company discloses the deficit accumulated during the development stage and the cumulative statements of operations and cash flows from inception to the current balance sheet date.

#### Per Share Information

- Per share information is computed by dividing the net income or loss by the weighted average number of shares outstanding during the period.

#### Cash and Cash Equivalents

- The Company considers cash and cash equivalents to consist of cash on hand and demand deposits in banks with an initial maturity of 90 days or less.

#### Risks and Uncertainties

- The Company is subject to substantial business risks and uncertainties inherent in starting a new business. There is no assurance that the Company will be able to generate sufficient revenues or obtain sufficient funds necessary for launching a new business venture.

#### Basis of Presentation - Going Concern

- Generally accepted accounting principles in the United States of America contemplates the continuation of the Company as a going concern. However, the Company has sustained losses from operations, and has net capital and working capital deficits and no business operations, which raise substantial doubt about the Company's ability to continue as a going concern.

In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations.

#### Investments

- During the years ended December 31, 2004 and 2003 and the three months ended March 31, 2005, the Company advanced \$215,035, \$134,965, and \$76,000, respectively, to Butte Creek Brewing Company, LLC in anticipation of an acquisition yet to be finalized. As described in Notes 8 and 9, the closing of the transaction is contingent upon various matters. The Company anticipates that the transaction will close, and therefore has carried its advances as an investment in Butte Creek since according to the terms of the agreement, the advances will not be repaid upon closing. Should the transaction not close, collection of the advances may be doubtful due to the fact that the advances are uncollateralized and that Butte Creek has limited resources with which to repay the debt. A contingency exists with respect to this matter, the ultimate resolution of which cannot presently be determined.

2. **Advances and Notes Payable:**

The Company has advances payable to related parties in the amounts of \$43,908 as of December 31, 2004 and \$109,308 as of March 31, 2005. The advances are uncollateralized, due on demand and do not bear interest.

F-12

The Company obtained a \$25,000 loan from an unrelated individual in March 2005. The Company is making monthly payments of \$519 based on a 60-month amortization, including interest at a rate of 9% with a balloon maturity in March 2008. The note is uncollateralized as of March 31, 2005 but will be collateralized by equipment that had been ordered but not received as of March 31, 2005. As of March 31, 2005, the note had current maturities of \$3,262 and a long-term maturity of \$21,928.

3 **Related Party Transactions**

(a)

The Company issued 400,000 shares valued at \$60,000 to five investors in exchange for certain assets the investors had acquired from the Alta Group (see below).

The assets acquired had been sold by Alta California Broadcasting, Inc. and its affiliates Nova Redwood, LLC and Four Rivers Broadcasting, Inc. (hereinafter referred to as the "Alta group"). John C. Power, an officer, director and founder of the Company, is also a former officer and director of all three entities that comprise the Alta group.

Alta California Broadcasting, Inc. had acquired the domain name www.ales.com. On September 29, 2002, Four Rivers Broadcasting, Inc. filed a trademark application number 78169062 with the United States Patent and Trademark Office ("USPTO") for Mount Shasta Ale™ based on its intent to use the proposed mark. In 2003, Nova Redwood, LLC had advanced \$59,500 to Butte Creek Brewing Company, LLC as part of a planned acquisition. In October 2003, the Alta Group decided to not pursue the acquisition of Butte Creek and sold the domain name www.ales.com, all rights to the Federal Trademark application for Mount Shasta Ale™ and the advances to Butte Creek for \$60,000 to a group of five investors who became founding shareholders of the Company.

(b)

On December 1, 2003, an officer and director of the Company purchased a delivery vehicle (2003 Ford Van) for the purposes of assisting Butte Creek Brewing Company, LLC ("Butte Creek") maintain and expand its self-distribution capabilities. The vehicle is 100% utilized by Butte Creek as a delivery vehicle. The purchase price of the vehicle was \$22,920.70 and was financed for 60 months with Ford Credit at an annual percentage rate of 5.99%. The payments on the vehicle are paid by the Company and are recorded as advances to Butte Creek under the asset purchase agreement. The liability to Ford Credit is in the name of the officer and director of Golden West Brewing company, Inc. and is therefore not recorded as a liability on these financial statements. There are no written agreements between the Company and Butte Creek memorializing this transaction. The balance owing as of March 31, 2005 and December 31, 2004 was \$17,863 and \$18,886, respectively.

(c)

In July 2004, an officer and director of the Company purchased a delivery vehicle (2004 Ford Van) for the purpose of assisting Butte Creek maintain and expand its self-distribution capabilities. The vehicle is 100% utilized by Butte Creek as a delivery vehicle. The purchase price was \$26,155.91 and was financed for 60 months with Ford Credit at an annual percentage rate of 0.90%. The payments on the vehicle are paid by the Company and are recorded as

advances to Butte Creek under the asset purchase agreement. The liability to Ford Credit is the name of the officer and director of the Company and is therefore not recorded as a liability on these financial statements. There are no written agreements between the Company and Butte Creek memorializing this transaction. The balance owing as of March 31, 2005 and December 31, 2004 was \$23,176 and \$24,454, respectively.

F-13

(d)

In 2003, an officer and director of the Company guaranteed a \$25,000 line of credit for Butte Creek with one of its key suppliers. No compensation has been paid by either the Company or Butte Creek for the guarantee.

(e)

In 2004, the Company purchased certain hops rhizomes for research and development purposes. The rhizomes were planted on the property of a former director of the Company. The rhizomes were expensed as research and development expense in 2004. The value of the personal real property used by the former director to farm the hops was an insignificant portion of his property.

(f)

The Company has advances payable to a related party in the amounts of \$43,908 as of December 31, 2004 and \$109,308 as of March 31, 2005. The advances are uncollateralized, are due on demand and do not bear interest.

(g)

In January 2005, John Power converted \$22,500 in outstanding advances to the Company into 90,000 shares of common stock.

4.

#### Contingent Liabilities

On September 29, 2002, Four Rivers Broadcasting, Inc. filed a trademark application number 78169062 with the United States Patent and Trademark Office ("USPTO") for Mount Shasta Ale™ based on its intent to use the proposed mark. All rights to the mark were assigned to certain founding shareholders of the Company and subsequently the Company.

The mark was initially approved for publication by the USPTO. However, the owner of a different federally registered trademark has opposed our registration of this mark. The matter is pending before the USPTO. In addition, Four Rivers entered into litigation with a third-party regarding the mark. The Company is liable for certain legal fees incurred by Four Rivers regarding this litigation. During the three months ended March 31, 2005, the Company incurred approximately \$25,200 in legal fees relating to this litigation and anticipates an additional \$5,000 in legal fees. If the Company is unable to register the mark or has an unfavorable outcome on the pending litigation then the Company may be forced to discontinue its use of the mark or its rights under the mark may be limited and our investment in the mark would be written off.

The Company has given verbal authority to Butte Creek to market Mt. Shasta Extra Pale Ale. No licensing agreement has been negotiated or executed.

5.

**Deferred Offering Costs:**

As of March 31, 2005, the Company had incurred \$90,013 related to a proposed public offering of its securities. The Company has carried the \$90,013 as deferred offering costs in its financial statements. If the offering is successful, these costs will be charged

F-14

against the proceeds.

**6. Common Stock:**

At inception, the Company issued 400,000 shares of its common stock at \$0.15 per share for assets valued at \$60,000. During the period ended December 31, 2003, the Company issued 300,000 shares of its common stock at \$0.25 per share for cash of \$75,000.

During the period ended December 31, 2004, the Company issued 800,000 shares of its common stock at \$0.25 per share for cash of \$200,000.

Subsequent to December 31, 2004, the Company issued 90,000 shares of its common stock at \$0.25 per share for conversion of advances payable of \$22,500, and 30,000 shares of common stock in conversion of outstanding indebtedness in the amount of \$7,500.

7.

**Income Taxes**

The Company has an estimated net operating loss carry forward of approximately \$63,000 and \$72,000 at December 31, 2004 and March 31, 2005, respectively, to offset future taxable income. The net operating loss carry forward, if not used, will expire in various years through 2025, and may be restricted if there is a change in ownership. No deferred income taxes have been recorded because of the uncertainty of future taxable income to be offset.

Significant components of the Company's net deferred income tax asset are as follows:

	March 31 <u>2005</u>	March 31, <u>2004</u>	December 31, <u>2004</u>	December 31, <u>2003</u>
Net operating losses carry forward	\$ 27,500	\$ 11,800	\$ 11,700	\$ 100
Deferred income tax allowance	<u>(27,500)</u>	<u>(11,800)</u>	<u>(11,700)</u>	<u>(100)</u>
Net deferred income tax asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The reconciliation of income tax (benefit) computed at the federal statutory rate to income tax expense (benefit) for all periods presented is as follows:

Tax (benefit) at Federal statutory rate	(15.00)%
State tax (benefit) net of Federal benefit	(3.50)
Valuation allowance	<u>18.50</u>
Tax provision (benefit)	<u>-</u>



8. **Investment**

During the years ended December 31, 2004 and 2003 the Company advanced \$215,035 and \$134,965, respectively, to an entity with whom the Company has entered into an Asset Purchase and Sale Agreement. See Notes 1 and 9. During the three months ended March 31, 2005, the Company advanced an additional \$76,000 to this entity.

F-15

These advances are prepayments on the purchase of assets and are uncollateralized. Should the business combination not happen, it is unlikely that the Company will collect on these advances. A contingency exists with respect to this matter, the ultimate resolution of which cannot presently be determined.

9. **Agreements:**

On October 8, 2004, the Company executed a definitive Asset Purchase and Sale Agreement with Butte Creek. Under the terms of the Acquisition Agreement, the Company plans to purchase substantially all of the business assets of Butte Creek. In consideration of the Butte Creek assets, the Company has agreed to pay:

- \* the sum of \$350,000 in cash, all of which has been advanced as of December 31, 2004;
- \* the assumption by Golden West of not more than \$300,000 in trade and accounts payable of Butte Creek; and
- \* the issuance of no more than 200,000 shares of the Company's common stock to Butte Creek, subject to a working capital adjustment.

In accordance with an Amendment to the Acquisition Agreement, closing is scheduled to take place as soon as all regulatory approvals are obtained, but no later than July 31, 2005, with an effective date of January 1, 2005. The acquisition is contingent on the Company obtaining the approval of the California Department of Alcoholic Beverage Control, which issues licenses to manufacture and sell beer in the State of California, and the United States Bureau of Alcohol, Tobacco and Firearms ("BATF"), which issues permits allowing the manufacture of fermented malt beverages. If the transaction closes on July 31, 2005, it will have a material affect on the Company's financial statements, due to the retroactive nature of the transaction. A contingency exists with respect to this matter, the ultimate resolution of which cannot presently be determined.

10.

**Equity Incentive Plan:**

On December 10, 2004, we adopted our 2004 Equity Incentive Plan for our officers, directors and other employees, plus outside consultants and advisors. Under the Equity Incentive Plan, our employees, outside consultants and advisors may receive awards of non-qualified options and incentive options, stock appreciation rights or shares of stock. A maximum of 500,000 shares of our common stock are subject to the Equity Incentive Plan. No stock appreciation rights, options or bonus stock have been granted under the Equity Incentive Plan.

The Equity Incentive Plan may be administered by the Board or in the Board's sole discretion by the Compensation Committee of the Board or such other committee as may be specified by the Board to perform the functions and duties of the Committee under the Equity Incentive Plan. Subject to the provisions of the Equity Incentive Plan, the Committee and the Board shall determine, from those eligible to be participants in the Equity Incentive Plan, the persons to be granted stock options, stock appreciation rights

F-16

and restricted stock, the amount of stock or rights to be optioned or granted to each such person, and the terms and conditions of any stock option, stock appreciation rights and restricted stock.

11.

**Subsequent Event:**

Subsequent to March 31, 2005, the Company received advances totalling \$90,585 from affiliated parties to fund its ongoing operations and obligations.

F-17

BUTTE CREEK BREWING COMPANY, LLC

INDEX TO FINANCIAL STATEMENTS

	<u>PAGE</u>
Report of Independent Registered Public Accounting Firm	F-19
Balance Sheets - March 31, 2005 (unaudited) and December 31, 2004	F-20
Statements of Operations - For the three months ended March 31, 2005 and March 31, 2004 (unaudited)	F-21
Statements of Operations - For the Years Ended December 31, 2004 and 2003	F-22
Statements of Members' Deficit - For the three months ended March 31, 2005 (unaudited) and the Years Ended December 31, 2004 and 2003	F-23

Statements of Cash Flows -	F-24
For the three months ended March 31, 2005 and March 31, 2004 (unaudited)	
Statements of Cash Flows -	F-25
For the Years Ended December 31, 2004 and 2003	
Notes to Financial Statements	F-26

F-18

#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Members  
Butte Creek Brewing Company, LLC  
Chico, California

We have audited the accompanying balance sheet of Butte Creek Brewing Company, LLC as of December 31, 2004 and the related statements of operations, members' deficit, and cash flows for the years ended December 31, 2004 and 2003. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides 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 Butte Creek Brewing Company, LLC as of December 31, 2004, and the results of their operations, changes in members' deficit and cash flows for the years ended December 31, 2004 and 2003, 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 described in Note 1, the Company has sustained losses from operations, is delinquent on certain payables, and has net capital and working capital deficits that raise substantial doubts about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SCHUMACHER &amp; ASSOCIATES, INC.

Denver, Colorado

March 17, 2005

F-19

## BUTTE CREEK BREWING COMPANY, LLC

**BALANCE SHEETS**

	<u>ASSETS</u>	
	March 31, 2005 <u>(unaudited)</u>	<u>December 31, 2004</u>
Current Assets		
:		
Cash and cash equivalents	\$ 19,342	\$ 6,180
Accounts receivable, net of allowance for doubtful accounts of \$659	69,540	59,839
Inventory	94,280	91,347
Prepaid expenses	<u>1,745</u>	<u>3,003</u>
Total current assets	<u>184,907</u>	<u>160,369</u>
Other Assets		
:		
Property and equipment, net of accumulated depreciation	146,007	149,420
Deposits on new equipment	13,860	-
Intangibles, net of accumulated amortization	<u>1,399</u>	<u>1,865</u>
Total other assets	<u>161,266</u>	<u>151,285</u>
total Assets	<u>\$ 346,173</u>	<u>\$ 311,654</u>

LIABILITIES AND MEMBERS' (DEFICIT)

Current Liabilities		
:		
Accounts payable	\$ 92,721	\$ 93,562
Accrued expenses	126,123	94,698
Lines of credit payable	38,103	38,290
Management fees payable	231,495	230,468
Advances payable	426,000	350,000
Notes payable - other, current portion	29,319	30,316

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

Notes payable - related party, current portion	<u>19,344</u>	<u>21,009</u>
Total current liabilities	963,105	858,343
Long-Term Liabilities:		
Notes payable - other, net of current portion	13,159	18,462
	<u>-</u>	<u>-</u>
Notes payable- related party, net of current portion		
Total Liabilities	976,264	876,805
Commitments and Contingencies		
(Notes 1,4-10)		
Members' (Deficit)	<u>(630,091)</u>	<u>(565,151)</u>
Total Liabilities and Members' (Deficit)	<u>\$ 346,173</u>	<u>\$ 311,654</u>

See accompanying notes to these financial statements.

F-20

BUTTE CREEK BREWING COMPANY, LLC

**STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004**

	2005 <u>(unaudited)</u>	2004 <u>(unaudited)</u>
Revenues	\$ 164,293	\$ 135,121
Cost of Sales	<u>113,672</u>	<u>99,506</u>
Gross Profit	<u>50,621</u>	<u>35,615</u>
Operating Expenses:		
Depreciation	8,185	7,026
Member compensation	9,000	12,600
Rent	7,950	7,950
Salesman compensation	18,848	15,576
Other	<u>65,679</u>	<u>35,665</u>
Total operating expenses	<u>109,662</u>	<u>78,817</u>
Operating (Loss)	<u>(59,041)</u>	<u>(43,202)</u>
Other Income (Expense):		
Other income (expense)	-	(471)
Interest (expense)	<u>(5,899)</u>	<u>(6,899)</u>
Total other (expense)	<u>(5,899)</u>	<u>(7,370)</u>
Net (Loss)	<u>\$ (64,940)</u>	<u>\$ (50,572)</u>

See accompanying notes to these financial statements.

F-21

## BUTTE CREEK BREWING COMPANY, LLC

**STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Revenues	\$ 664,542	\$ 438,753
Cost of Sales	<u>441,171</u>	<u>338,160</u>
Gross Profit	<u>223,371</u>	<u>100,593</u>
Operating Expenses:		
Depreciation	32,145	29,678
Member compensation	38,500	49,400
Rent	31,800	31,100
Salesman compensation	67,672	30,689
Other	<u>209,997</u>	<u>96,330</u>
Total operating expenses	<u>380,114</u>	<u>237,197</u>
Operating (Loss)	<u>(156,743)</u>	<u>(136,604)</u>
Other Income (Expense):		
Interest (expense)	(30,923)	(30,082)
Gain on sale of building	<u>1,756</u>	<u>-</u>
Total other income(expense)	<u>(29,167)</u>	<u>(30,082)</u>
Net (Loss)	<u>\$ (185,910)</u>	<u>\$ (166,686)</u>

See accompanying notes to these financial statements.

F-22

## BUTTE CREEK BREWING COMPANY, LLC

**STATEMENTS OF MEMBERS' (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**  
**AND FOR THE THREE MONTHS ENDED MARCH 31, 2005**

Members' (Deficit), January 1, 2003	\$ (212,555)
-------------------------------------	--------------

Net loss	<u>(166,686)</u>
	)
Members' (Deficit), December 31, 2003	<u>\$ (379,241)</u>
Net loss	<u>(185,910)</u>
Members' (Deficit), December 31, 2004	<u>\$ (565,151)</u>
Net loss	<u>(64,940)</u>
Members' (Deficit), March 31, 2005 (unaudited)	<u>\$ (630,091)</u>

See accompanying notes to these financial statements.

F-23

BUTTE CREEK BREWING COMPANY, LLC

**STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004**

	2005 <u>(Unaudited)</u>	2004 <u>(Unaudited)</u>
Cash Flows from Operating Activities		
:		
Net (loss)	\$ (64,940)	\$ (50,572)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	8,185	7,026
Amortization of intangibles	336	283
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(9,701)	(41,882)
Inventory	(2,933)	15,985
Prepaid expenses and other	1,389	(1,277)
Increase (decrease) in:		
Accounts payable	(841)	(3,784)
Accrued expenses and other	<u>32,265</u>	<u>7,687</u>
Net cash (used in) operating activities	<u>(36,240)</u>	<u>(66,534)</u>

Cash Flows from Investing Activities

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

:			
	Purchase of property and equipment	(4,773)	(9,565)
	Prepayments on new equipment purchases	<u>(13,860)</u>	<u>-</u>
	Net cash (used in) investing activities	<u>(18,633)</u>	<u>(9,565)</u>
	Cash Flows from Financing Activities		
:			
	Proceeds from advances	76,000	66,329
	Payment on notes payable	<u>(7,965)</u>	<u>(15,590)</u>
	Net cash provided by financing activities	<u>68,035</u>	<u>50,739</u>
	Increase (Decrease) in Cash and Cash Equivalents	13,162	(25,360)
	Cash and Cash Equivalents	<u>6,180</u>	<u>21,200</u>
	, beginning of period		
	Cash and Cash Equivalents	<u>\$ 19,342</u>	<u>\$ (4,160)</u>
	, end of period		
	Supplemental Schedule of Cash Flow Information		
:			
	Cash paid for interest	<u>\$ 5,909</u>	<u>\$ 6,180</u>

See accompanying notes to these financial statements.

F-24

BUTTE CREEK BREWING COMPANY, LLC

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities		
:		
Net (loss)	\$ (185,910)	\$ (166,686)
Adjustments to reconcile net loss to net cash used in		
operating activities:		
Depreciation	32,145	29,678
Amortization of intangibles	1,222	1,698
Allowance for bad debt expense	-	1,280
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(21,456)	20,155
Inventory	(2,156)	(21,910)
Prepaid expenses and other	(4,280)	(1,924)
Increase (decrease) in:		
Accounts payable	11,635	8,594



Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

Accrued expenses and other	<u>26,471</u>	<u>38,256</u>
Net cash (used in) operating activities	<u>(142,329)</u>	<u>(90,859)</u>
Cash Flows from Investing Activities		
:		
Purchase of property and equipment	<u>(20,788)</u>	<u>(11,281)</u>
Net cash provided by (used in) investing activities	<u>(20,788)</u>	<u>(11,281)</u>
Cash Flows from Financing Activities		
:		
Proceeds from advances	215,035	134,965
Proceeds from issuance of notes payable	-	27,938
Payment on notes payable	<u>(66,940)</u>	<u>(44,635)</u>
Net cash provided by (used in) financing activities	<u>148,095</u>	<u>118,268</u>
Increase (Decrease) in Cash and Cash Equivalents	(15,022)	16,128
Cash and Cash Equivalents	<u>21,202</u>	<u>5,074</u>
, beginning of period		
Cash and Cash Equivalents	<u>\$ 6,180</u>	<u>\$ 21,202</u>
, end of period		
Supplemental Schedule of Cash Flow Information		
:		
Cash paid for interest	<u>\$ 30,923</u>	<u>\$ 30,082</u>

See accompanying notes to these financial statements.

F-25

BUTTE CREEK BREWING COMPANY, LLC

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
AND THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004 (UNAUDITED)

1.

**Nature of Business and Significant Accounting Policies:**

This summary of significant accounting policies of Butte Creek Brewing Company, LLC (Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in preparation of the financial statements.

### Nature of Operations

- Butte Creek Brewing Company, LLC ("Company") is a limited liability company organized under the laws of the State of California in October 1995. The Company is a manufacturer of craft beers, specializing in organic beers. The Company's primary market for its products are customers interested in the rapidly growing arena of organic products. Most of the Company's products are distributed in the western region of the United States with some distribution to several midwestern and eastern states.

### Basis of Presentation

- The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has sustained losses from operations, is delinquent on certain payables and has net capital and working capital deficits that raise substantial doubts about its ability to continue as a going concern.

In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations.

Management has taken and will continue to take steps to improve its liquidity by reducing costs, seeking additional financing and raising additional capital.

### Revenue Recognition

- The Company recognizes revenue from brewing operations when products are sold and delivered.

### Accounting Estimates

- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. The Company's financial statements are based upon a number of significant estimates, the allowance for doubtful accounts, obsolescence of inventories and the estimated useful

F-26

lives selected for property and equipment. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

### Financial Instruments

- The estimated fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their carrying amounts in the financial statements due to the short-term nature of these instruments.

Based on the borrowing rates currently available to the Company for loans with similar terms and average maturities, the fair value of long-term debt approximates its carrying value.

Concentrations

- Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and cash equivalents, and trade accounts receivable. As of March 31, 2005 and December 31, 2004, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government. Trade receivables are from customers in one geographic location, principally Northern California, USA. The Company does not require collateral for its trade accounts receivable.

Major Customers

- A significant portion of the Company's revenues are generated in Northern California. Sales to unaffiliated customers which represent 10% or more of the Company's sales for the three months ended March 31, 2005, and the years ended December 31, 2004 and 2003 were as follows (as a percentage of sales):

<u>Customer</u>	<u>3/31/05</u>	<u>2004</u>	<u>2003</u>
A	17%	14%	18%
B	-	11%	-

Purchases from unaffiliated vendors which represent 10% or more of the Company's purchases for the three months ended March 31, 2005, and the years ended December 31, 2004 and 2003 were as follows (as a percentage of cost of sales):

<u>Vendor</u>	<u>3/31/05</u>	<u>2004</u>	<u>2003</u>
A	51%	31%	48%
B	11%	-	14%

Cash Equivalents

- For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Property and Equipment - Property and equipment are recorded at cost and depreciated over their estimated useful lives. The Company uses the declining-balance method of depreciation.

F-27

A summary of the estimated useful lives follows:

Machinery and equipment	15 years
Kegs and related equipment	7 years
Transportation equipment	5 years
Furniture and fixtures	7-10 years

Expenditures for maintenance and repairs which do not materially extend the useful lives of property and equipment are charged to earnings. When property or equipment is sold or otherwise disposed of,

the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in earnings.

#### Impairment of Long-Lived Assets

- The Company performs an assessment for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If the net carrying value exceeds estimated undiscounted future net cash flows, then impairment is recognized to reduce the carrying value to the estimated fair value.

#### Income Taxes

- The Company is a Limited Liability Company (LLC) and has elected to file using Internal Revenue Service Form 1065 as a partnership, whereby all taxable income or losses flow through to the benefit of its members, and therefore no income tax provision has been included in the financial statements.

#### Comprehensive Loss

- Comprehensive loss is defined to include all changes in members capital except those resulting from investments by owners and distributions to owners. Comprehensive loss was the same as net loss for the three months ended March 31, 2005 and 2004 and for the years ended December 31, 2004 and 2003.

#### Inventories

- Inventories are carried at the lower-of -average cost or market.

#### Advertising

- Advertising costs are expensed as incurred, and were \$7,669 and \$3,293 for the years ended December 31, 2004 and 2003, respectively, and \$1,049 and \$900 for the three months ended March 31, 2005 and 2004, respectively.

#### Accounts Receivable

- Accounts receivable are carried at estimated net realizable value. The Company has established an allowance for doubtful accounts based on factors pertaining to the credit risk of specific customers, historical trends and other information. Delinquent accounts are written off when it is determined that the amounts are uncollectible. The Company had an allowance for doubtful accounts of \$659 at December 31, 2004.

#### Intangibles

- Intangibles consist of logos, labels and artwork. Amounts are amortized using the straight-line method over five years, which is the estimated useful life of the intangibles.

#### Recent Accounting Pronouncements

- There were various accounting standards and interpretations issued during 2005 and 2004, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

Interim Financial Statements

- The balance sheet as of March 31, 2005 and the statements of operations and statements of cash flows for the three month periods ended March 31, 2005 and March 31, 2004 and the statement of changes in member's deficit for the three months ended March 31, 2005 have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to fairly present the financial position, results of operations, cash flows and changes in member's deficit for all periods presented have been made.

Members' Interest

- No computation of Net Loss Per Unit is reported in the financial statements because the Company's Operating Agreement calls for the issuance of Members' Interests as a percentage based on 100% instead of issuing individual Members' Units. Therefore, no per unit (loss) data is reported.

Other

- The Company has selected December 31 as its fiscal year end.

The Company consists of one reportable business segment.

All of the Company's assets are located in the United States of America.

2. **Inventories:**

Inventories consisted of the following at March 31, 2005 and December 31, 2004:

	<u>2005</u>	<u>2004</u>
Raw materials	\$ 30,391	\$ 42,344
Work-in-process	6,738	5,565
Finished goods	49,054	37,520
Merchandise	<u>8,097</u>	<u>5,918</u>
	<u>\$ 94,280</u>	<u>\$ 91,347</u>

3. **Property and Equipment:**

Property and equipment consisted of the following at March 31, 2005 and December 31, 2004:

	<u>2005</u>	<u>2004</u>
Machinery and equipment	\$ 383,703	\$ 382,955
Kegs and related equipment	79,320	79,320
Leasehold Improvements	4,024	-
Transportation equipment	8,606	8,606
Furniture and fixtures	<u>4,237</u>	<u>4,237</u>
	479,890	475,118
Accumulated depreciation	<u>333,883</u>	<u>325,698</u>

\$ 146,007      \$ 149,420  
F-29

Depreciation expense for the three months ended March 31, 2005 and the years ended December 31, 2004 and 2003 was \$8,185, \$32,145 and \$29,678, respectively.

4. **Lines of Credit:**

The Company has available a \$25,000 line of credit, with interest at the rate of 14.25%. The note is uncollateralized but guaranteed by a related party. The Company had \$25,220 and \$25,542 outstanding on March 31, 2005 and December 31, 2004, respectively.

The Company has available a \$15,400 line of credit with interest at the rate of 27.98%. The note is uncollateralized but guaranteed by a related party. The Company had \$12,883 and \$12,748 outstanding on March 31, 2005 and December 31, 2004, respectively.

5. **Notes Payable:**

	<u>2005</u>	<u>2004</u>
<p>Note to a financial corporation, payable in monthly installments of \$1,906, including interest at the rate of 9%, maturing September 2006, collateralized by substantially all the assets of the Company and pledged assets of a related party.</p>	\$35,467	38,711
<p>Note to a financial corporation, payable in monthly installments of \$1,106, including interest at the rate of 11.5%, maturing October 2005, collateralized by substantially all the assets of the Company.</p>	7,010	10,067
<p>Note to a related party, payable in monthly installments of \$555, with no interest, maturing May 2005, collateralized by selected equipment.</p>	1,110	2,775
<p>Note to a related party, payable in monthly installments of \$300, including interest at the rate of 8%, maturing December 2004. The note is uncollateralized.</p>	8,136	8,136
<p>Note to a related party, payable in monthly installments of \$500, exclusive of interest at the rate of 8%, maturing December 2004. The note is uncollateralized.</p>	<u>10,098</u> 61,821	<u>10,098</u> 69,787

Less Current Maturities	<u>48,663</u>	<u>51,325</u>
	<u>\$ 13,159</u>	<u>\$18,462</u>

F-30

Maturities of notes payable and long-term debt are as follows:

December 31, 2005	\$ 51,325
December 31, 2006	<u>18,462</u>
	<u>\$ 69,787</u>

6. **Management Fees Payable:**

The Company's Operating Agreement provided certain guarantees to the managers for management fees during the first five years of existence. Portions of these guarantees were not paid during the five year period and portions of these guarantees were deferred for the first two years of the five year period. According to the Operating Agreement, interest at 8% per annum was to be accrued on the deferred portion of the management fees. Also, an original employee accepted a reduced salary while employed and agreed to defer the payment of the reduced salary amount until such time as the managers received their management fees. As of March 31, 2005 and December 31, 2004, the total amount of unpaid management fees and salaries was \$231,495 and \$230,468, respectively, including accrued interest on the deferred portion of \$31,834 and \$30,807 as of March 31, 2005 and December 31, 2003, respectively. Interest expense for the three months ended March 31, 2005 was \$1,027 and \$4,107 each for the years ended December 31, 2004 and 2003.

7. **Delinquent Payables:**

At March 31, 2005 and December 31, 2004 the Company had outstanding payroll tax liabilities of \$33,350 and \$20,041, respectively. Of these amounts \$22,210 and \$10,352 are considered delinquent.

At March 31, 2005 and December 31, 2004 the Company had outstanding rent obligations on its operating facility of \$20,600 and \$17,950, respectively. The Company and its landlord have entered into an agreement whereby the landlord will not proceed with collection actions to enforce its rights under the lease as long as the Company pays current rent and 8% interest on the outstanding rent obligation timely.

California Redemption Value (CRV) is collected on all package sales to retailers, processed through the California Department of Conservation and refunded through the State's recycling program. The United States Bureau of Alcohol, Tobacco and Firearms ("BATF") and various state agencies collect excise taxes often referred to as "alcohol taxes" with the amount based on the volume of beer sold. At March 31, 2005 and December 31, 2004, the Company had CRV and excise taxes payable of \$42,458 and \$33,747, respectively. Of these amounts, \$38,639 and \$31,321 are considered delinquent.

8. **Related Party Transactions:**

In addition to related party transactions disclosed elsewhere in the notes to the financial statements, the Company is a party to the following related party transaction.

F-31

On September 28, 2002, the Company, under the terms of its existing facility lease, exercised an option to purchase the brewery land and building for \$208,009, including expense of sale. The Company then sold the building for \$400,000 to a member with less than 1% ownership. This resulted in a net capital gain of \$98,007. The Company then entered into a lease agreement with the member for an initial period of five years.

Future minimum lease payments under this agreement are as follows:

Year Ending December 31, 2005	31,800
2006	31,800
Six months ending June 30, 2007	<u>16,500</u>
	<u>\$80,100</u>

On July 1, 2007, the Company has the option to extend the term of the lease for an additional five year term upon the same terms and conditions, except for rent, which shall be subject to negotiation.

9. **Contingencies:**

Pursuant to the Company's Operating Agreement, during the Company's sixth year of existence and thereafter, the managers are entitled to receive fair and equitable compensation for their services as guaranteed salary. Such compensation was to be set after consultation with the management advisory committee and written notice to the Company's members. The compensation became binding unless members representing at least 40% of the non-manager interests objected within 30 days of receipt of the compensation notices. Any dispute would be resolved by binding arbitration under the Rules of the American Arbitration Association in California. Although the managers received compensation, said compensation during the years in question was significantly below market and believed by management to not represent fair and equitable compensation for services rendered (2004 - \$50,400, 2003 - \$49,400 and 2002 - \$53,600). In light of the reduced compensation, no notices were delivered to the members. Although members were not notified, the Operating Agreement provides no specific recourse to the members for non-notification and therefore, a contingency exists with respect to this matter, the ultimate resolution of which cannot presently be determined.

10. **Asset Purchase And Sale Agreement:**

Effective October 6, 2004, the Company executed a definitive Asset Purchase and Sale Agreement with Golden West Brewing Company, Inc., a California corporation ("Golden West"). Under the terms of the Acquisition Agreement, Golden West plans to purchase substantially all of the business assets of the Company. In consideration of these assets, Golden West has agreed to the following consideration:

- \* the payment of \$350,000 in cash (all of which was advanced by December 31, 2004)
- \* the assumption by Golden West of not more than \$300,000 in liabilities of the Company; and



the issuance of an aggregate of 200,000 shares of common stock of Golden West to be held in escrow and adjusted for any excessive working capital deficiencies as of the effective date.

In accordance with the Acquisition Agreement, closing is scheduled to take place prior to July 31, 2005, with an effective date of January 1, 2005. In order to complete the acquisition, Golden West will require the approval of the California Department of Alcoholic Beverage Control ("California ABC"), which issues licenses to manufacture and sell beer in the State of California, and the United States Bureau of Alcohol, Tobacco and Firearms ("BATF"), which issues permits allowing the manufacture of fermented malt beverages.

11. **Leases:**

The Company rents its office and manufacturing facilities under a lease classified as an operating lease that expires in 2007. Future premium lease payments are as follows:

2005	\$31,800
2006	31,800
2007	<u>31,800</u>
	<u>\$95,400</u>

Rent expense totalled \$31,800 and \$31,100, respectively, for the years ended December 31, 2004 and 2003, and \$7,950 and \$7,950, respectively, for the three months ended March 31, 2005 and 2004.

F-33

Index to Pro Forma Financial Statements

GOLDEN WEST BREWING COMPANY, INC. (GOLDEN)

BUTTE CREEK BREWING COMPANY, LLC (BUTTE)

Pro Forma Combined Financial Statements (Unaudited)

Pro Forma Financial Statements:

Balance Sheet	F-35 & 36
Statements of Operations	F-37 & 38
Notes to Pro Forma Financial Statements	F-39
	F-34

GOLDEN WEST BREWING COMPANY, INC. (GOLDEN)  
 BUTTE CREEK BREWING COMPANY, LLC (BUTTE)

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

PROFORMA BALANCE SHEET  
(Unaudited)

	GOLDEN		BUTTE		Adjustments		<u>Combined</u>
	<u>March 31, 2005</u>	<u>March 31, 2005</u>			<u>DR</u>	<u>CR</u>	
<b>ASSETS</b>							
Current Assets:							
Cash	\$ -	\$ 19,342	\$ -	\$ -			\$ 19,342
Accounts receivable	-	69,540					69,540
Inventory	-	94,280	-	-			94,280
Prepaid expenses	<u>-</u>	<u>1,745</u>	<u>-</u>	<u>-</u>			<u>1,745</u>
Total Current Assets	-	184,907	-	-			184,907
Property and equipment, net of							
Accumulated depreciation	-	146,007	-	-			146,007
Goodwill in Butte Creek	-	-	(2)	404,827			404,827
Intangibles received in acquisition of Butte Creek	-	-	(2)	25,000			25,000
Investment in Butte Creek	426,000	-	(1)	426,000			-
Deferred offering costs	90,013	-					90,013
Intangibles	1,990	1,399	-	-			3,389
Other assets	<u>15,924</u>	<u>13,860</u>	<u>-</u>	<u>-</u>			<u>29,784</u>
TOTAL ASSETS	<u>\$ 533,927</u>	<u>\$ 346,173</u>	<u>\$ 429,827</u>	<u>\$ 426,000</u>			<u>\$ 883,927</u>

F-35

GOLDEN WEST BREWING COMPANY, INC. (GOLDEN)  
BUTTE CREEK BREWING COMPANY, LLC (BUTTE)  
PROFORMA BALANCE SHEET  
(Unaudited)

	GOLDEN		BUTTE		Adjustments		<u>Combined</u>
	<u>March 31, 2005</u>	<u>March 31, 2005</u>			<u>DR</u>	<u>CR</u>	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>							
Liabilities:							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 106,880	\$ 218,844	(1)	\$ 18,769	\$ -		\$ 306,955
Notes and advances payable, related parties	109,308	426,000	(1)	426,000	-		109,308
Lines of credit payable	-	38,103	-	-			38,103
Management fees payable related parties	-	231,495	(1)	231,495	-		-

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

Notes payable, other, current	3,262	29,319	-	-	32,581
Notes payable, related party, current		<u>19,344</u>	<u>-</u>	<u>-</u>	<u>19,344</u>
Total Current Liabilities	<u>219,450</u>	<u>963,105</u>	<u>676,264</u>	<u>-</u>	<u>506,291</u>
Note payable, net of current portion	<u>21,928</u>	<u>13,159</u>	<u>-</u>	<u>-</u>	<u>35,087</u>
Total Liabilities	<u>241,378</u>	<u>976,264</u>	<u>676,264</u>	<u>-</u>	<u>541,378</u>
Stockholders' Equity:					
Preferred stock	-	-	-	-	-
Common stock	162	-	-	(2)	20
Additional paid-in capital	364,838	-	-	(2)	49,980
Members' (deficit)	-	(630,091)	-	(1)	250,264
				(2)	379,827
( D e f i c i t ) accumulated during development stage	<u>(72,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,451)</u>
Total Stockholders' Equity/Members' (Deficit)	<u>292,549</u>	<u>(630,091)</u>	<u>-</u>	<u>680,091</u>	<u>342,549</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 533,927</u>	<u>\$ 346,173</u>	<u>\$ 676,264</u>	<u>\$ 680,091</u>	<u>\$ 883,927</u>

F-36

GOLDEN WEST BREWING COMPANY, INC. (GOLDEN)  
BUTTE CREEK BREWING COMPANY, LLC (BUTTE)

PROFORMA STATEMENTS OF OPERATIONS

Year ended December 31, 2004

(Unaudited)

	<u>GOLDEN</u>	<u>BUTTE</u>	Pro Forma Adjustments		<u>Combined</u>
			<u>DR</u>	<u>CR</u>	
Revenue	\$ -	\$ 664,542	\$ -	\$ -	\$ 664,542
Cost of Sales	<u>-</u>	<u>441,171</u>	<u>-</u>	<u>-</u>	<u>441,171</u>
Gross Profit		223,371			223,371
Operating Expenses	<u>62,543</u>	<u>380,114</u>	<u>-</u>	<u>-</u>	<u>442,657</u>
Net Operating (Loss)	(62,543)	(156,743)	-	-	(219,286)
Other (expense)	<u>-</u>	<u>(29,167)</u>	<u>-</u>	<u>-</u>	<u>(29,167)</u>
Net (Loss)	<u>\$ (62,543)</u>	<u>\$ (185,910)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (248,453)</u>
Net (Loss) per common share					<u>\$ (0.14)</u>

Shares outstanding after business combination

1,820,000

F-37

GOLDEN WEST BREWING COMPANY, INC. (GOLDEN)  
 BUTTE CREEK BREWING COMPANY, LLC (BUTTE)

## PROFORMA STATEMENTS OF OPERATIONS

Three Months Ended March 31, 2005

(Unaudited)

	<u>GOLDEN</u>	<u>BUTTE</u>	Pro Forma Adjustments		<u>Combined</u>
			<u>DR</u>	<u>CR</u>	
Revenue	\$ -	\$ 164,293	\$ -	\$ -	\$ 164,293
Cost of Sales	<u>                    </u>	<u>113,672</u>	<u>                    </u>	<u>                    </u>	113,672
Gross Profit		50,621	<u>                    </u>	<u>                    </u>	50,621
Operating Expenses	<u>9,461</u>	<u>109,662</u>	<u>                    </u>	<u>                    </u>	<u>119,123</u>
Net Operating (Loss)	(9,461)	(59,041)	-	-	(68,502)
Other (expense)	<u>-</u>	(5,899)	<u>-</u>	<u>-</u>	<u>(5,899)</u>
Net (Loss)	<u>\$ (9,461)</u>	<u>\$ (64,940)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,401)</u>
Net (Loss) per common share					<u>\$ (0.04)</u>
Shares outstanding after business combination					<u>1,820,000</u>

F-38

GOLDEN WEST BREWING COMPANY, INC. (GOLDEN)  
 BUTTE CREEK BREWING COMPANY, LLC (BUTTE)

## NOTES TO PRO FORMA FINANCIAL STATEMENTS

(Unaudited)

(1) General

On October 6, 2004, GOLDEN and BUTTE entered into an Asset Sale and Purchase Agreement whereby GOLDEN would buy the assets of BUTTE in exchange for \$350,000 cash, payment of \$300,000 assumed liabilities by GOLDEN, and 200,000 shares of common stock of GOLDEN. The agreement is effective January 1, 2005 and is contingent upon the approval of the California Department of Alcoholic Beverage Control and the United States Bureau of Alcohol, Tobacco and Firearms. The purchase price is contingent upon certain working capital requirements of BUTTE, and

if not met, the purchase price will be reduced dollar for dollar. As of March 31, 2005, GOLDEN had advanced \$350,000 of the purchase price plus an additional \$76,000 to BUTTE. This business combination between GOLDEN and BUTTE will be accounted for as a purchase of BUTTE by GOLDEN under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Under the purchase method of accounting, the total purchase price, including transaction costs, is allocated to the net tangible and intangible assets acquired by GOLDEN in connection with the transaction, based on their fair values as of the completion of the transaction. In accordance with FAS 142 the Company will evaluate its carrying value of goodwill and other intangible assets to determine if there is any impairment in the carrying values. It is anticipated that intangible assets consisting of trademarks will be amortized over five years, the expected life of the trademarks. The unaudited pro forma condensed financial statements reflect the preliminary purchase price allocation based on GOLDEN's estimate of the fair value of the assets acquired and liabilities assumed. The preliminary purchase price allocation is subject to the finalization of the valuation of intangible assets, other assets acquired and liabilities assumed.

(2) Pro Forma Information

The pro forma financial statements give effect to the acquisition of BUTTE by GOLDEN as if the acquisition had taken place at the beginning of the respective periods. Certain related party payables were cancelled by the various related parties and accounted for as additional paid-in capital. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transaction had been consummated at the beginning of the respective periods, or the financial position if the transaction had been consummated on March 31, 2005, nor is it necessarily indicative of future operating results or financial position.

(3) Pro Forma Adjustments

The pro forma adjustments are based upon information and assumptions available at the time of the filing of this Form SB-2 and result in a preliminary allocation of the purchase price based on estimates of the fair value of the assets acquired and liabilities assumed. The unaudited pro forma condensed financial statements do not reflect synergies expected from the combination of the two entities. The unaudited pro forma condensed financial statements and the accompanying notes thereto should be read in conjunction with and are qualified by the historical financial statements and notes thereto of GOLDEN and BUTTE included herewith

F-39

We cannot assure you that GOLDEN will not incur charges in excess of those included in the pro forma total consideration related to the transactions, or that management will be successful in its efforts to integrate the operations of the companies.

- (1) This entry gives effect to the elimination of liabilities not being assumed by GOLDEN.
- (2) This entry gives effect to the elimination of intercompany equity accounts and the issuance of the 200,000 shares of common stock.

F-40

</R>

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

You should rely only on the information contained in this document or that we have referred you to. We have not authorized anyone to provide you with information that is different. This Prospectus is not an offer to sell common stock and is not soliciting an offer to buy common stock in any state where the offer or sale is not permitted.

Golden West Brewing Company, Inc.

1,000,000 Shares of Common Stock

\_\_\_\_\_, 2005

---

<R>

Until \_\_\_\_\_ 2005 (90 days after the date of this prospectus), all dealers effecting transactions in the shares offered by this prospectus - whether or not participating in the offering - may be required to deliver a copy of this prospectus. Dealers may also be required to deliver a copy of this prospectus when acting as underwriters and for their unsold allotments or subscriptions.

TABLE OF CONTENTS

	<u>Page</u>	
Prospectus Summary	2	
Risk Factors	7	
Use of Proceeds	15	
Dividend Policy	17	
Capitalization	18	
Certain Market Information	21	
Forward-Looking Statements	22	
Selected Financial Data	24	
Management Discussion	25	
Business	32	
Management	44	
Certain Transactions	50	
Principal Stockholders	52	
Description of Securities	56	
Legal Matters	57	
Experts	58	
Additional Information	58	

---

Prospectus

---

\_\_\_\_\_, 2005

</R>

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 24. **Indemnification of Directors and Officers**

The only statute, charter provision, by-law, contract, or other arrangement under which any controlling person, director or officers of the Registrant is insured or indemnified in any manner against any liability which he may incur in his capacity as such, is as follows:

a. The Company's Certificate of Incorporation permit and its By-laws require the Company to indemnify officers and directors to the fullest extent permitted by the Delaware Business Corporation Law (DBCA). The Company has also entered into agreements to indemnify its directors and executive officers to provide the maximum indemnification permitted by Delaware law. These agreements, among other provisions, provide indemnification for certain expenses (including attorney fees), judgments, fines and settlement amounts incurred in any action or proceeding, including any action by or in the right of the Company.

Article XIII of the Company's By-laws permits the Company to indemnify its directors, officers, employees and agent to the maximum extent permitted by the DBCA. Section 317 of the DBCA provides that a corporation has the power to indemnify and hold harmless a director, officer, employer, or agent of the corporation who is or is made a party or is threatened to be made a party to any threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, against all expense, liability and loss actually and reasonably incurred by such person in connection with such a proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in the best interest of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe that the conduct was unlawful. If it is determined that the conduct of such person meets these standards, such person may be indemnified for expenses incurred and amounts paid in such proceeding if actually and reasonably in connection therewith.

If such a proceeding is brought by or on behalf of the corporation (i.e., a derivative suit), such person may be indemnified against expenses actually and reasonably incurred if such person acted in good faith and in a manner reasonably believed to be in the best interest of the corporation and its stockholders. There can be no indemnification with respect to any matter as to which such person is adjudged to be liable to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite such adjudication but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

Where any such person is successful in any such proceeding, such person is entitled to be indemnified against expenses actually and reasonably incurred by him or her. In all other cases (unless order by a court), indemnification is made by the corporation upon determination by it that indemnification of such person is proper in the circumstances because such person has met the applicable standard or conduct.

A corporation may advance expenses incurred in defending any such proceeding upon receipt of an undertaking to repay any amount so advanced if it is ultimately determined that the person is not eligible for indemnification.

The indemnification rights provided in Section 317 of the DBCA are not exclusive of additional rights to indemnification for breach of duty to the corporation and its stockholders to the extent additional rights are authorized in the corporation

=s articles of incorporation and are not exclusive of any other rights to indemnification under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, with as to action in his or her office and as to action in another capacity which holding such office.

\* \* \*

b. Article VII, Section 1 of Registrant's Certificate of Incorporation provide that the corporation may indemnify each director, officer, and any employee or agent of the corporation, his heirs, executors and administrators, against expenses reasonably incurred or any amounts paid by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a director, officer, employee or agent of the corporation to the extent permitted by the law as recited above in subparagraph (a).

c. Article VII, Section 2 of Registrant's Certificate of Incorporation provides, in part:

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such a director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the GCL, or (iv) for any transaction from which such director derived an improper personal benefit. No amendment to or repeal of this Section 2 of Article VII shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

**Item 25. Other Expenses of Issuance and Distribution**

The estimated expenses of the offering, all of which are to be borne by the Company, are as follows:

SEC Filing Fee	\$ 100
Printing Expenses	2,500
Accounting Fees and Expenses	12,500
Legal Fees and Expenses	30,000
Blue Sky Fees and Expenses	2,500
Registrar and Transfer Agent Fee	500
Miscellaneous	<u>1,900</u>
 Total	 \$ 50,000

**Item 26. Recent Sales of Unregistered Securities**

<R>

1. In December 2003, we sold to seven non-affiliated investors and one affiliated investor an aggregate of 700,000 shares of common stock in consideration of \$135,000, consisting of \$75,000 in cash and property valued at \$60,000. The investors were John Power, Paul Selice, Allan Williams, Donald Fruh, Triumph Capital, Inc. Webquest, Inc., Hangar Development Group, LLC and Rockies Fund, Inc. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within

the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that their were capable of evaluating the merits and risks of the investment. The



securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

</R>

2. In June 2004, we issued to four investors an aggregate of 487,000 shares for total consideration of \$121,750. The investors were Patrick Radford, John Power, Clifford Neuman and J. Andrew Moorer. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that their were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

<R>

3. In September 2004, we issued to three investors an aggregate of 225,000 shares of common stock in consideration of \$46,250. The investors were John Power, Kevin Houtz and Westmoreland, LLC. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that their were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

4. In December 2004, we issued to two investors an aggregate of 88,000 shares of common stock in consideration of \$22,000. The investors were John Power and Michael Stafford. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that their were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

5. In January 2005, we issued to two investors an aggregate of 120,000 shares of common stock in consideration of \$22,500 in cash and services valued at \$7,500. The investors were John Power and Clifford Neuman, who accepted shares for legal services rendered to the Company. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that their were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

</R>

#### Item 27. **Exhibits**

a. The following Exhibits are filed as part of this Registration Statement pursuant to Item 601 of Regulation S-K:

<R>

Exhibit No.	Title
**	2.1 Asset Purchase and Sale Agreement dated October 8, 2004
*	2.2 Amendment No. 1 to Asset Purchase and Sale Agreement
*	3.1 Amended and Restated Certificate of Incorporation
*	3.2 By-Laws
*	4.1 2004 Equity Incentive Plan
*	4.2 Form of Subscription Agreement
*	4.3 Specimen common stock certificate
*	5.1 Opinion of Clifford L. Neuman, P.C.
**	10.1 Lease Agreement
**	10.2 Form of Escrow Agreement
**	10.3 Amended Trademark Assignment
**	10.4 Form of Lock-up
*	21.0 List of Subsidiaries
*	23.1 Consent of Clifford L. Neuman, P.C. (incorporated into Exhibit 5.1)
**	23.2 Consent of Schumacher & Associates, Inc.

---

\* Previously filed

\*\* Filed herewith

</R>

## Item 28. Undertakings

The undersigned Registrant hereby undertakes:

1. To file, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:
  - (i) Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the "Securities Act");
  - (ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement;
  - (iii) Include any additional or changed material information on the plan of distribution.
2. That, for determining liability under the Securities Act, to treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

3. To file a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

Insofar as indemnification for liabilities arising under the Securities Act may be available to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the

63

Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred and paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereby, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

64

#### SIGNATURES

<R>

In accordance with the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this Pre-Effective Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, in the city of Vacaville, California, on the 17<sup>th</sup> day of June, 2005.

</R>

GOLDEN WEST BREWING COMPANY, INC.

,  
a Delaware corporation

By: /s/ Brian Power

Brian Power, President

POWER OF ATTORNEY

Each of the undersigned officers and directors of Golden West Brewing Company, Inc., hereby constitutes and appoints Brian Power, President and Director of the Company, his true and lawful attorney-in-fact and agent, for him and in his name, place and stead, in any and all capacities, to sign his name to any and all amendments to this Registration Statement on Form SB-2, including post-effective amendments and other related documents, and to cause the same to be filed with the Securities and Exchange Commission, granting unto said attorneys, or either of them individually, full power and authority to do and perform any act and thing necessary and proper to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present, and the undersigned for himself hereby ratifies and confirms all that said attorneys shall lawfully do or cause to be done by virtue hereof.

Edgar Filing: Golden West Brewing Company, Inc. - Form SB-2/A

In accordance with the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities with Golden West Brewing Company, Inc. and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<R> <u>/s/ John C. Power</u> John C. Power	Chief Financial Officer, Principal Accounting Officer and Director	June 17, 2005
<u>/s/ Brian Power</u> Brian Power	Chief Executive Officer, President and Director	June 17, 2005
<u>/s/ J. Andrew Moorer</u> J. Andrew Moorer </R>	Secretary, Chief Financial Officer and Director	June 17, 2005