

Granite City Food & Brewery Ltd.
(OTC Pink: GCFB)
A Minnesota Corporation



Cadillac Ranch
THE GREAT ALL-AMERICAN BAR & GRILL

Quarterly Report for the Period Ended
April 1, 2014

Prepared in accordance with OTC Pink Basic Disclosure Guidelines
Current Information Tier

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Item 1: Name of the Issuer and its Predecessors (if any)

Granite City Food & Brewery Ltd.

Item 2: Address of the Issuer's Principal Executive Offices

Company headquarters: 701 Xenia Avenue South, Suite 120
Minneapolis, MN 55416
Tel: (952) 215-0660
Email: corporate@gcfb.net
Website: www.gcfb.net

IR contact: N/A

Item 3: Security Information

Trading symbol: GCFB
Exact title and class of securities outstanding: Common Stock
CUSIP: 38724Q404
Par or stated value: \$0.01 (par value)
Total shares authorized: 90,000,000
Total shares outstanding as of 4/1/14: 8,360,981

Additional class of securities (if necessary):

Trading symbol: N/A
Exact title of class of securities outstanding: Series A Convertible Preferred Stock
CUSIP: N/A
Par or stated value: \$0.01 (par value)
\$3.00 (stated value)
Total shares authorized as of 4/1/14: 10,000,000 (Preferred Stock)
3,000,000 (Series A Convertible Preferred Stock)
Total shares outstanding as of 4/1/14: 3,000,000

Trading symbol: N/A
Exact title of class of securities outstanding: Redeemable Preferred Stock
CUSIP: N/A
Par or stated value: \$0.01 (par value)
\$1,000 (stated value)
Total shares authorized as of 4/1/14: 10,000,000 (Preferred Stock)
2,000 (Redeemable Preferred Stock)
Total shares outstanding as of 4/1/14: 2,000

Transfer Agent: Wells Fargo Bank Minnesota, N.A.
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120
(800) 689-8788

Is the Transfer Agent registered under the Exchange Act?¹

Yes

¹ To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

No securities of this Issuer are subject to any additional restrictions unless otherwise noted by way of restrictive legend. Neither the Issuer nor any recognized regulatory body has imposed additional restrictions on the transfer of securities aside from required registration and/or exemption for resale of securities which bear a restrictive legend.

Describe any trading suspension orders issued by the SEC in the past 12 months:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off or reorganization either currently anticipated or that occurred within the past 12 months:

Pursuant to the terms of the Series A Convertible Preferred Stock, the following stock dividend payments were made to the preferred shareholder of record on the following dates in the past two fiscal years and the interim period through April 1, 2014. All such issuances were made in reliance upon the exemption provided in Section 4(a)(2) of the Securities Act. The certificates representing such securities contain restrictive legends preventing sale, transfer or other disposition, absent registration or an applicable exemption from registration requirements.

<u>Date Paid</u>	<u>Common Stock</u>
12/30/2011	43,679
3/30/2012	46,190
6/29/2012	46,387
9/28/2012	45,998
12/31/2012	45,731
3/29/2013	48,009
6/28/2013	48,600
9/30/2013	46,836
12/31/2013	61,014

Item 4: Issuance History

Beyond the stock dividend payments disclosed pursuant to Item 3 above, the following events resulted in changes in the Issuer's total outstanding shares of common stock during the past two fiscal years and the interim period through April 1, 2014:

June 2012 Common Stock Offering

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

Issuance in reliance upon the exemption provided in Section 4(a)(2) of the Securities Act to the then beneficial owner of approximately 72.1% of the Issuer's common stock

B. Any jurisdictions where the offering was registered or qualified;

N/A

C. The number of shares offered;

3,125,000

D. The number of shares sold;

3,125,000

E. The price at which the shares were offered, and the amount actually paid to the issuer;

\$2.08 per share (gross proceeds of approximately \$6.5 million)

F. The trading status of the shares; and

The certificate representing such securities contains a restrictive legend preventing sale, transfer or other disposition, absent registration or an applicable exemption from registration requirements.

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

Yes

2012 and 2013 Stock Option Exercises

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

Issuance pursuant to one or more Registration Statements on Form S-8 to 16 employees

B. Any jurisdictions where the offering was registered or qualified;

N/A

C. The number of shares offered;

62,623

D. The number of shares sold;

62,623

E. The price at which the shares were offered, and the amount actually paid to the issuer;

\$1.08, \$1.38 and \$2.00 per share

F. The trading status of the shares; and

The certificates representing such securities were issued pursuant to a registration statement.

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

No

2014 Warrant Exercises

- A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

Issuance in reliance upon the exemption provided in Section 4(a)(2) of the Securities Act to two institutional investors

- B. Any jurisdictions where the offering was registered or qualified;

N/A

- C. The number of shares offered;

53,332

- D. The number of shares sold;

53,332

- E. The price at which the shares were offered, and the amount actually paid to the issuer;

\$1.52 per share

- F. The trading status of the shares; and

The certificate representing such securities contains a restrictive legend preventing sale, transfer or other disposition, absent registration or an applicable exemption from registration requirements.

- G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

Yes

Item 5: Financial Statements

The following unaudited condensed consolidated financial statements for the quarter ended April 1, 2014 are attached hereto as Exhibit A:

- A. Condensed consolidated Balance Sheets
- B. Condensed consolidated Statements of Operations
- C. Condensed consolidated Statements of Cash Flows
- D. Notes to condensed consolidated Financial Statements

Financial statements for the Issuer's two previous fiscal years appear in the Issuer's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 as filed with the U.S. Securities and Exchange Commission on March 19, 2014. Such financial statements are incorporated by reference into this report.

Item 6: Description of the Issuer's Business, Products and Services

- A. Description of the Issuer's business operations:

We operate two casual dining concepts: Granite City Food & Brewery® and Cadillac Ranch All American Bar & Grill®. The Granite City restaurant theme is upscale casual dining with a wide variety of

menu items that are prepared fresh daily, including Granite City's award-winning signature line of hand-crafted beers finished on-site. The extensive menu features moderately priced favorites served in generous portions. Granite City's attractive price point, high service standards, and great food and beer combine for a memorable dining experience. Cadillac Ranch restaurants feature freshly prepared, authentic, All-American cuisine in a fun, dynamic environment. Patrons enjoy a warm, Rock NØRoll inspired atmosphere, with plenty of room for friends, music and dancing. The Cadillac Ranch menu is diverse with offerings ranging from homemade meatloaf to pasta dishes, all freshly prepared using quality ingredients.

In addition to operating our restaurants, we operate a centralized beer production facility in Ellsworth, IA which facilitates the initial stages of our brewing process. The product produced at our beer production facility is then transported to the fermentation vessels at each of our Granite City restaurants where the brewing process is completed. We believe that this brewing process improves the economics of microbrewing as it eliminates the initial stages of brewing and storage at multiple locations. We have been granted patents by the United States Patent and Trademark Office for our brewing process and for an apparatus for distributed production of beer.

B. Date and state (or jurisdiction) of incorporation:

Granite City Food & Brewery Ltd. was incorporated June 26, 1997, as a Minnesota corporation.

C. Issuer's Primary SIC Code: 5812
Issuer's Secondary SIC Code: N/A

D. Issuer's fiscal year end date: December 30, 2014

E. Principal products or series, and their markets:

As of April 1, 2014, we operated 30 Granite City restaurants in 13 states and five Cadillac Ranch restaurants in five states. Our concepts target a broad guest base by offering high quality, made-from-scratch, casual, value-priced food, and fresh, handcrafted, quality beers.

Our prototypical Granite City restaurant consists of an approximately 9,800 square foot facility conveniently located just off one or more interstate highways and centrally located within the respective area's retail, lodging and transportation activity. Granite City restaurants have open atmospheres as well as floor-to-ceiling window systems creating, where designs permit, expansive views of outdoor patio areas used for dining during warm weather months. This window treatment allows activity to be viewed both inside and outside the restaurant and creates a bright, open environment. We use granite and other rock materials along with natural woods and glass to create a balanced, clean, natural interior feel. The interiors are accented with vintage photographs of the local area brewing industry, as well as historical photos of the community landscape. We believe our design creates a fun and energetic atmosphere that promotes a destination dining experience.

The average size of our Cadillac Ranch restaurants is approximately 10,000 square feet. The atmospheres are warm, Rock NØRoll-inspired with plenty of room for friends, music and dancing in a fun, dynamic environment. Classic Rock, Modern Rock and more play through our state of the art sound system, with multiple large-screen televisions throughout. The spacious floor plan allows for catered events such as wedding receptions, corporate events, or any other private party. The Indianapolis location, while similar in appearance to our other Cadillac Ranch locations, is a 20,000 square foot unit that has a much higher percentage of alcohol sales than our other Cadillac Ranch locations.

The following is a listing of the location of each of our restaurants in operation:

Granite City Food & Brewery				Cadillac Ranch
St. Cloud, MN	East Wichita, KS	Sioux Falls, SD	Ft. Wayne, IN	Bloomington, MN
Maple Grove, MN	West Wichita, KS	Fargo, ND	South Bend, IN	Miami, FL
Eagan, MN	Olathe, KS	Lincoln, NE	Carmel, IN	Oxon Hill, MD
Roseville, MN	Kansas City, KS	Omaha, NE	Indianapolis, IN	Indianapolis, IN
St. Louis Park, MN	Kansas City, MO	Rockford, IL	Toledo, OH	Pittsburgh, PA
Des Moines, IA	St. Louis, MO	East Peoria, IL	Lyndhurst, OH	
Cedar Rapids, IA	Madison, WI	Orland Park, IL	Franklin, TN	
Davenport, IA	Troy, MI			

Item 7: Description of the Issuer’s Facilities

Our property and equipment consists of the following:

	April 1, 2014	December 31, 2013
Land	\$ 18,000	\$ 18,000
Buildings*	33,534,922	33,657,204
Leasehold improvements	15,704,819	15,488,964
Equipment and furniture	46,533,434	46,673,487
	95,791,175	95,837,655
Less accumulated depreciation	(46,355,709)	(44,984,181)
	49,435,466	50,853,474
Construction-in-progress	1,735,513	1,383,763
	<u>\$ 51,170,979</u>	<u>\$ 52,237,237</u>

*Includes \$28,293,705 of buildings under capital lease.

Property capital leases:

As of April 1, 2014, we operated 17 restaurants under capital lease agreements, of which one expires in 2020, two in 2023, two in 2024, five in 2026, three in 2027, one in 2028 and three in 2030, all with renewable options for additional periods. Under certain of the leases, we may be required to pay additional contingent rent based upon restaurant sales. At the inception and the amendment date of each of these leases, we evaluated the fair value of the land and building separately pursuant to the FASB guidance on accounting for leases. The land portion of these leases is classified as an operating lease as the fair value of the land is 25% or more of the total fair value of the lease. The building portion of these leases is classified as a capital lease because its present value was greater than 90% of the estimated fair value at the beginning or amendment date of the lease and/or the lease term represents 75% or more of the expected life of the property.

Additionally, we operate our beer production facility under a land and building lease agreement. This ten-year lease, which expires in 2015, allows us to purchase the facility at any time for \$1.00 plus the unamortized construction costs. Because the construction costs will be fully amortized through payment of rent during the base term, if the option is exercised at or after the end of the initial ten-year period, the option price will be \$1.00. As such, the lease is classified as a capital lease.

Property operating leases:

The land portions of the 17 property leases referenced above are classified as operating leases because the fair value of the land was 25% or more of the leased property at the inception of each lease. All scheduled rent increases for the land during the initial term of each lease are recognized on a straight-line basis. In addition to such property leases, we have obligations under the following operating leases:

Granite City restaurant operating leases:

- Fargo, ND: 20-year ground lease upon which we built our restaurant which expires in 2021.
- St. Louis Park, MN: The initial term of the land and building lease will expire in 2016 with renewal options for additional periods.
- South Bend, IN and Carmel, IN: The initial terms of the ground leases upon which we operate our restaurants will expire in 2028 and 2024, respectively. Each lease has renewal options for additional periods. As of April 1, 2014, the principal balance of the loan agreement securing the buildings and improvements at these properties was approximately \$1.2 million.
- Madison, WI, Roseville, MN, Rockford, IL, Ft. Wayne, IN, St. Louis, MO and Toledo, OH: The expiration of the initial terms of the ground lease upon which we operate our restaurants range from 2017 to 2022, each with options for additional terms. As of April 1, 2014, the principal balance of the loan agreement securing the buildings and improvements at these properties was approximately \$3.7 million.
- Franklin, TN: The initial term of the land and building lease will expire in 2027 with renewal options for additional periods.
- Indianapolis, IN: The initial term of the land and building lease will expire in 2023 with renewal options for additional periods.
- Lyndhurst, OH: The initial term of the land and building lease will expire in 2023 with renewal options for additional periods.

Cadillac Ranch operating leases:

- Bloomington, MN: The initial term of the land and building lease will expire in 2020 with renewal options for additional periods.
- Kendall, FL: The initial term of the land and building lease will expire in 2021 with renewal options for additional periods.
- National Harbor, MD: The initial term of the land and building lease will expire in 2019 with renewal options for additional periods.
- Indianapolis, IN: The initial term of the land and building lease will expire in 2024 with renewal options for additional periods.
- Pittsburgh, PA: The initial term of the land and building lease will expire in 2024 with renewal options for additional periods.

We also lease our corporate headquarters in Minneapolis, MN. Such lease expires in 2015.

Item 8: Officers, Directors, and Control Persons

A. Names of Officers, Directors and Control Persons

Executive Officers: Robert J. Doran, Chief Executive Officer
Dean S. Oakey, Chief Development Officer
James G. Gilbertson, Chief Financial Officer and Assistant Secretary
Monica A. Underwood, Vice President of Finance and Corporate Secretary

Directors: Fouad Z. Bashour, Chairman
Robert J. Doran

H. G. Carrington, Jr.
Charles J. Hey
Joel C. Longtin
Louis M. Mucci
Michael S. Rawlings
Michael H. Staenberg

Control Persons: Concept Development Partners LLC
 Charles J. Hey
 DHW Leasing, L.L.C.

B. Legal/Disciplinary History:

None of the Issuer's officers, directors, or control persons has, in the past five years, been the subject of any of the following:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

- C. Beneficial Shareholders:
- Concept Development Partners LLC²
500 Crescent Court
Suite 250
Dallas, TX 75201-6995
78.5% common stock and 100% Series A Convertible Preferred stock
- Charles J. Hey
2908 W. 37th Cir. #306
Sioux Falls, SD 57105
20.1% common stock
- DHW Leasing, L.L.C.³
230 S. Phillips Avenue, Suite 202
Sioux Falls, SD 57104
19.9% common stock

² As set forth in the Schedule 13D filed on July 9, 2012 by Concept Development Partners LLC, a Delaware limited liability company (öCDPö), CIC Partners Firm LP, a Delaware limited partnership (öCIC Partnersö), CIC II LP, a Delaware limited partnership (öCIC Fund IIö), CIC II GP LLC, a Delaware limited liability company (öCIC II GPö), CDP-ME Holdings, LLC, a Delaware limited liability company (öCDP-MEö), and CDP Management Partners, LLC, a Delaware limited liability company (öCDP Managementö) (collectively, the öReporting Personsö). CDP is a limited liability company organized under the laws of the State of Delaware and is primarily in the business of investing in the restaurant industry. CDP's board of directors consists of Fouad Z. Bashour, Michael S. Rawlings, Dean S. Oakey and Robert J. Doran. CDP is minority owned by CDP-ME and CDP Management. Both CDP-ME and CDP Management are investment companies jointly owned and managed by Messrs. Oakey and Doran. The present principal occupation of Mr. Oakey is Chief Development Officer of Granite City, and the present principal occupation of Mr. Doran is Chief Executive Officer of Granite City. Each of CDP, CDP-ME and CDP Management has a principal place of business at 5724 Calpine Drive, Malibu, California 90265. CDP is majority owned by CIC CDP LLC, a Delaware limited liability company (öCIC CDP LLCö), which is itself a wholly-owned subsidiary of CIC Fund II. CIC Fund II is an investment fund managed by its general partner, CIC II GP, and ultimately owned and controlled by CIC Partners, a mid-market private equity firm headquartered in Dallas, Texas. The principal business of CIC CDP LLC is the investment in Granite City. The principal business of CIC Fund II is to be an investment fund in CIC Partners, and the principal business of CIC II GP is to act as the general partner of CIC Fund II. CIC Partners is jointly owned and managed by Marshall Payne, Drew Johnson, Michael S. Rawlings, Fouad Z. Bashour and James C. Smith. The present principal occupation of Messrs. Payne, Johnson, Rawlings, Bashour and Smith is serving as a director of CIC Partners, and together with CIC Partners, CIC Fund II and CIC II GP, each have a principal place of business at 500 Crescent Court, Suite 250, Dallas, Texas 75201. Messrs. Payne, Johnson, Rawlings, Bashour, Oakey and Doran, as well as CIC Partners, CIC Fund II, CIC II GP, CDP-ME and CDP Management disclaim beneficial ownership of such securities. Represents beneficial ownership of 11,273,539 shares of common stock, including 6,000,000 shares of common stock issuable upon conversion of 3,000,000 shares of Series A Preferred owned by CDP, 3,606,873 shares of common stock, and 1,666,666 shares of common stock over which CDP has voting power pursuant to a shareholder and voting agreement and irrevocable proxy between CDP and DHW Leasing, L.L.C. (öDHWö), dated May 10, 2011. The Reporting Persons have shared voting power over all of the reported shares and shared dispositive power over 9,606,873 shares of common stock. Prior to conversion, the holder of our Series A Preferred has 0.77922 votes per preferred share and votes with the holders of our common stock as a single class, except on matters adversely affecting the holder of our Series A Preferred as a class.

³ DHW retains the right to dispose of such shares of common stock; however, it has granted an irrevocable proxy to vote such shares of common stock to CDP. DHW's address is 230 S. Phillips Avenue, Suite 202, Sioux Falls, SD 57104.

Item 9: Third Party Providers

Legal Counsel: Brett D. Anderson
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
(612) 977-8417
banderson@briggs.com

Accountant or Auditor: Charles Selcer
Schechter, Dokken, Kanter, Andrews & Selcer, Ltd.
100 Washington Avenue South, Suite 1600
Minneapolis, MN 55401
(612) 332-9335
cselcer@sdkcpa.com

Investor Relations Consultant: None

Other Advisor: None

Item 10: Issuer Certifications

I, Robert J. Doran, certify that:

1. I have reviewed this quarterly disclosure statement of Granite City Food & Brewery Ltd.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: May __, 2014

by: /s/ Robert J. Doran
Robert J. Doran
Chief Executive Officer

I, James G. Gilbertson, certify that:

1. I have reviewed this quarterly disclosure statement of Granite City Food & Brewery Ltd.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: May __, 2014

by: /s/ James G. Gilbertson
James G. Gilbertson
Chief Financial Officer

EXHIBIT A

Granite City Food & Brewery Ltd.
(OTC Pink: GCFB)
A Minnesota Corporation



Cadillac Ranch
THE GREAT ALL-AMERICAN BAR & GRILL

Condensed Consolidated Financial Statements
for the Quarter Ended April 1, 2014
(Unaudited)

Prepared in accordance with OTC Pink Basic Disclosure Guidelines
Current Information Tier

**GRANITE CITY FOOD & BREWERY LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	April 1, 2014	December 31, 2013
	(Unaudited)	(Note 1)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,925,433	\$ 2,677,090
Inventory	1,666,105	1,816,487
Prepays and other	2,203,181	2,043,345
Total current assets	6,794,719	6,536,922
Prepaid rent, net of current portion	63,417	88,406
Property and equipment, net	51,170,979	52,237,237
Intangible and other assets, net	7,743,115	7,906,051
Total assets	\$ 65,772,230	\$ 66,768,616
LIABILITIES AND SHAREHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable	\$ 2,711,128	\$ 5,732,394
Accrued expenses	8,671,732	8,598,558
Deferred rent, current portion	862,927	999,566
Line of credit, current portion	73,737	-
Long-term debt, current portion	1,714,555	980,109
Capital lease obligations, current portion	1,094,108	1,091,643
Total current liabilities	15,128,187	17,402,270
Deferred rent, net of current portion	4,578,570	4,449,803
Other liabilities - interest rate swap	115,532	128,557
Line of credit, net of current portion	2,426,263	-
Long-term debt, net of current portion	19,136,756	19,906,365
Capital lease obligations, net of current portion	24,610,568	24,887,558
Total liabilities	65,995,876	66,774,553
Commitments and contingencies:		
Redeemable preferred stock, \$0.01 par value, 2,000 shares outstanding	1,796,008	1,784,887
Shareholders' deficit:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized;		
3,000,000 shares issued and outstanding	30,000	30,000
Common stock, \$0.01 par value, 90,000,000 shares authorized;		
8,360,981 and 8,307,649 shares issued and outstanding at 4/1/14 and 12/31/13, respectively	83,610	83,076
Additional paid-in capital	81,653,627	81,552,313
Retained deficit	(83,786,891)	(83,456,213)
Total shareholders' deficit	(2,019,654)	(1,790,824)
Total liabilities and shareholders' deficit	\$ 65,772,230	\$ 66,768,616

See notes to condensed consolidated financial statements.

GRANITE CITY FOOD & BREWERY LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Thirteen Weeks Ended April 1, 2014	Fourteen Weeks Ended April 2, 2013
Restaurant revenue	\$ 33,496,282	\$ 34,961,454
Cost of sales:		
Food, beverage and retail	9,098,573	9,538,437
Labor	10,855,401	11,296,433
Direct restaurant operating	5,313,744	5,492,809
Occupancy	2,919,176	2,674,577
Cost of sales and occupancy	28,186,894	29,002,256
General and administrative	2,493,305	2,751,121
Depreciation and amortization	1,932,669	1,951,643
Pre-opening	3,293	438,335
Acquisition costs	18,261	31,568
Loss on disposal of assets	67,980	55,764
Exit or disposal activities	27,965	16,788
Total costs and expenses	32,730,367	34,247,475
Operating income	765,915	713,979
Interest expense	(1,096,593)	(1,192,763)
Net loss	\$ (330,678)	\$ (478,784)
Loss per common share, basic	\$ (0.04)	\$ (0.08)
Weighted average shares outstanding, basic	8,307,649	8,098,713

See notes to condensed consolidated financial statements.

GRANITE CITY FOOD & BREWERY LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Thirteen Weeks Ended April 1, 2014	Fourteen Weeks Ended April 2, 2013
Cash flows from operating activities:		
Net loss	\$ (330,678)	\$ (478,784)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,932,669	1,951,643
Amortization of deferred loss	110,081	25,084
Stock option expense	31,904	45,081
Non-cash interest expense	(7,544)	5,481
Loss on disposal of assets	67,980	55,764
Deferred rent	(13,353)	30,979
Changes in operating assets and liabilities:		
Inventory	150,382	(68,968)
Prepays and other	(652,047)	(96,711)
Accounts payable	(2,356,359)	661,858
Accrued expenses	73,174	(579,772)
Net cash (used in) provided by operating activities	(993,791)	1,551,655
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(1,489,931)	(2,890,544)
Proceeds from sale leaseback	517,200	1,750,000
Intangible and other assets	(56,512)	-
Net cash used in investing activities	(1,029,243)	(1,140,544)
Cash flows from financing activities:		
Proceeds from line of credit	2,500,000	-
Payments on capital lease obligations	(274,525)	(246,633)
Payments on long-term debt	(35,163)	(516,229)
Net proceeds from issuance of common stock	81,065	(1,550)
Payment of cash dividends on preferred stock	-	(202,504)
Net cash provided by (used in) financing activities	2,271,377	(966,916)
Net increase (decrease) increase in cash	248,343	(555,805)
Cash and cash equivalents, beginning	2,677,090	2,566,034
Cash and cash equivalents, ending	\$ 2,925,433	\$ 2,010,229

Supplemental disclosure of non-cash investing and financing activities:

Change in fair value of interest rate swap	<u>\$ (13,025)</u>	<u>\$ -</u>
Property and equipment, intangibles and equity costs included in accounts payable and accrued expenses	<u>\$ 367,808</u>	<u>\$ 923,842</u>
Dividends paid on preferred stock through the issuance of common stock	<u>\$ -</u>	<u>\$ 202,497</u>

See notes to condensed consolidated financial statements.

GRANITE CITY FOOD & BREWERY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Thirteen Weeks Ended April 1, 2014 and Fourteen Weeks Ended April 2, 2013

1. Summary of significant accounting policies

Background

Granite City Food & Brewery Ltd. (the "Company") develops and operates two casual dining concepts: Granite City Food & Brewery® and Cadillac Ranch All American Bar & Grill®.

The Company operates 30 restaurants of its original concept, which is a polished casual American restaurant known as Granite City Food & Brewery. The Granite City restaurant theme is upscale casual dining with a wide variety of menu items that are prepared fresh daily, combined with freshly brewed hand-crafted beers finished on-site.

The Company also operates five Cadillac Ranch restaurants featuring freshly prepared, authentic, All-American cuisine in a fun, dynamic environment. Its patrons enjoy a diverse menu and a warm, Rock NøRoll inspired atmosphere, with plenty of room for friends, music and dancing.

The Company operates a centralized beer production facility which facilitates the initial stages of its brewing process. The product created at its beer production facility is then transported to the fermentation vessels at each of the Company's Granite City restaurants where the brewing process is completed. The Company believes that this proprietary brewing process enables the Company to control the quality and consistency of its beers and improves the economics of microbrewing by eliminating the initial stages of brewing and storage at each restaurant, as well as third-party distribution costs. The Company was granted patents by the United States Patent Office for its brewing process and for an apparatus for distributed production of beer.

Basis of presentation

In the opinion of management, the financial statements presented herein include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair statement of the Company's financial position as of April 1, 2014, and its results of operations for the interim periods ended April 1, 2014 and April 2, 2013. The results of operations for the thirteen weeks ended April 1, 2014 are not necessarily indicative of the results to be expected for the entire year.

Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been condensed or omitted. A description of the Company's accounting policies and other financial information is included in its audited consolidated financial statements for the year ended December 31, 2013 as filed with the SEC on Form 10-K. Management believes that the disclosures included in the Company's accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K. The accompanying balance sheet at December 31, 2013 has been derived from the Company's audited financial statements at that date.

Derivatives

The Company utilizes an interest rate swap agreement with a financial institution to fix interest rates on a portion of its variable rate debt, which reduces exposure to interest rate fluctuations. The Company accounts for this derivative using fair value accounting and measurements described in Note 2. The fair value of the interest rate swap is recorded on the consolidated balance sheet in other assets or other liabilities, depending on the fair value of the swap. The change in the fair value of the swap is recorded on the consolidated statements of operations in other interest expense.

The Company has not used derivatives for trading or speculative purposes and has procedures in place to monitor and control the use of such instruments.

Related parties

Concept Development Partners LLC (öCDPö) is the Companyö controlling shareholder. As of April 1, 2014, CDP beneficially owned approximately 78.5% of the Companyö common stock.

Fiscal year

The Company utilizes a 52/53-week fiscal year ending on the last Tuesday in December for financial reporting purposes. Fiscal year 2014 will consist of 52 weeks while fiscal year 2013 consisted of 53 weeks.

Net loss per share

Basic net loss per share is calculated by dividing net loss less the sum of preferred stock dividends declared by the weighted average number of common shares outstanding during the period. Diluted net loss per share is not presented since the effect would be anti-dilutive due to the losses in the respective reporting periods. Calculations of the Companyö net loss per common share for the first quarters of fiscal years 2014 and 2013 are set forth in the following table:

	Thirteen Weeks Ended April 1, 2014	Fourteen Weeks Ended April 2, 2013
Net loss	\$ (330,678)	\$ (478,784)
Less dividends declared	-	(202,500)
Less accretion of redeemable preferred stock	(11,121)	-
Net loss available to common shareholders	\$ (341,799)	\$ (681,284)
Loss per common share, basic	\$ (0.04)	\$ (0.08)
Weighted average shares outstanding, basic	8,307,649	8,098,713

Of the net loss per common share, \$(0.03) was attributable to dividends declared for the first quarter of fiscal year 2013.

2. Fair value measurements

The guidance of ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques under such accounting guidance related to fair value measurements are based on observable inputs which reflect readily obtainable data from independent sources, and unobservable inputs which reflect internal market assumptions. The Company uses the following three-tier fair value hierarchy, which prioritizes these inputs as follows:

Level 1ö Quoted market prices in active markets for identical assets and liabilities.

Level 2ö Inputs, other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3ö Inputs that are unobservable for the assets or liabilities where there is little or no market data. These inputs require significant management judgment or estimation.

As of April 1, 2014 and December 31, 2013, respectively, the fair value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the capital lease obligations and long-term debt is estimated at its carrying value based upon current rates available to the Company.

The fair value of the Company's interest rate swap is determined based on information provided by the Company's bank counterparty that is model-driven and where inputs were observable or where significant value drivers were observable. Such models utilize quoted interest rate curves to calculate the forward values and then discount the forward values to present values. The Company classifies its interest rate swap as a Level 2 measurement as these securities are not actively traded in the market, but are observable based on current market rates (Note 1).

The following table presents the fair value of liabilities measured on a recurring basis as of April 1, 2014:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	\$ -	\$ (115,532)	\$ -	\$ (115,532)

The following table presents the fair value of liabilities measured on a recurring basis as of December 31, 2013:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	\$ -	\$ (128,557)	\$ -	\$ (128,557)

There were no transfers between levels of the fair value hierarchy during the first quarter of 2014 or fiscal year 2013.

3. Stock-based compensation

The Company measures and recognizes all stock-based compensation under the fair value method using the Black-Scholes option-pricing model. Share-based compensation expense recognized is based on awards ultimately expected to vest, and as such, it is reduced for estimated or actual forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company used the following assumptions within the Black-Scholes option-pricing model for the first quarters of the fiscal years 2014 and 2013:

	First Quarter Ended April 1, 2014	First Quarter Ended April 2, 2013
Weighted average risk-free interest rate	2.64% - 3.04%	1.78% - 2.05%
Expected life of options	10 years	10 years
Expected stock volatility	85.86% - 86.32%	88.60% - 89.12%
Expected dividend yield	None	None

As of April 1, 2014, there were options outstanding for the purchase of 815,453 and 282,850 shares under the Company's Amended and Restated Equity Incentive Plan and Long-Term Incentive Plan, respectively. Although vesting schedules vary, option grants under these plans generally vest over a three or four-year period and options are exercisable for no more than ten years from the date of grant. The Amended and Restated Equity Incentive Plan expired in February 2012. As of April 1, 2014, options for the purchase of 117,150 shares remained available for issuance under the Long-Term Incentive Plan.

A summary of the status of the Company's stock options as of April 1, 2014 is presented below:

Fixed Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2013	1,042,391	\$ 2.29	6.4 years	\$ -
Granted	93,000	2.10	9.8 years	
Exercised	-	-		
Forfeited	(37,088)	2.17		
Outstanding at April 1, 2014	1,098,303	\$ 2.27	6.4 years	\$ 18,525
Options exercisable at December 31, 2013	820,982	\$ 2.30	5.8 years	\$ -
Options exercisable at April 1, 2014	825,110	\$ 2.31	5.6 years	\$ 18,525
Weighted-average fair value of options granted during 2014	\$ 0.93			

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing price of the Company's stock on April 1, 2014 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on April 1, 2014. As of April 1, 2014, there was approximately \$227,626 of total unrecognized compensation cost related to unvested share-based compensation arrangements, of which \$111,546 is expected to be recognized during the remainder of fiscal year 2014, \$71,670 in fiscal year 2015, \$32,699 in fiscal year 2016, \$11,179 in fiscal year 2017 and \$532 in fiscal year 2018.

The following table summarizes information about stock options outstanding at April 1, 2014:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
\$1.00 - \$3.00	965,306	6.5 years	\$ 2.09	704,113	\$ 2.09
\$3.01 - \$5.00	127,999	5.5 years	\$ 3.54	115,999	\$ 3.51
\$5.01 - \$6.00	4,998	4.4 years	\$ 5.47	4,998	\$ 5.47
Total	1,098,303	6.4 years	\$ 2.27	825,110	\$ 2.31

As of April 1, 2014, warrants for the purchase of an aggregate of 391,240 shares of common stock were outstanding and exercisable. The weighted average exercise price of such warrants was \$1.69 per share.

EXHIBIT B

INFORMATION AND DISCLOSURE STATEMENT PURSUANT TO RULE 15C2-11

Sections (a)(5)(i) through (a)(5)(xiv) and (a)(5)(xvi)
of the
Securities Exchange Act of 1934, as amended

- i. **The exact name of the issuer and its predecessor (if any):**
Granite City Food & Brewery Ltd.
- ii. **The address of its principal executive offices:**
701 Xenia Avenue South, Suite 120
Minneapolis, MN 55416
- iii. **The state of incorporation (if it is a corporation):**
Minnesota
- iv. **The exact title and class of the securities:**
Common Stock
- v. **The par or stated value of the securities:**
\$0.01 (par value)
- vi. **The number of shares or total amount of the securities outstanding as of the end of the issuer's most recent fiscal year:**
8,307,649
- vii. **The name and address of the transfer agent:**
Wells Fargo Bank Minnesota, N.A.
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120
- viii. **The nature of the issuer's business:**
See Item 6 of Quarterly Report for the Period Ended April 1, 2014.
- ix. **The nature of products or services offered:**
See Item 6 of Quarterly Report for the Period Ended April 1, 2014.
- x. **The nature and extent of the issuer's facilities:**
See Item 7 of Quarterly Report for the Period Ended April 1, 2014.

- x. **The name of the chief executive officer and members of the board of directors:**

See Item 8 of Quarterly Report for the Period Ended April 1, 2014.
- xii. **The issuer's most recent balance sheet and profit and loss and retained earnings statements:**

See Item 5 of Quarterly Report for the Period Ended April 1, 2014.
- xiii. **Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence:**

See Item 5 of Quarterly Report for the Period Ended April 1, 2014.
- xiv. **Whether the broker or dealer or any associated person is affiliated, directly or indirectly, with the issuer:**

N/A
- xv. **Whether the quotation is being published or submitted on behalf of any other broker or dealer, and, if so, the name of such broker or dealer:**

N/A
- xvi. **Whether any quotation is being submitted or published directly or indirectly on behalf of the issuer, or any director, officer or any person, directly or indirectly the beneficial owner of more than 10 percent of the outstanding units or shares of any equity security of the issuer, or at the request of any promoter for the issuer, and, if so, the name of such person, and the basis for any exemption under the federal securities laws for any sales of such securities on behalf of such person:**

N/A