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MORGAN CREEK ENERGY CORP
Form 10-Q
May 15, 2008

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

Mark One

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

For the period ended March 31, 2008

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

For the transition period from _____ to _____

COMMISSION FILE NO. 0-25455

MORGAN CREEK ENERGY CORP.

(Name of small business issuer in its charter)

NEVADA

201777817

(State or other jurisdiction of incorporation
or organization)

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

5050 QUORUM DRIVE, SUITE 700, DALLAS, TEXAS 75254

(Address of principal executive offices)

(214) 321-0603

(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act: Name of each exchange on which registered:
NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, \$0.001

(Title of Class)

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

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Non-accelerated filer

Smaller reporting company

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

Applicable Only to Issuer Involved in Bankruptcy Proceedings During the Preceding Five Years.

N/A

Indicate by checkmark whether the issuer has filed all documents and reports required to be filed by Section 12, 13 and 15(d) of the Securities Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes No

Applicable Only to Corporate Registrants

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most practicable date:

Class	Outstanding as of May 6, 2008
Common Stock, \$0.001	13,992,197*

*The total issued and outstanding 41,976,591 shares were reduced to 13,992,197 shares in accordance with the reverse stock split of one share for three shares (1:3) effective as of April 22, 2008.

MORGAN CREEK ENERGY CORP.

Form 10-Q

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PART I

ITEM 1. FINANCIAL STATEMENTS

MORGAN CREEK ENERGY CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

MARCH 31, 2008
(UNAUDITED)

BALANCE SHEETS

STATEMENTS OF OPERATIONS

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

BALANCE SHEETS

ASSETS	
CURRENT ASSETS	
Cash	\$
Prepaid expenses and other	
<hr/>	
TOTAL CURRENT ASSETS	
OIL AND GAS PROPERTIES, unproven (Note 3)	
<hr/>	
TOTAL ASSETS	\$
=====	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$
Due to related parties (Note 6)	
Drilling advances payable	
<hr/>	
TOTAL CURRENT LIABILITIES	
<hr/>	
GOING CONCERN (Note 1)	
STOCKHOLDERS' EQUITY (DEFICIT) (Note 4)	
Common stock, 100,000,000 shares authorized with \$0.001 par value	
Issued and outstanding - 13,992,197 common shares	
(December 31, 2007 - 9,938,302)	
Additional paid-in-capital	
Deficit accumulated during exploration stage	
<hr/>	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	
<hr/>	
TOTAL LIABILITIES & STOCK HOLDERS' EQUITY (DEFICIT)	\$
=====	

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

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended March 31, 2008	Thre Ma
	(unaudited)	(un
GENERAL AND ADMINISTRATIVE EXPENSES		
Investor relations	\$ -	\$
Consulting fees	112,845	
Management fees - related party	60,000	
Management fees - stock based compensation	-	
Impairment of oil and gas properties (Note 3)	-	
Office and general	40,462	
Professional fees	51,562	
NET OPERATING LOSS:	(264,869)	
OTHER INCOME (EXPENSE)		
Financing Costs	(424,660)	
TOTAL OTHER INCOME (EXPENSE)	(424,660)	
NET LOSS	\$ (689,529)	\$
=====		
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.06)	\$
=====		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC AND DILUTED	11,776,454	
=====		

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

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS
(UNAUDITED)

Three months ended
March 31,
2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (689,529)
Adjustments to reconcile net loss to net cash used in operating activities:	
- Stock based compensation	-
- Impairment of oil and gas properties	-
- Financing costs	424,660
CHANGES IN OPERATING ASSETS AND LIABILITIES	
- Increase in prepaid expenses and other	(2,275)
- Due to/ from related parties	39,344
- Increase (decrease) in accounts payable and accrued liabilities	(53,525)
<hr/>	
NET CASH USED IN OPERATING ACTIVITIES	(281,325)
<hr/>	
CASH FLOWS FROM INVESTING ACTIVITIES	
Oil and gas property expenditures	(55,598)
Restricted cash deposits	-
<hr/>	
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(55,598)
<hr/>	
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds on sale of common stock	-
Drilling Advances	-
Advances from related parties	335,000
<hr/>	
NET CASH PROVIDED BY FINANCING ACTIVITIES	335,000
<hr/>	
INCREASE (DECREASE) IN CASH	(1,923)
CASH, BEGINNING OF PERIOD	16,098
<hr/>	
CASH, END OF PERIOD	\$ 14,175
=====	

SUPPLEMENTAL CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES:	
Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

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Common stock issued for acquisition of oil and gas property	\$	-
Transfer of bond against settlement of debt	\$	-
Non-cash sale of oil and gas property	\$	-
Common stock issued for settlement of debts (Note 4)	\$	2,432,337

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

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Morgan Creek Energy Corp. (the "Company") is an exploration stage company that was organized to enter into the oil and gas industry. The Company intends to locate, explore, acquire and develop oil and gas properties in the United States and within North America. The primary activity and focus of the Company is its leases in Texas ("Quachita Prospect"). To date the Company has acquired approximately 2,365 gross acres. During the production testing and evaluation period on the first well on the property, the Boggs #1, four of the five tested zones produced significant volumes of natural gas. Analysis of the gas indicate a "sweet" condensate rich gas with BTU values of 1,000. This quality will yield a premium price over the current U.S. average natural gas price. As formation water was also produced with the natural gas in the tested zones, the Boggs #1 is currently under evaluation.

During the period the Company has begun leasing acreage in New Mexico. To date the Company has acquired approximately 5,400 gross acres.

GOING CONCERN

The Company commenced operations on October 19, 2004 and has not realized any revenues since inception. As of March 31, 2008, the Company has an accumulated deficit of \$5,652,307 and a working capital deficiency of \$572,832. The ability of the Company to continue as a going concern is dependent on raising capital to fund ongoing operations and carry out its business plan and ultimately to attain profitable operations. Accordingly, these factors raise substantial doubt as to the Company's ability to continue as a going concern. To date the Company has funded its initial operations by way of private placements of common stock and advances from related parties.

UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principals for financial information and with the instructions to Form 10-Q of Regulation S-B. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements for the year ended December

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31, 2007 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Company was incorporated on October 19, 2004 in the State of Nevada. The Company's fiscal year end is December 31.

BASIS OF PRESENTATION

These financial statements are presented in United States dollars and have been prepared in accordance with United States generally accepted accounting principles.

OIL AND GAS PROPERTIES

The Company follows the full cost method of accounting for its oil and gas operations whereby all costs related to the acquisition of methane, petroleum, and natural gas interests are capitalized. Under this method, all productive and non-productive costs incurred in connection with the exploration for and development of oil and gas reserves are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits. Proceeds from the disposal of oil and gas properties are recorded as a reduction of the related capitalized costs without recognition of a gain or loss unless the disposal would result in a change of 20 percent or more in the depletion rate. The Company currently operates solely in the U.S.

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OIL AND GAS PROPERTIES (CONTINUED)

Depreciation and depletion of proved oil and gas properties is computed on the units-of-production method based upon estimates of proved reserves, as determined by independent consultants, with oil and gas being converted to a common unit of measure based on their relative energy content.

The costs of acquisition and exploration of unproved oil and gas properties, including any related capitalized interest expense, are not subject to depletion, but are assessed for impairment either individually or on an aggregated basis. The costs of certain unevaluated leasehold acreage are also not subject to depletion. Costs not subject to depletion are periodically

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assessed for possible impairment or reductions in recoverable value. If a reduction in recoverable value has occurred, costs subject to depletion are increased or a charge is made against earnings for those operations where a reserve base is not yet established.

Estimated future removal and site restoration costs are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. The charge is included in the provision for depletion and depreciation and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

The Company applies a ceiling test to capitalized costs which limits such costs to the aggregate of the estimated present value, using a ten percent discount rate of the estimated future net revenues from production of proven reserves at year end at market prices less future production, administrative, financing, site restoration, and income tax costs plus the lower of cost or estimated market value of unproved properties. If capitalized costs are determined to exceed estimated future net revenues, a write-down of carrying value is charged to depletion in the period.

ASSET RETIREMENT OBLIGATIONS

The Company has adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related oil and gas properties.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant areas requiring management's estimates and assumptions are the determination of the fair value of transactions involving common stock and financial instruments. Other areas requiring estimates include deferred tax balances and asset impairment tests.

FINANCIAL INSTRUMENTS

The fair value of the Company's financial assets and financial liabilities approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Dilutive earnings (loss) per share reflects the potential dilution of securities that could share in the earnings of the Company. Dilutive earnings (loss) per share is equal to that of basic earnings (loss) per share as the effects of stock options and warrants have been excluded as they are anti-dilutive.

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NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008 (UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at March 31, 2008 the Company had net operating loss carryforwards, however, due to the uncertainty of realization, the Company has provided a full valuation allowance for the deferred tax assets resulting from these loss carryforwards.

STOCK-BASED COMPENSATION

On January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Statement No. 123(R), SHARE-BASED PAYMENT, ("SFAS 123R"). The Company adopted SFAS 123R using the modified-prospective-transition method. Under this method, compensation cost recognized for the year ended December 31, 2006 includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In addition, deferred stock compensation related to non-vested options is required to be eliminated against additional paid-in capital upon adoption of SFAS 123R. The results for the prior periods were not restated.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18.

RECENT ACCOUNTING PRONOUNCEMENT

In March 2008, the FASB issued SFAS No. 161, DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS 161 will be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, will be adopted by the Company beginning in

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the first quarter of 2009. The Company does not expect there to be any significant impact of adopting SFAS 161 on its financial position, cash flows and results of operations.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES - INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115 ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings cause by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of the Company's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Effective January 1, 2008, the Company adopted this statement. To date, the Company has not applied this standard to the measurement of any reported amounts. Accordingly, the adoption of this standard did not have any impact on the Company's results of operations or financial position.

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In December 2007, the FASB issued SFAS No. 160, NONCONTROLLING INTEREST IN CONSOLIDATED FINANCIAL STATEMENTS, AN AMENDMENT OF ARB NO. 51 ("SFAS No. 160"), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. SFAS No. 160 is effective as of the beginning of an entity's first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited. Management has not determined the effect that adopting this statement would have on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), BUSINESS COMBINATIONS ("SFAS No. 141R"). SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the entity's first annual reporting period beginning on or after December 15, 2008. Accordingly, any business combinations completed by the Company prior to January 1, 2009 will be recorded and disclosed following existing GAAP. Management has not determined the effect that adopting this statement would have on the Company's financial position or results of operations.

In September 2006, FASB issued SFAS No. 157, FAIR VALUE MEASURE ("SFAS No. 157"). This Statement defines fair value, establishes a framework for measuring

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fair value in generally accepted accounting principles (GAAP), expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which for the Company is the fiscal year beginning January 1, 2008. The adoption of this standard did not have any impact on the Company's results of operations or financial position.

NOTE 3 - OIL AND GAS PROPERTIES

(A) QUACHITA PROSPECT

The Company leased various properties totalling approximately acres within the Quachita Trend within the state of Texas for a three year term in consideration for \$338,353. The Company has a 100% Working Interest and a 77% N.R.I. in the leases.

BOGGS #1

On June 7, 2007 the Company began drilling its first well on the Quachita Prospect (Boggs #1). During 2007 the Company began production testing and evaluation of the well. Of the five tested zones, four produced significant volumes of natural gas. As formation water was also produced with the natural gas in the tested zones, the Boggs # 1 is currently under evaluation. To date, \$1,362,158 has been incurred on drilling and completion expenditures on the Boggs #1. The Boggs #1 was initially privately funded with the funding investors receiving a 75% Working Interest and a 54% Net Revenue Interest in exchange for providing 100% of all drilling and completion costs. To December 31, 2007 the Company had incurred \$1,335,781 of costs on Boggs #1 and had received \$759,000 in funding from the private investors. On March 24, 2008 the Company negotiated with the funding investors to acquire their interest in the well for an amount equal to the total amount of their initial investment being \$759,000 and forgiveness of any additional amounts owing. Effective March 24, 2008, the Company completed this acquisition and settlement through the issuance of 1,265,000 shares of common stock at \$0.63 per share (refer to Note 4).

(B) NEW MEXICO PROSPECT

The Company to date has leased various properties totalling approximately 5,400 net acres within the state of New Mexico for a five year term in consideration for \$81,303. The Company has a 100% Working Interest and an 87.5% N.R.I. in the leases.

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

NOTE 4 - STOCKHOLDERS' EQUITY/DEFICIT

(A) SHARE CAPITAL

The Company's capitalization is 100,000,000 common shares with a par value of \$0.001 per share.

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On April 22, 2008, the directors of the Company approved a special resolution to undertake a reverse split of the common stock of the Company on a basis of 1 new share for 3 old shares. On May 10, 2006, the directors of the Company approved a special resolution to undertake a forward split of the common stock of the Company on a basis of 2 new shares for 1 old share. On July 26, 2006, the directors of the Company approved a special resolution to undertake a further forward split of the common stock of the Company on a basis of 2 new shares for 1 old share.

All references in these financial statements to number of common shares, price per share and weighted average number of common shares outstanding prior to the 2:1 forward stock split on May 10, 2006, the 2:1 forward split on August 8, 2006 and the 3:1 reverse stock split on April 22, 2008 have been adjusted to reflect these stock splits on a retroactive basis, unless otherwise noted.

On December 19, 2006 a founding shareholder of the Company returned 4,000,000 restricted shares of common stock to treasury and the shares were subsequently cancelled by the Company. The shares were returned to treasury for no consideration to the shareholder.

(B) PRIVATE PLACEMENTS

On November 26, 2004 the Company issued 2,066,666 shares of common stock at \$0.075 per share for proceeds of \$155,000.

On December 15, 2004 the Company issued 2,516,667 shares of common stock at \$0.075 per share for proceeds of \$188,750 and 880,267 shares of common stock at \$0.375 per share for proceeds of \$330,100.

On March 9, 2005 the Company issued 93,333 shares of common stock at a price of \$0.375 per share for proceeds of \$35,000.

On October 16, 2006 the Company completed a private placement consisting of 314,702 units at \$4.50 per unit for proceeds of \$1,416,158. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$9.00 per share for the period commencing on October 16, 2006 and ending on October 16, 2008, being the day which is the earlier of 24 months from the date of issuance of the units or 18 months from the effective date of a planned registration statement. Of this private placement, 187,778 of the units issued were in exchange for \$845,000 previously advanced to the Company by a shareholder. The estimated fair value of the warrants at the date of grant of \$592,210, which has been included in additional paid in capital, was determined using the Black-Scholes option pricing model with an expected life of 2 years, risk free interest rate of 4.49%, a dividend yield of 0% and an expected volatility of 153%.

(C) OTHER ISSUANCES

On February 13, 2008, the Company issued 2,525,356 shares of common stock at a price of \$0.75 per share on settlement of related party advance and accrued interest totalling \$1,515,214. The difference between the estimated fair value of the common shares issued at and the amount of debt settled totalling \$378,803 was recorded as a finance cost during the period (refer to Note 6).

On March 24, 2008, the Company issued 1,528,538 shares of common stock at a price of \$0.63 per share on settlement of related party advances and the acquisition of the interest in the Boggs well totalling \$917,123. The difference between the estimated fair value of the common shares at issuance and the amount of debt settled totalling \$45,857 was recorded as a finance cost during the period (refer to Notes 3 and 6).

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

NOTE 4 - STOCKHOLDERS' EQUITY/DEFICIT (CONTINUED)

(D) SHARE PURCHASE WARRANTS

Details of the Company's share purchase warrants issued and outstanding as of March 31, 2008 are as follows:

Exercise price	Weighted average price	Number of warrants to purchase shares	Expiry Date
\$9.00	\$9.00	944,105	October 16, 2008

The Company's share purchase warrants activity for the period ended March 31, 2008 is summarized as follows:

	Number of Warrants	Weighted average exercise Price per share	Weighted average price In contract
Balance, December 31, 2007	314,702	\$ 9.00	
Issued	-	-	
Expired	-	-	
Exercised	-	-	
Balance, March 31, 2008	314,702	\$ 9.00	

All warrants are exercisable as at March 31, 2008.

NOTE 5 - STOCK OPTION PLAN

On April 3, 2006 the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 1,666,667 shares with an exercisable period up to 10 years. In the event an optionee ceases to be employed by or to provide services to the Company for reasons other than cause, any Stock Option that is vested and held by such optionee maybe exercisable within up to ninety calendar days after the effective date that his position ceases. No Stock Option granted under the Stock Option Plan is transferable. Any Stock Option held by an optionee at the time of his death may be exercised by his estate within one year of his death or such longer period as the Board of Directors may determine.

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As approved by the Board of directors, on December 12, 2006, the Company granted 616,667 stock options to certain officers, directors and management of the Company at \$3.30 per share. The term of these options are five years. The total fair value of these options at the date of grant was estimated to be \$1,527,170 and was recorded as a stock based compensation expense during 2006. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 3 years; risk free interest rate of 4.49%; dividend yield of 0% and expected volatility of 187%.

The Company's stock option warrants activity for the period ended March 31, 2008 is summarized as follows:

	Number of Options	Weighted average exercise Price per share	Weighted av In contractua
Balance, December 31, 2007	616,667	\$ 3.30	
Granted	-	-	
Expired	-	-	
Exercised	-	-	
<hr/>			
Balance, March 31, 2008	616,667	\$ 3.30	
<hr/>			

All options are exercisable as at March 31, 2008.

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

NOTE 6 - RELATED PARTY TRANSACTIONS

INTERNATIONAL MARKET TREND, INC. ("IMT")

An officer and director of IMT, a private company, is a shareholder of the Company. During the period ended March 31, 2008 the Company incurred consulting fees of \$30,000 to IMT (March 31, 2007 - \$167,500). On March 24, 2008 the Company converted \$86,873 in consulting fees and advances through the issuance of 144,788 commons shares of the Company at \$0.63 per share. (Refer Note 4).

As of March 31, 2008 and December 31, 2007, a shareholder of the Company had advanced \$10,000 to the Company. The amount is unsecured non-interest bearing and without specific repayment terms.

As at December 31, 2007, \$1,365,500 was owing to a separate shareholder for advances made to the Company. During the period, this shareholder made further

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advances to the Company of \$335,000. On February 13, 2008, the Company issued 2,525,356 shares of common stock at a price of \$0.75 per share on settlement of related party advance and related accrued interest totalling \$1,515,214 (refer to Note 4). As a result, as of March 31, 2008 \$260,000 was owing which bears interest at 8% per annum and has no specific repayment terms. As of March 31, 2008 total accrued interest was \$1,086 (December 31, 2007 - \$66,456).

MANAGEMENT FEES

During the period ended March 31, 2008, the Company paid officers and directors \$60,000 for management fees (March 31, 2007 - \$30,000).

During the period the Company converted \$71,250 of management fees of the President of the Company through the issuance of 118,750 common shares of the Company at \$0.63 per share (Refer to Note 4).

NOTE 7 - INCOME TAXES

The Company has adopted the FASB No. 109 for reporting purposes. As of March 31, 2008 the Company had net operating loss carry forwards of approximately \$2,427,000 that may be available to reduce future years' taxable income through 2028. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carryforwards.

NOTE 8 - SUBSEQUENT EVENTS

Our Board of Directors, pursuant to a Board of Directors' meeting held on April 1, 2008, approved and authorized the settlement of an aggregate of \$917,123 in current indebtedness (the "Debt Settlement") by the issuance Pre-Reverse Stock Split of an aggregate 4,585,616 shares of our restricted common stock at \$0.21 per share (pre 3 to 1 reverse split - April 22, 2008) effective as of March 24, 2008. The aggregate 4,585,616 shares of common stock were issued to seven creditors (each a "Creditor") pursuant to the terms and conditions of those certain \$0.21 (pre 3 to 1 reverse split - April 22, 2008) Share for Debt Private Placement Subscription Agreements (collectively, the "Subscription Agreements") as entered into between us and each such Creditor. The shares issued to the funding investors relating to the acquisition of their interest in the Boggs#1 is included in this issuance. The total fair market value of these shares at time of issuance

As described in Note 4, on April 22, 2008, the directors of the Company approved a special resolution to undertake a reverse split of the common stock of the Company on a basis of 1 new share for 3 old shares which resulted in 13,992,196 common shares outstanding immediately following the reverse split. These financial statements have been restated, as applicable, to reflect this reverse split.

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are

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"forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Act") and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

GENERAL

Morgan Creek Energy Corp. is a corporation organized under the laws of the State of Nevada. After the effective date of our registration statement filed with the Securities and Exchange Commission (February 14, 2006), we commenced trading on the Over-the-Counter Bulletin Board under the symbol "MCKE:OB". We are engaged in the business of exploration of oil and gas bearing properties in the United States. Our shares are also traded on the Frankfurt Stock Exchange in Germany under the symbol "M6C".

Please note that throughout this Quarterly Report, and unless otherwise noted, the words "we," "our," "us," the "Company," or "Morgan Creek," refers to Morgan Creek Energy Corp.

RECENT DEVELOPMENTS

APRIL 22, 2008 REVERSE STOCK SPLIT

On April 1, 2008, our Board of Directors pursuant to a board of directors meeting authorized and approved a reverse stock split of one for three of our total issued and outstanding shares of common stock (the "Reverse Stock Split").

The Reverse Stock Split was effectuated based on market conditions and upon a determination by our Board of Directors that the Reverse Stock Split was in our best interests and of the shareholders. Certain factors were discussed among the members of the Board of Directors concerning the need for the Reverse Stock

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Split, including the increased potential for financing. The intent of the Reverse Stock Split is to increase the marketability of our common stock.

The Reverse Stock Split was effectuated on April 22, 2008 upon filing the appropriate documentation with NASDAQ. The Reverse Stock Split decreased our total issued and outstanding shares of common stock from 41,976,591 to approximately 13,992,197 shares of common stock. The common stock will continue to be \$0.001 par value.

CURRENT BUSINESS OPERATIONS

We are a natural resource exploration and production company currently engaged

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in the exploration, acquisition and development of oil and gas properties in the United States and within North America. Our primary activity and focus is our leases in Texas (the "Quachita Prospect"). To date, we have acquired approximately 2,365 gross acres within the Quachita Prospect for a three-year term. We acquired a 100% working interest and a 77% net revenue interest in natural gas targeted Quachita Prospect leases. The leases are unproven and were acquired for approximately \$338,000. In addition, we have leased various properties totaling approximately 5,400 net acres within the State of New Mexico for a five-year term in consideration for \$81,303 (the "New Mexico Prospect"). We have a 100% working interest and an 87.5% net revenue interest in the leases.

OIL AND GAS PROPERTIES

QUACHITA PROSPECT

As of the date of this Quarterly Report, we lease approximately 1,971 net acres within the Quachita Trend in the State of Texas for a three-year term in consideration of approximately \$338,000. We have a 100% working interest and a 77% net revenue interest in the Quachita Prospect leases.

BOGGS #1. As of the date of this Quarterly Report, we received a permit for drilling of the twin well on the Quachita Prospect and commenced drilling of our first well (the "Boggs #1"). We have identified seven separate potential areas of exploration interest in the Quachita Lease and have carried out wide scale leasing on the first of these targets. We completed the drilling portion of the Boggs #1 well on July 13, 2007. Subsequently, we began production testing and evaluation of the well. Of the five tested zones, four produced significant volumes of natural gas. As formation water was also produced with the natural gas in the tested zones, the Boggs #1 is currently under evaluation. We intend to secure all immediate rights relating to oil and gas in the areas providing control over any potential major structural play that develops as a result of this in-depth exploration.

The Boggs #1 had been privately funded with the funding investors receiving a 75% working interest and a 54% net revenue interest in exchange for providing 100% of all drilling and completion costs. Therefore, we previously retained a 25% working interest and a 23% net revenue interest in the Boggs #1 well. As of December 31, 2007, we received approximately \$759,000 in funding from the private investors and incurred \$1,335,780 in drilling and completion costs on Boggs #1. Accordingly, as of December 31, 2007, \$564,892 of investor funding

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obligation has been recorded as project funding receivable. On March 24, 2008, we negotiated with the funding investors to acquire their interest in the Boggs #1 for \$759,000 (which amount is the equal to the total amount of the funding investors' initial investment) and forgiveness of any additional amounts owing. Effective on March 24, 2008, we completed the acquisition and settlement through the issuance Post-Reverse Stock Split of 1,265,000 shares of our restricted common stock at \$0.63 per share (pre-April 22, 2008 reverse split). See "Part II. Item 2. Changes in Securities and Use of Proceeds."

NEW MEXICO PROSPECT

As of the date of this Quarterly Report, we have leased various properties in the New Mexico Prospect totaling approximately 5,400 net acres within the State of New Mexico for a five year term in consideration for \$81,303. We have a 100% working interest and a 87.5% net revenue interest in the leases comprising the New Mexico Prospect.

RESULTS OF OPERATION

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We have incurred recurring losses to date. Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

We expect we will require additional capital to meet our long term operating requirements. We expect to raise additional capital through, among other things, the sale of equity or debt securities.

THREE MONTH PERIOD ENDED MARCH 31, 2008 COMPARED TO THREE MONTH PERIOD ENDED MARCH 31, 2007

Our net loss for the three-month period ended March 31, 2008 was approximately (\$689,529) compared to a net loss of (\$187,664) during the three-month period ended March 31, 2007 (an increase of \$501,865). During the three-month periods ended March 31, 2008 and 2007, we did not generate any revenue.

During the three-month period ended March 31, 2008, we incurred general and administrative expenses of approximately \$264,869 compared to \$187,664 incurred during the three-month period ended March 31, 2007 (an increase of \$77,205). These general and administrative expenses incurred during the three-month period ended March 31, 2008 consisted of: (i) consulting fees of \$112,845 (2007: \$44,378); (ii) office and general of \$40,462 (2007: \$26,945); (iii) professional fees of \$51,562 (2007: \$54,602); and (iv) management fees - related party of \$60,000 (2007: \$61,739).

During the three-month periods ended March 31, 2008 and 2007, we did not incur any management fees - stock based compensation relating to the valuation of stock options granted to our officers and directors. We also did not record any impairment of oil and gas properties during the three-month periods ended March 31, 2008 and 2007. Thus, general and administrative expenses incurred during the three-month period ended March 31, 2008 compared to the three-month period ended March 31, 2007 increased primarily due to the increase in consulting fees and in office and general expenses. General and administrative expenses generally

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include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Of the \$264,869 incurred as general and administrative expenses during the three-month period ended March 31, 2008, we incurred consulting expenses of \$30,000 payable to International Market Trend, Inc. ("IMT"). In addition, during the three-month period ended March 31, 2008, we settled an aggregate amount of \$86,873 for consulting fees and advances due and owing to IMT through the issuance Pre-Reverse Stock Split of 144,788 shares of our restricted common stock. An officer and director of IMT is also one of our shareholders. See "Part II. Item 2. Changes in Securities and Use of Proceeds."

Of the \$264,869 incurred as general and administrative expenses during the three-month period ended March 31, 2008, we incurred management fees of \$60,000 payable to our offices and directors. In addition, during the three-month period ended March 31, 2008, we settled an aggregate \$71,250 for management fees due and owing to our President, Marcus Johnson, through the issuance Pre-Reverse Stock Split of 118,750 shares of our restricted common stock. See Part II. Item 2. Changes in Securities and Use of Proceeds."

During the period the Company issued shares for debt. The difference between the estimated fair value of the common shares issued at the amount of debt settled

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totaling \$424,660 was recorded as a finance cost during the period.

Our net loss during the three-month period ended March 31, 2008 was (\$689,529) or (\$0.06) per share compared to a net loss of (\$187,664) or (\$0.02) per share during the three-month period ended March 31, 2007. The weighted average number of shares outstanding was 11,776,454 for the three-month period ended March 31, 2008 compared to 9,938,302 for the three-month period ended March 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

THREE-MONTH PERIOD ENDED MARCH 31, 2008

As at the three-month period ended March 31, 2008, our current assets were \$34,341 and our current liabilities were \$607,173, which resulted in a working capital deficiency of (\$572,832). As at the three-month period ended March 31, 2008, current assets were comprised of: (i) \$14,175 in cash; and (ii) \$20,166 in prepaid. As at the three-month period ended March 31, 2008, current liabilities were comprised of: (i) \$336,087 in accounts payable and accrued liabilities; and (ii) \$271,086 due to related parties.

As at the three-month period ended March 31, 2008, our total assets were \$1,814,041 comprised of: (i) \$34,341 in current assets; and (ii) \$1,779,700 in unproven oil and gas properties. The increase in total assets during the three-month period ended March 31, 2008 from fiscal year ended December 31, 2007 was primarily due to the increase in valuation of the unproved oil and gas properties.

As at the three-month period ended March 31, 2008, our total liabilities were \$607,173 comprised entirely of current liabilities. The decrease in liabilities during the three-month period ended March 31, 2008 from fiscal year ended

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December 31, 2007 was primarily due to the settlement of an aggregate \$917,123 in current indebtedness (the "Debt Settlement") by the issuance Pre-Reverse Stock Split of an aggregate 4,585,616 shares of our restricted common stock at \$0.21 per share (pre 3 to 1 reverse split April 22, 2008) effective as of March 24, 2008. See "Part II. Item 2. Changes in Securities and Use of Proceeds."

Stockholders' deficit increased from (\$960,600) for fiscal year ended December 31, 2007 to \$1,206,868 for the three-month period ended March 31, 2008.

CASH FLOWS FROM OPERATING ACTIVITIES

We have not generated positive cash flows from operating activities. For the three-month period ended March 31, 2008, net cash flows used in operating activities was (\$281,325), consisting primarily of a net loss of (\$689,529). Net cash flows used in operating activities was adjusted by \$39,344 relating to amounts due to related parties, and a decrease of (\$53,525) related to accounts payable and accrued liabilities and (\$2,275) related to increase in prepaid expenses and \$424,660 related to the financing costs. For the three-month period ended March 31, 2007, net cash flows used in operating activities was (\$236,756), consisting primarily of a net loss of (\$187,664), and adjusted by \$32,675 due to related parties and a decrease of (\$81,767) related to accounts payable and accrued liabilities.

CASH FLOWS FROM INVESTING ACTIVITIES

For the three-month period ended March 31, 2008, net cash flows used in investing activities was (\$55,598) consisting of \$55,598 for acquisition of oil

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and gas properties. For the three-month period ended March 31, 2007, net cash flows used in investing activities was (\$90,790) consisting of \$65,790 for the acquisition of oil and gas properties and \$25,000 in restricted stock deposits.

CASH FLOWS FROM FINANCING ACTIVITIES

We have financed our operations primarily from either advancements or the issuance of equity and debt instruments. For the three-month period ended March 31, 2008, net cash flows provided from financing activities was \$335,000 compared to \$327,500 for the three-month period ended March 31, 2007. Cash flows from financing activities for the three-month periods ended March 31, 2008 and 2007 consisted of advances from related parties.

We expect that working capital requirements will continue to be funded through a combination of our existing funds and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business.

PLAN OF OPERATION AND FUNDING

Existing working capital, further advances and debt instruments, and anticipated cash flow are expected to be adequate to fund our operations over the next six months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our

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business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) oil and gas operating properties; (ii) possible drilling initiatives on current properties and future properties; and (iii) future property acquisitions. We intend to finance these expenses with further issuances of securities, and debt issuances. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

During the three-month period ended March 31, 2008, we closed a private placement offering under Regulation S of the Securities Act pursuant to which we received gross proceeds of \$1,515,214, of which all consisted of settlement of debt relating to amounts previously advanced to us by one of our shareholders and related accrued interest. And effective March 24, 2008, we also settled an aggregate \$917,123 in debt by the issuance of 4,585,616 shares of our restricted common stock at \$0.21 per share (pre 3 to 1 reverse split April 22, 2008). See "Part II. Item 2. Changes in Securities and Use of Proceeds."

MATERIAL COMMITMENTS

During fiscal year ended December 31, 2007, an aggregate of \$1,365,500 was due and owing to one of our shareholders relating to advances. Subsequently, during January 2008, an additional advance was made by this same shareholder to us for an aggregate amount of \$1,512,214 due and owing. This amount was assigned by the shareholder to various assignees and settled pursuant to the issuance of 7,576,068 shares of our restricted common stock at \$0.25 per share. As a result, as of March 31, 2008, an aggregate \$260,000 was due and owing to this

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shareholder, which bears interest at 8% per annum and has no specific repayment terms. As at March 31, 2008, total accrued interest was \$1,086. See "Part II. Item 2. Changes in Securities and Use of Proceeds."

PURCHASE OF SIGNIFICANT EQUIPMENT

We do not intend to purchase any significant equipment during the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Quarterly Annual Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

GOING CONCERN

The independent auditors' report accompanying our December 31, 2007 and December 31, 2006 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The

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financial statements have been prepared "assuming that we will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business.

ITEM III. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse change in foreign currency and interest rates.

EXCHANGE RATE

Our reporting currency is United States Dollars ("USD"). In the event we acquire any properties outside of the United States, the fluctuation of exchange rates may have positive or negative impacts on our results of operations. However, since all of our properties are currently located within the United States, any potential revenue and expenses will be denominated in U.S. Dollar, and the net income effect of appreciation and devaluation of the currency against the US Dollar would be limited to our costs of acquisition of property.

INTEREST RATE

Interest rates in the United States are generally controlled. Any potential future loans will relate mainly to acquisition of properties and will be mainly short-term. However our debt may be likely to rise in connection with expansion and if interest rates were to rise at the same time, this could become a significant impact on our operating and financing activities. We have not entered into derivative contracts either to hedge existing risks or for speculative purposes.

ITEM IV. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act

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is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was conducted under the supervision and with the participation of our management, including Marcus Johnson, our Chief Executive Officer ("CEO") until his resignation on April 28, 2008, and D. Bruce Horton, our Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2008. Based on that evaluation, Messrs. Johnson and Horton concluded that our disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the

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Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such officers also confirm that there was no change in our internal control over financial reporting during the nine-month period ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

AUDIT COMMITTEE REPORT

The Board of Directors has established an audit committee. The members of the audit committee are Mr. Marcus Johnson, Mr. Steve Jewett and Mr. D. Bruce Horton and. Two of the three members of the audit committee are "independent" within the meaning of Rule 10A-3 under the Exchange Act. The audit committee was organized in November 20, 2004 and operates under a written charter adopted by our Board of Directors.

The audit committee has reviewed and discussed with management our financial statements as of and for the three-month period ended March 31, 2008. The audit committee has also discussed with De Joya Griffith & Company, LLC the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The audit committee has received and reviewed the written disclosures and the letter from De Joya Griffith & Company, LLC required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and has discussed with De Joya Griffith & Company, LLC their independence.

Based on the reviews and discussions referred to above, the audit committee has recommended to the Board of Directors that the financial statements referred to above be included in our Quarterly Report on Form 10-Q for the three-month period ended March 31, 2008 filed with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Management is not aware of any legal proceedings contemplated by any governmental authority or any other party involving us or our properties. As of the date of this Quarterly Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to

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us in any legal proceedings. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

PRIVATE PLACEMENT OFFERING

On February 13, 2008, we closed a private placement offering (the "Private Placement Offering"), whereby we issued Pre-Reverse Stock Split an aggregate of 7,576,068 shares of common stock at a deemed settlement and issuance price of \$0.25 per share (pre 3 to 1 reverse split April 22, 2008) in settlement of an aggregate \$1,515,214 in debt due and owing by us to certain non-U.S. residents.

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The Private Placement Offering was completed in reliance on Regulation S of the Securities Act. Sales were made to only non-U.S. residents. The Private Placement Offering was not registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the Securities and Exchange Commission or an applicable exemption from the registration requirements. The per share price of the Private Placement Offering was arbitrarily determined by our Board of Directors based upon analysis of certain factors including, but not limited to, stage of development, industry status, investment climate, perceived investment risks, our assets and net estimated worth.

DEBT SETTLEMENT

Our Board of Directors, pursuant to a Board of Directors' meeting held on April 1, 2008, approved and authorized the settlement of an aggregate of \$917,123 in current indebtedness (the "Debt Settlement") by the issuance Pre-Reverse Stock Split of an aggregate 4,585,616 shares of our restricted common stock at \$0.21 per share (pre 3 to 1 reverse split - April 22, 2008) effective as of March 24, 2008. The aggregate 4,585,616 shares of common stock were issued to seven creditors (each a "Creditor") pursuant to the terms and conditions of those certain \$0.21 (pre 3 to 1 reverse split - April 22, 2008) Share for Debt Private Placement Subscription Agreements (collectively, the "Subscription Agreements") as entered into between us and each such Creditor. The shares issued to the funding investors relating to the acquisition of their interest in the Boggs#1 is included in this issuance.

The Debt Settlement was made to five non-United States Creditors in reliance on Rule 903 of Regulation S promulgated under the Securities Act and to two United States accredited Creditors in reliance on Section 4(2) of the Securities Act. The securities issued in the Debt Settlement have not been registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the United States Securities and Exchange Commission or an applicable exemption from the registration requirements.

There were no finders' fees or commissions payable by us upon the successful completion of the Debt Settlement and we have agreed to file a registration statement with the United States Securities and Exchange Commission in accordance with the Securities Act covering the resale of the shares of common stock as issued to the Creditors.

REVERSE STOCK SPLIT

On April 1, 2008, our Board of Directors pursuant to a board of directors meeting authorized and approved the Reverse Stock Split. The Reverse Stock Split was effectuated based on market conditions and upon a determination by our Board

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of Directors that the Reverse Stock Split was in our best interests and of the shareholders. Certain factors were discussed among the members of the Board of Directors concerning the need for the Reverse Stock Split, including the increased potential for financing. The intent of the Reverse Stock Split is to increase the marketability of our common stock. The Reverse Stock Split was effectuated on April 22, 2008 upon filing the appropriate documentation with NASDAQ. The Reverse Stock Split decreased our total issued and outstanding

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shares of common stock from 41,976,591 to approximately 13,992,197 shares of common stock. The common stock will continue to be \$0.001 par value.

STOCK OPTION PLAN

On April 3, 2006, our Board of Directors and our shareholders adopted a stock option plan (the "Stock Option Plan"). A provision in the Stock Option Plan provides that in the event of a change in our corporate or capital structure, the Plan Administrator shall make proportional adjustments in the maximum number and kind of securities that may be subject to options. On April 22, 2008, we effected the Reverse Stock Split, which decreased the number of shares issuable under the Stock Option Plan from 5,000,000 shares to 1,666,666 shares. On April 28, 2008, our Board of Directors approved an amendment to the Stock Option Plan to increase the number of shares issuable under the Stock Option Plan to an aggregate of 5,000,000.

On April 30, 2008, we authorized the grant of 500,000 stock options to David Urquhart in accordance with the terms and provisions of an executive service agreement. The options are exercisable at \$1.00 per share for a period of ten years.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No report required.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No report required.

ITEM 5. OTHER INFORMATION

DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS/ELECTION OF DIRECTORS/ APPOINTMENT OF CERTAIN OFFICERS/COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS

Effective on April 30, 2008, our Board of Directors accepted the resignation of Marcus M. Johnson as our President/Chief Executive Officer. Mr. Marcus remains as a member of our Board of Directors. On the same date, the Board of Directors accepted the consent of David Urquhart to act as our President/Chief Executive Officer and as a member of the Board of Directors.

BIOGRAPHY

DAVID URQUHART, PENG. has thirty-five years of operational, engineering, management and executive experience in all facets of the equipment fabrication and hydrocarbon industries. Mr. Urquhart's experience involves production operations, drilling and completion operations, exploration and exploitation operations, plant and facility design and construction, process equipment fabrication, product marketing, project economics, preparation of operating budgets and acquisitions and divestitures. Mr. Urquhart has designed and applied

programmable systems technology for business analysis and reporting outcomes for IMB Systems, Microsoft Word, Microsoft Excel, Visio and Lotus Notes. He has also had extensive national and international exposure in business development, facility construction and project management, including marketing and sales in Eastern Europe, the Middle East, the Orient and Africa.

From 1991 to present, Mr. Urquhart is the founder and principal of Westhampton Ltd., a company specializing in project management and market development. Mr. Urquhart provides contract operations expertise and project management services to various companies and organizations seeking to establish themselves in unfamiliar or offshore environments. These assignments often included the delivery of new technologies directed at solving modern day production and process problems. Some of the projects undertaken were delivered through contracts with Cal-Bow Industries, an offshore associate company focused primarily on the oil and gas industry markets of Russia, North Africa and the Middle East.

From 2007 through 2008, Mr. Urquhart contracted with Geneva Resources Inc. pursuant to which he was responsible for due diligence investigation on the potential associated with two large lease blocks controlled by Allied Minerals Ltd. in Plateau State, Nigeria. From 2005 through 2007, Mr. Urquhart contracted with Mart Resources Inc. to provide design and procurements services on for production facilities and pipelines in the three Nigerian joint venture projects being undertaken by Mart. His responsibilities also included overseeing the day-to-day operations of the company in Nigeria. He was subsequently appointed chief operating officer and elected to the board of directors of Allied Minerals Ltd. From 2003 through 2005, Mr. Urquhart contracted with KC Wellsite Services as the engineering director. He provided drilling programs, casing design, well license applications, rig selection recommendations, site construction advice, third party services selection, cement design, well log interpretation and operations management to company clients. Mr. Urquhart also developed a joint design initiative for an Internet site that would provide historical well drilling graphs and drilling program design formats to the independent oil and gas operators in Western Canada. From 2002 through 2003, Mr. Urquhart contracted with TESCO Corporation to develop a deep-well water drilling joint venture initiative for TESCO in the Sahara Desert Region of Algeria, Tunisia and Libya utilizing the company's unique casing drilling technology. During the same period, he also acted as an advisor to Mohamed Djoua, Director of Drilling for Sanatrach SpA, Algeria's national oil company, in the use of horizontal drilling techniques suited to the optimization of deep sandstone formations.

Prior to founding his own company, Mr. Urquhart served as Vice President, Energy Group for Finex Capital Corporation of Calgary, Alberta. Finex was a Calgary based merchant banking entity owned by First City Trust, and charged with the management of an extensive investment portfolio in both energy and commercial real estate assets. He also served as the senior officer in the establishment of all Finex owned and operated oil and gas service companies, as well as being responsible for providing operational management to all Finex oil and gas production related subsidiary operations.

From the 1960s until 1983, Mr. Urquhart was employed in a variety of successive senior management positions, primarily in charge of drilling and production operations for established petroleum development and production companies. The list of firms includes Petroleum Technologies of Wichita, Kansas (1983 - 1987), Hexagon Gas Limited of Calgary, Alberta (1977 - 1983) and Suncor Inc. of Calgary, Alberta (1968 - 1977).

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Mr. Urquhart graduated from Dalhousie University in Halifax, Nova Scotia with a Bachelor of Science majoring in mathematics and minoring in engineering. He also earned a Bachelor of Engineering from Nova Scotia Technical College. Mr. Urquhart is affiliated with the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Canadian Institute of Mining and Metallurgy - Petroleum Society, the American Society of Petroleum Engineers, and the Association of Drilling Engineers. Mr. Urquhart is also a member of the directors of Mainland Resources Inc., a publicly traded company.

EXECUTIVE SERVICE AGREEMENT

On April 30, 2008, we entered into an executive service agreement with Westhampton Ltd., an Alberta corporation ("Westhampton") and David Urquhart (the "Executive Agreement"). In accordance with the terms and provisions of the Executive Agreement, Mr. Urquhart through Westhampton will provide to us such services as required relating to his executive position as our President and Chief Executive Officer. In accordance with the further terms and provisions of the Executive Agreement, we shall pay to Westhampton a monthly fee of \$10,000.00 and will grant to Mr. Urquhart 500,000 stock options exercisable at \$1.00 per share for a ten year period. The Executive Agreement may be terminated by either party upon thirty days notice.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:

- 10.1 Executive Service Agreement dated April 30, 2008 between Morgan Creek Energy Corp., Westhampton Ltd., and David Urquhart. (1)
- 31.1 Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
- 32.1 Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (1) Incorporated by reference from Current Report on Form 8-K filed with the Securities and Exchange Commission on May __, 2008.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MORGAN CREEK ENERGY CORP.

Dated: May 14, 2008

By: /s/ DAVID URQUHART

David Urquhart, President and
Chief Executive Officer

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Dated: May 14, 2008

By: /s/ D. BRUCE HORTON

D. Bruce Horton, Chief Financial
Officer

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Richard A. Noll, Age 46. Senior Vice President of Sara Lee Corporation since December 2002 and Chief Executive Officer of the Sara Lee Bakery Group since July 2003. Noll joined Sara Lee in 1992 and has held a number of management positions with increasing responsibilities, including Chief Operating Officer of Sara Lee Bakery Group, Chief Executive Officer of Sara Lee's sock business and group Chief Executive Officer of Sara Lee Legwear, Direct and Mexico. He was elected a Vice President of Sara Lee in 1999.

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Adriaan Nühn, Age 50. Executive Vice President of Sara Lee Corporation since March 2003 and Chairman of the Board of Management and Chief Executive Officer of Sara Lee/DE N.V., Sara Lee's Dutch subsidiary, since July 2003. Mr. Nühn joined Sara Lee/DE in 1990 and has held various positions of increasing responsibility. He was elected a Vice President of Sara Lee, Chief Executive Officer of Sara Lee's Household and Body Care division and a member of the Board of Management of Sara Lee/DE in 1995, elected a Senior Vice President of Sara Lee in 1996, and appointed President of Sara Lee's worldwide Coffee and Tea division in 1999.

Roderick A. Palmore, Age 51. Senior Vice President, General Counsel and Secretary of Sara Lee Corporation since 1999; Deputy General Counsel and Vice President of Sara Lee from 1996 to 1999. Prior to joining Sara Lee, Mr. Palmore was a partner of Sonnenschein, Nath & Rosenthal (law firm) in Chicago from 1993 to 1996 and a partner of Wildman, Harrold, Allen & Dixon (law firm) in Chicago from 1986 to 1993.

Wayne R. Szypulski, Age 52. Senior Vice President of Sara Lee Corporation since June 2001; Controller and Chief Accounting Officer of Sara Lee since 1993. Since joining Sara Lee in 1983, Mr. Szypulski has held various financial accounting positions with Sara Lee, including Vice President Controller, Assistant Corporate Controller, Director-Accounting Projects, and Manager-Accounting.

The information with respect to the directors of Sara Lee that is set forth in the Proxy Statement under the heading "Election of Directors" is incorporated herein by reference.

Item 11. Executive Compensation

The information set forth in the Proxy Statement under the headings "Director Compensation" and "Executive Compensation" is incorporated herein by reference; provided, however, that the Report of the Compensation and Employee Benefits Committee on Executive Compensation and the Performance Graph contained in the Proxy Statement are not incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth in the Proxy Statement under the heading "Sara Lee Stock Ownership by Certain Beneficial Owners" is incorporated herein by reference. Security ownership by management as contained in the Proxy Statement under the heading "Sara Lee Stock Ownership by Directors and Executive Officers" is incorporated herein by reference. There are no arrangements known to Sara Lee, the operation of which may at a subsequent date result in a change in control of Sara Lee.

EQUITY COMPENSATION PLAN INFORMATION TABLE

The following table provides information as of June 28, 2003 regarding the number of shares of Sara Lee common stock that may be issued under Sara Lee's equity compensation plans.

Plan Category (1)	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	74,592,454(2)(3)	\$ 21.21(2)(3)	61,479,138(4)
Equity compensation plans not approved by security holders(5)	5,955,417(6)	\$ 20.29	8,585,167(7)
Total	80,547,871		70,064,305

- (1) The table does not include information regarding Sara Lee's 401(k) Plan. As of September 2, 2003, there were 29,882,395 shares of common stock held in this plan.
- (2) Includes options issued in connection with Sara Lee's acquisition of Chock full o Nuts Corporation and The Earthgrains Company. Upon consummation of these acquisitions, all outstanding options to purchase common stock of the acquired companies were converted into options to purchase shares of Sara Lee common stock. As of June 28, 2003, there were outstanding options to acquire 679,616 shares of Sara Lee common stock, at a weighted average exercise price of \$8.59, that were granted in connection with the Earthgrains acquisition and options to acquire 4,493 shares of Sara Lee common stock, at a weighted average exercise price of \$18.06, that were granted in connection with the Chock full o Nuts acquisition. Sara Lee cannot grant any additional awards under these assumed equity compensation plans.
- (3) Includes 3,572,930 restricted stock units that were outstanding on June 28, 2003 under Sara Lee's 1995 and 1998 Long-Term Incentive Stock Plans. Restricted stock unit awards do not have an exercise price because their value is dependent upon the achievement of certain performance goals or continued employment over a period of time, and may be settled only for shares of common stock on a one-for-one basis. Also includes 22,607 phantom stock units outstanding under Sara Lee's deferred compensation program for non-employee directors, which units may be settled only for shares of common stock on a one-for-one basis. Accordingly, the restricted stock units and the phantom stock units have been disregarded for purposes of computing the weighted-average exercise price.
- (4) Includes 2,549,878 shares of common stock available for issuance under the Employee Stock Purchase Plan, pursuant to which Sara Lee employees resident in the United States and Canada may purchase Sara Lee common stock through payroll deductions. There are four three-month offering periods during each calendar year. At the end of each offering period, shares of common stock are purchased for the accounts of participants at a per share price equal to 85% of the lesser of the fair market value of Sara Lee common stock on the first day of the offering period or the fair market value of Sara Lee common stock on the last day of the offering period. Participants may withdraw from the plan at any time prior to the purchase date.
- (5) The following plans have not been approved by Sara Lee stockholders: Employee Option & Share Plan For Employees in the Netherlands, Employee Stock Recognition Plan, Executive Deferred Compensation Plan, U.K. Savings Incentive Plan, International Employee Stock Purchase Plan, Share 2000 Global Stock Plan and Share 2003 Global Stock Plan. The material terms of each of these plans are described following the table.
- (6) Includes 5,059,084 shares to be issued upon exercise of outstanding options and rights granted under the Employee Option & Share Plan For Employees in the Netherlands, Share 2000 Global Stock Plan and Share 2003 Global Stock Plan. There are no options outstanding under the Employee Stock Recognition Plan,

U.K. Savings Incentive Plan or International Employee Stock Purchase Plan, because these plans provide for the direct issuance of shares of Sara Lee common stock, and the rights to acquire shares under these plans do not have an exercise price. Also includes 896,333 phantom stock units outstanding under the Executive Deferred Compensation Plan, which units may be settled only for shares of common stock on a one-for-one basis.

- (7) Consists of shares remaining available for future awards under the Employee Option & Share Plan For Employees in the Netherlands, the Employee Stock Recognition Plan, the U.K. Savings Incentive Plan and the International Employee Stock Purchase Plan.

Sara Lee has obtained stockholder approval of all of its significant equity compensation plans. Set forth below is a brief description of the material features of each Sara Lee equity compensation plan that was adopted without the approval of Sara Lee's stockholders and that was in effect as of June 28, 2003.

Employee Option & Share Plan For Employees in the Netherlands (the Netherlands Plan)

The terms of the Netherlands Plan were designed to conform to generally accepted criteria for broad-based employee stock plans in the Netherlands, including the legal, tax and accounting regulations of the Netherlands. Under the Plan, Sara Lee employees who have been employed in the Netherlands for at least 12 months may purchase immediately vested, five-year options to acquire shares of Sara Lee common stock. The purchase price of each option is equal to 7.5% of the aggregate exercise price of the option, which equals the value of the option for Netherlands tax purposes. A stock option represents the right to purchase a specified number of shares of common stock, during a specified period, upon payment of a cash exercise price per share. The exercise price of each option granted under the Netherlands Plan equals 100% of the fair market value of Sara Lee common stock on the date of grant. An option may be exercised at any time during the five years following the grant date; however, if a participant exercises an option within the first three years following the grant date, the participant must pay to Sara Lee an amount in cash equal to 95% of the gain on the transaction. The Plan specifies a minimum and a maximum number of options that a participant may purchase in any year. Each employee who purchases at least the minimum number of options in any year is granted, at no charge, an option to purchase 15 shares of Sara Lee common stock.

Under the Netherlands Plan, if a participant's employment with Sara Lee terminates by reason of the optionee's death or disability, as defined under the appropriate disability benefit plan, any options held by such participant will be exercisable until the earliest to occur of (i) 12 months after the participant's date of death or the effective date of such participant's termination of employment, and (ii) the expiration date of each option. If an optionee's employment with Sara Lee terminates by reason of the participant's retirement, as defined under the appropriate retirement benefit plan, any option held by the participant will be exercisable until the expiration date of each option. If a participant's employment with Sara Lee terminates for any reason other than the participant's death, disability or retirement, any options held by the participant will be exercisable until the earliest to occur of (i) six months after the effective date of such optionee's termination of employment, and (ii) the expiration date of each option. The Plan provides that if the fair market value of Sara Lee common stock exceeds the exercise price of an option plus the brokerage fee on the date the option otherwise would expire, the option automatically will be exercised and the underlying common stock sold on behalf of the participant.

The Netherlands Plan authorizes the issuance of up to 5,000,000 shares of common stock and, as of June 28, 2003, approximately 3,896,000 shares remained available for future awards. Sara Lee has retained Rabobank Group to act as the administrator of the Netherlands Plan.

Employee Stock Recognition Plan

Sara Lee's Employee Stock Recognition Plan provides for the award of shares of Sara Lee common stock to reward, motivate and retain employees, excluding executive officers of Sara Lee. Awards generally are in the

amount of 400 to 700 shares of Sara Lee common stock and are typically granted to employees in recognition of or as a reward for exceptional performance. The Plan is administered by the Compensation and Employee Benefits Committee of the Board (the Compensation Committee), which may delegate its responsibilities to Sara Lee's Vice President of Human Resources or other designee. Awards under the Plan are based upon grant applications submitted by personnel overseeing Sara Lee's numerous businesses. The Employee Stock Recognition Plan was approved by the Board of Directors in January 1995 and authorizes the issuance of up to 500,000 shares of common stock. As of June 28, 2003, approximately 129,000 shares remained available for future awards. In the event of a stock dividend or a stock split involving Sara Lee's common stock, the number of shares authorized for issuance under the Employee Stock Recognition Plan will be adjusted proportionately, and the Compensation Committee may make such other adjustments as it deems equitable.

Executive Deferred Compensation Plan

Sara Lee's Executive Deferred Compensation Plan permits officers of Sara Lee to defer salary, bonus and long-term incentive payments into either an interest bearing or stock equivalent account. Deferrals in the stock equivalent account are valued as if each deferral were invested in Sara Lee common stock as of the deferral date. Deferred balances are paid out only in shares of Sara Lee common stock, on a one-for-one basis, at future dates specified by the participant. Stock equivalent units do not have voting rights, but are credited with dividend equivalents. The dividend equivalents are paid when shares are issued to the participant. As of June 28, 2003, there were approximately 896,000 stock equivalents outstanding in the stock equivalent accounts under this Plan.

U.K. Savings Incentive Plan (the U.K. SIP)

The U.K. SIP, which was approved by the Board of Directors in June 2002, provides Sara Lee employees located in the United Kingdom the opportunity to purchase Sara Lee common stock on a pre-tax basis through payroll deductions. Sara Lee employees generally will be eligible to participate in the U.K. SIP if they are employees on the first day of the applicable offering period. Under the U.K. SIP, there are four three-month offering periods during each calendar year, beginning on the first Monday (or next succeeding business day, if Monday is a holiday) of each February, May, August and November.

For each offering period, participating employees purchase shares of Sara Lee common stock at a price equal to the lower of the fair market value of Sara Lee common stock on the first day of the offering period or the fair market value of Sara Lee common stock on the last day of the offering period. The fair market value is equal to the average of the highest and lowest quoted selling price per share of Sara Lee common stock, as reported by the New York Stock Exchange Composite Transaction Tape. For each six shares purchased by a participant, Sara Lee will make a matching contribution of one share to the participant's account. So long as shares are held in a U.K. SIP account, dividends paid on such shares will be used by the trustee to purchase additional shares of common stock for the participants' accounts. Participants may sell or transfer shares purchased in the U.K. SIP at any time; however, matching shares contributed by Sara Lee cannot be sold or transferred for three years.

If a participant ceases to be employed by Sara Lee, all of such participant's shares held in the U.K. SIP must be sold or transferred out of the plan and the participant may be subject to U.K. income taxes and National Insurance Contributions with respect to such shares. Participants who hold shares acquired through the U.K. SIP, including matching shares contributed by Sara Lee, for at least five years generally will not be subject to U.K. income taxes or National Insurance Contributions upon the sale or withdrawal of such shares from the plan. Participants may be subject to U.K. income taxes if they sell shares acquired upon reinvestment of dividends within three years after such shares were acquired.

The U.K. SIP authorizes the issuance of up to 1,500,000 shares of common stock and, as of the end of fiscal year 2003, approximately 1,488,000 shares remain to be issued under the plan. The shares purchased by participants under the U.K. SIP will come from authorized but unissued shares of Sara Lee common stock. The

U.K. SIP is administered by the Compensation Committee, which may delegate its responsibilities to Sara Lee's Vice President of Human Resources. The Compensation Committee has appointed Capita IRG Trustees Limited to act as trustee of the U.K. SIP and to maintain participant accounts, issue account statements and perform other administrative tasks. In the event of a change of control (as defined in the Plan) of Sara Lee, the trustee of the Plan may vote or exchange Sara Lee shares held in the Plan for the acquisition consideration, on the same terms as other Sara Lee stockholders. The U.K. SIP may be amended or terminated by the Compensation Committee at any time.

International Employee Stock Purchase Plan

The International Employee Stock Purchase Plan (IESPP) provides Sara Lee employees resident in selected countries, excluding the United States, Canada and Puerto Rico, an opportunity to purchase Sara Lee common stock through payroll deductions. The IESPP currently is available to Sara Lee employees resident in Australia, France, Germany, Italy and Spain. The general terms and conditions of the IESPP apply to all participants; however, specific plan rules have been adopted for each country to conform to local laws and regulations. Sara Lee employees generally are eligible to participate in the IESPP if they are employees on the first day of the applicable offering period, are residents of a country in which the IESPP is available and are not executive officers of Sara Lee.

Under the IESPP, there are four three-month offering periods during each calendar year, beginning on the first Monday (or the next succeeding business day, if Monday is a holiday) of each February, May, August and November. Participating employees may authorize payroll deductions during any offering period in any amount in excess of a specified minimum deduction; however, a participant may not elect payroll deductions that will exceed a specified aggregate amount in any calendar year. For each offering period, shares of common stock are purchased for the accounts of participating employees at a per share price equal to 85% of the lesser of the fair market value of Sara Lee common stock on the first day of the offering period or the fair market value of Sara Lee common stock on the last day of the offering period. The fair market value per share is equal to the average of the highest and lowest quoted selling price per share of Sara Lee common stock, as reported by the New York Stock Exchange Composite Transaction Tape. The shares purchased by participants through the IESPP are authorized but unissued shares of Sara Lee common stock. The IESPP plan rules applicable to participants in Australia require participants to hold shares acquired under the IESPP for a minimum of three years. Participants in countries other than Australia may sell or transfer shares acquired under the IESPP at any time. So long as shares are held in an IESPP account, dividends paid on such shares will be used to purchase additional shares of common stock under Sara Lee's Investment plan.

A participant voluntarily may terminate participation in the IESPP at any time, and a participant's participation in the IESPP will be involuntarily terminated upon such participant's termination of employment with Sara Lee for any reason or if the participant ceases to be eligible to participate. In the event a participant withdraws from the IESPP, no further payroll deductions will be taken and, at the election of participant or the participant's estate, amounts accumulated in the participant's IESPP account for the then current offering period either will be paid to the employee or the employee's estate, or applied to purchase common stock on the next purchase date. Unless a participant terminates participation in the IESPP, the participant may not withdraw any payroll deductions accumulated in his or her IESPP account, in whole or in part.

The IESPP authorizes the issuance of up to 4,000,000 shares of common stock and, as of June 28, 2003, approximately 3,072,000 shares remained available for issuance. In the event of a stock dividend, stock split or other similar transaction involving Sara Lee's common stock, the number of shares authorized for issuance under the IESPP will be adjusted proportionately and the Board of Directors may make other adjustments to the IESPP as it deems equitable. The IESPP is administered by the Compensation Committee, which may delegate its responsibilities to Sara Lee's Senior Vice President of Human Resources and other designated persons. In Australia, Sara Lee has appointed a third party trustee to maintain IESPP participant accounts, issue account statements and perform other administrative tasks.

Share 2000 Global Stock Plan

The Share 2000 Global Stock Plan (the *Share 2000 Plan*) is a broad-based plan that was adopted in 1997 to enable Sara Lee to make a special stock option grant to its non-officer employees world-wide. On August 28, 1997 (after giving effect to the December 1998 stock-split), Sara Lee granted an option to purchase no more than 200 shares of common stock each, at an exercise price of \$20.53 per share, under the Share 2000 Plan to approximately 60,000 Sara Lee employees. The exercise price of the options equals the fair market value of a share of Sara Lee common stock on the date of grant, based on the average high and low sales prices per share on the New York Stock Exchange Composite Transactions Tape. The options generally vested over three years after the date of grant, except that options granted to employees in the Netherlands vested immediately and options granted to employees in France vested in full on August 28, 2002. Options granted under the Share 2000 Plan expire on August 28, 2007; however, due to Dutch tax laws, employees resident in the Netherlands were granted options with only a five-year term. To provide Dutch employees with substantially equivalent economic value as other participants in the Share 2000 Plan and in response to changes in Dutch tax laws since the original grant date, the Compensation Committee approved the grant to Dutch option holders of additional options, with exercise terms of five years or less, upon the expiration of their original five-year options. These new options have an exercise price equal to or greater than the fair market value of Sara Lee common stock on the date of grant and contain other terms and conditions substantially similar to the options originally granted.

Under the Share 2000 Plan, if an optionee's employment with Sara Lee terminates by reason of the optionee's death or permanent and total disability, as defined under the appropriate disability benefit plan, any portion of the option that was vested on the date of death or the effective date of such optionee's termination of employment will be exercisable until the earliest to occur of (i) one year after the optionee's date of death or the effective date of such optionee's termination of employment, and (ii) August 28, 2007. If an optionee's employment with Sara Lee terminates by reason of the optionee's retirement, as defined under the appropriate retirement benefit plan, any portion of the option that was vested on the date of the optionee's retirement will be exercisable until the earliest to occur of (i) five years after the effective date of such optionee's termination of employment, and (ii) August 28, 2007. If an optionee's employment with Sara Lee terminates for any reason other than the optionee's death, disability or retirement, any portion of the option that was vested on the date of the effective date of the optionee's termination of employment will be exercisable until the earliest to occur of (i) six months after the effective date of such optionee's termination of employment, and (ii) August 28, 2007.

The Share 2000 Plan, which is administered by the Compensation Committee, authorized the issuance of up to 20,000,000 shares of Sara Lee common stock. The Compensation Committee may provide for appropriate adjustment of outstanding options, including the acceleration of vesting of outstanding options, either in contemplation of or in the event that Sara Lee undergoes a change in control (as defined in the Plan) or is not the surviving corporation in a merger or consolidation with another corporation. In the event of a stock dividend, stock split, merger, consolidation, reorganization, spin-off, liquidation or other similar change in capitalization or event involving Sara Lee's common stock, the Compensation Committee will make appropriate adjustments to the number of shares available under the Plan and to the exercise price and the number of shares subject to any outstanding option.

The Share 2000 Plan may be amended or terminated by the Board of Directors at any time, provided that such action does not adversely affect the rights or obligations of existing option holders. In April 2000, the Board of Directors approved the Share 2003 Global Stock Plan to enable Sara Lee to make another broad-based, special stock option grant. Upon approval of the Share 2003 Plan, all of the 13,187,980 shares of Sara Lee common stock that were available for future awards under the Share 2000 Plan were transferred to the Share 2003 Plan. Subsequently, in August 2002, the Board of Directors released all shares authorized for issuance under the Share 2000 Plan that were not subject to outstanding awards, and all shares subject to outstanding awards that expire, are cancelled or are forfeited prior to exercise. Accordingly, no additional options may be granted under the Share 2000 Plan and approximately 3,200,000 shares remain reserved for issuance upon exercise of outstanding awards.

Share 2003 Global Stock Plan

The Share 2003 Global Stock Plan (the "Share 2003 Plan") is a broad-based plan that was adopted in 2000 to enable Sara Lee to make a special stock option grant to managerial level Sara Lee employees resident in various countries, excluding the United States. On April 27, 2000, Sara Lee granted an option to purchase 100 shares of common stock, at an exercise price of \$15.47 per share, under the Share 2003 Plan to approximately 16,000 Sara Lee employees. The exercise price of the options equals the fair market value of a share of Sara Lee common stock on the date of grant, based on the average high and low sales prices per share on the New York Stock Exchange Composite Transactions Tape. Due to Italian law, the options granted to employees resident in Italy have an exercise price of \$16.98 per share. The options generally vest over three years after the date of grant, except that options granted to employees in France vest in full on April 28, 2005. Options granted under the Share 2003 Plan expire on April 27, 2010.

Under the Share 2003 Plan, if an optionee's employment with Sara Lee terminates by reason of the optionee's death or permanent and total disability, as defined under the appropriate disability benefit plan, the option will vest fully on the date of death or the effective date of such optionee's termination of employment and will be exercisable until the earliest to occur of (i) five years after the optionee's date of death or the effective date of such optionee's termination of employment, and (ii) April 27, 2010. If an optionee's employment with Sara Lee terminates by reason of the optionee's retirement, as defined under the appropriate retirement benefit plan, the option will continue to vest in accordance with the original three-year vesting schedule and will be exercisable until April 27, 2010. If an optionee's employment with Sara Lee terminates for any reason other than the optionee's death, disability or retirement, any portion of the option that was vested on the date of the effective date of the optionee's termination of employment will be exercisable until the earliest to occur of (i) six months after the effective date of such optionee's termination of employment, and (ii) April 27, 2010.

The Share 2003 Plan, which is administered by the Compensation Committee, authorized the issuance of up to 13,187,980 shares of common stock. In the event of a stock dividend, stock split, merger, consolidation, reorganization, spin-off, liquidation or other similar change in capitalization or event involving Sara Lee's common stock, the Compensation Committee will make appropriate adjustments to the number of shares available under the Plan and to the exercise price and the number of shares subject to any outstanding option. In the event that Sara Lee effects a change in control (as defined in the Plan) or is not the surviving corporation in a merger or consolidation with another corporation, or in contemplation of any such event, the Compensation Committee may provide for appropriate adjustment of all outstanding options, including accelerating the vesting of outstanding options.

The Share 2003 Plan may be amended or terminated by the Board of Directors at any time, provided that such action does not adversely affect the rights or obligations of existing option holders. As of June 28 2003, no additional options may be granted under the Share 2003 Plan and approximately 800,000 shares remain reserved for issuance upon exercise of outstanding awards.

Item 13. Certain Relationships and Related Transactions

The information set forth in the Proxy Statement under the heading "Executive Compensation Retirement Agreements" is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information set forth in the Proxy Statement under the headings "Audit Fees" and "Audit Committee Pre-Approval Policies and Procedures" is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

The following Consolidated Financial Statements and related Notes, together with the Reports of Independent Auditors with respect thereto, appearing on pages 47 through 75 of the Company's 2003 Annual Report to Stockholders are incorporated herein:

(a) **1. Financial Statements**

Reports of Independent Auditors

Consolidated Statements of Income Years ended June 30, 2001, June 29, 2002 and June 28, 2003

Consolidated Balance Sheets June 30, 2001, June 29, 2002 and June 28, 2003

Consolidated Statements of Common Stockholders' Equity For the period July 1, 2000 to June 28, 2003

Consolidated Statements of Cash Flows Years ended June 30, 2001, June 29, 2002 and June 28, 2003

Notes to Financial Statements

(a) **2. Financial Statement Schedules**

The following Financial Statement Schedule, together with the Report of Independent Auditors with respect thereto, appear elsewhere in this Report and is incorporated herein by reference.

Report of Independent Auditors on Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts

(a) **3. Exhibits**

A list of exhibits to this Report is set forth in the Exhibit Index appearing elsewhere in this Report and is incorporated herein by reference.

(b) **Reports on Form 8-K**

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Sara Lee Corporation has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

September 22, 2003

SARA LEE CORPORATION

By: /s/ RODERICK A. PALMORE

Roderick A. Palmore
*Senior Vice President, General Counsel
and Secretary*

KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Roderick A. Palmore and C. Steven McMillan, and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, to act for him and in his name, place and stead, in any and all capabilities to sign the Annual Report on Form 10-K of Sara Lee Corporation for the fiscal year ending June 28, 2003, and any and all amendments thereto and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue himself.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of Sara Lee Corporation and in the capacities indicated on September 22, 2003.

<u>Signature</u>	<u>Title</u>
<u>/s/ C. STEVEN McMILLAN</u> C. Steven McMillan	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ CARY D. McMILLAN</u> Cary D. McMillan	Executive Vice President and Director
<u>/s/ L.M. (THEO) DE KOOL</u> L.M. (Theo) de Kool	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ WAYNE R. SZYPULSKI</u> Wayne R. Szypulski	Senior Vice President and Controller (Principal Accounting Officer)
<u>/s/ J.T. BATTENBERG III</u>	Director

J.T. Battenberg, III

/s/ CHARLES W. COKER

Director

Charles W. Coker

/s/ JAMES S. CROWN

Director

James S. Crown

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<u>Signature</u>	<u>Title</u>
<hr/> <i>/s/</i> LAURETTE T. KOELLNER	Director
<hr/> Laurette T. Koellner	
<hr/> <i>/s/</i> WILLIE D. DAVIS	Director
<hr/> Willie D. Davis	
<hr/> <i>/s/</i> VERNON E. JORDAN JR.	Director
<hr/> Vernon E. Jordan, Jr.	
<hr/> <i>/s/</i> JAMES L. KETELSEN	Director
<hr/> James L. Ketelsen	
<hr/> <i>/s/</i> CORNELIS J.A. VAN LEDE	Director
<hr/> Cornelis J.A. van Lede	
<hr/> <i>/s/</i> HANS B. VAN LIEMT	Director
<hr/> Hans B. van Liemt	
<hr/> <i>/s/</i> JOAN D. MANLEY	Director
<hr/> Joan D. Manley	
<hr/> <i>/s/</i> ROZANNE L. RIDGWAY	Director
<hr/> Rozanne L. Ridgway	
<hr/> <i>/s/</i> RICHARD L. THOMAS	Director
<hr/> Richard L. Thomas	

EXHIBIT INDEX
3. Exhibits

		<u>Incorporation by Reference</u>
(3a)	1. Articles of Restatement of Charter dated August 28, 2003	
(3b)	Amended Bylaws, dated August 28, 2003	
(4)	1. Rights Agreement, dated as of March 26, 1998 between Sara Lee Corporation and First Chicago Trust Company of New York, as rights agent.	Exhibit 4.1 to Report on Form 8-K dated May 15, 1998
	2. Amendment No. 1 to Rights Agreement, dated as of June 1, 2002	Exhibit 4.2 to Report on Form 10-K for Fiscal Year ended June 28, 2003
	3. Form of Floating Rate Note due 2003	Exhibit 4.1 to Current Report on Form 8-K dated September 24, 2001
	4. Form of 6 ¼% Notes due 2011	Exhibit 4.2 to Current Report on Form 8-K dated September 24, 2001
<p>Sara Lee, by signing this Report, agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of Sara Lee and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed, and which authorizes a total amount of securities not in excess of 10% of the total assets of Sara Lee and its subsidiaries on a consolidated basis.</p>		
(10)	*1. 1981 Stock Option Plan, as amended	Exhibit 10(11) to Report on Form 10-K for Fiscal Year ended July 1, 1989
	*2. 1988 Non-Qualified Stock Option Plan, as amended	Exhibit 10(3) to Report on Form 10-K for Fiscal Year ended July 1, 1995
	*3. 1989 Incentive Stock Plan, as amended	Exhibit 10(4) to Report on Form 10-K for Fiscal Year ended June 28, 1997
	*4. Supplemental Benefit Plan, as amended	Exhibit 10(5) to Report on Form 10-K for Fiscal Year ended June 28, 1997
	*5. Performance-Based Annual Incentive Plan	Exhibit A to Proxy Statement dated September 20, 1995
	*6. 1995 Long-Term Incentive Stock Plan, as amended	Exhibit 10(16) to Report on Form 10-K for Fiscal Year ended June 28, 1997
	*7. 1995 Non-Employee Director Stock Plan, as amended	Exhibit 10(8) to Report on Form 10-K for Fiscal Year ended July 3, 1999
	*8. 1998 Long-Term Incentive Stock Plan	Exhibit A to Proxy Statement dated September 21, 1998
	*9. 1999 Non-Employee Director Stock Plan	Exhibit A to Proxy Statement dated September 25, 2002
	*10. 2002 Long-Term Incentive Stock Plan	Exhibit A to Proxy Statement dated September 25, 2002
	*11. Executive Deferred Compensation Plan	Exhibit 10(12) to Report on Form 10-K for Fiscal Year ended July 3, 1999
	*12. Second Amendment to Executive Deferred Compensation Plan	Exhibit 10(13) to Report on Form 10-K for Fiscal Year ended July 1, 2000

Incorporation by Reference

<p>*13. FY 2001-03 Long Term Performance Incentive Plan</p> <p>*14. Non-Qualified Estate Builder Deferred Compensation Plan</p> <p>*15. Severance Plans For Corporate Officers, as amended</p> <p>*16. Retirement Agreement dated February 13, 2002 between Sara Lee Corporation, Sara Lee/DE, N.V. and Frank L. Meysman</p> <p>17. Employee Option & Share Plan For Employees in the Netherlands</p> <p>18. U.K. Savings Incentive Plan</p> <p>19. International Employee Stock Purchase Plan</p> <p>20. Share 2000 Global Stock Plan</p> <p>(12) 1. Computation of Ratio of Earnings to Fixed Charges</p> <p>2. Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements</p> <p>(13) Portions of Sara Lee's 2003 Annual Report to Stockholders (only those portions that are expressly incorporated by reference in this Annual Report on Form 10-K)</p> <p>(21) List of Subsidiaries</p> <p>(23) Consent of PricewaterhouseCoopers LLP</p> <p>(24) Powers of Attorney (included on signature page to this Report)</p> <p>(31) 1. Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002</p> <p>2. Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002</p> <p>(32) 1. Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002</p> <p>2. Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002</p>	<p>Exhibit 10.1 to Report on Form 10-Q for quarterly period ended September 30, 2000</p> <p>Exhibit 10(17) to Report on Form 10-K for Fiscal Year ended June 29, 1985</p> <p>Exhibit 10(16) to Report on Form 10-K for Fiscal Year ended June 29, 2002</p> <p>Exhibit 10.1 to Report on Form 10-Q for quarterly period ended March 29, 2003</p> <p>Exhibit 10.24 to Report on Form 10-K for Fiscal Year ended June 29, 2002</p> <p>Exhibit 10.26 to Report on Form 10-K for Fiscal Year ended June 29, 2002</p> <p>Exhibit 10.27 to Report on Form 10-K for Fiscal Year ended June 29, 2002</p>
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* Management compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

**Report of Independent Auditors on
Financial Statement Schedule**

To the Board of Directors of Sara Lee Corporation:

Our audits of the consolidated financial statements referred to in our report dated July 30, 2003 appearing in the 2003 Annual Report to Shareholders of Sara Lee Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule information for the years ended June 28, 2003 and June 29, 2002 listed in Item 15(a)(2) of this Form 10-K. In our opinion, the financial statement schedule information for the years ended June 28, 2003 and June 29, 2002, present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. The financial statement schedule information of Sara Lee Corporation for the year ended June 30, 2001, was audited by other independent auditors who have ceased operations. Those independent auditors expressed an unqualified opinion on that financial statement schedule in their report dated July 27, 2001.

/s/ PricewaterhouseCoopers LLP

Chicago, IL

July 30, 2003

Report of Predecessor Auditor (Arthur Andersen LLP) on Financial Statement Schedule

The following report is a copy of a report previously issued by Arthur Andersen LLP and has not been reissued by Arthur Andersen LLP. This report applies to supplemental Schedule II - Valuation and Qualifying Accounts for the three years ended June 30, 2001.

To the Board of Directors and Management of Sara Lee Corporation:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Sara Lee Corporation included in this Form 10-K, and have issued our report thereon dated July 27, 2001. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental Schedule II is the responsibility of the Corporation's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Chicago, Illinois

July 27, 2001

SCHEDULE II

Sara Lee Corporation and Subsidiaries

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended June 30, 2001, June 29, 2002, and June 28, 2003

	Balance at Beginning of Year	Provision Charged to Costs and Expenses	Write-offs (1) Allowances Taken	Other Additions (Deductions)	Balance at End of Year
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the Year Ended June 30, 2001:					
Allowances for bad debts	\$ 105	\$ 27	\$ (25)	\$ (20)	\$ 87
Other receivable allowances	90	79	(79)	(20)	70
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 195	\$ 106	\$ (104)	\$ (40)	\$ 157
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the Year Ended June 29, 2002:					
Allowances for bad debts	\$ 87	\$ 34	\$ (26)	\$ 1	\$ 96
Other receivable allowances	70	95	(91)	6	80
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 157	\$ 129	\$ (117)	\$ 7	\$ 176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the Year Ended June 28, 2003:					
Allowances for bad debts	\$ 96	\$ 13	\$ (24)	\$ 8	\$ 93
Other receivable allowances	80	97	(87)	(2)	88
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 176	\$ 110	\$ (111)	\$ 6	\$ 181
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(1) Net of collections on accounts previously written off.