

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



**Cadillac Ranch**  
THE GREAT ALL-AMERICAN BAR & GRILL

**Quarterly Report for Period Ended**  
**June 30, 2015**

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](mailto:corporate@gcfb.net)  
Website: [www.gcfb.net](http://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 6/30/15: 14,360,981

Additional class of securities (if necessary):

Trading symbol: N/A  
Exact title and class of securities outstanding: N/A  
CUSIP: N/A  
Par or stated value: \$0.01 (par value)  
Total shares authorized: 10,000,000 (Preferred Stock)  
3,000,000 (Series A Convertible Preferred Stock)  
2,000 (Redeemable Preferred Stock)  
Total shares outstanding as of 6/30/15: 0

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?<sup>1</sup>

Yes

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

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

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

The Company's Board of Directors has engaged Houlihan Lokey Capital, Inc., an investment bank, to assist it in exploring a possible strategic transaction. Under the engagement agreement, Houlihan's services may include soliciting, coordinating, and evaluating indications of interest and proposals regarding a possible strategic transaction, and assisting the Board in negotiating financial aspects of a possible strategic transaction.

Such a transaction may take the form of a sale, disposition, merger or other transaction involving all or a substantial portion of the business, assets or equity interests of the Company. There can be no assurance that a transaction will be pursued or, if one is pursued, that it will be consummated.

**Item 4: Issuance History**

The following events resulted in changes in the Issuer's total outstanding shares of common stock during the past two fiscal years and the first half of 2015:

*Issuance of Common Stock Dividends through December 31, 2013*

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 beneficial owner of a majority of the Issuer's common stock.

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

N/A

C. The number of shares offered;

432,444

D. The number of shares sold;

432,444

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

Issued as dividends pursuant to the certificate of designation of rights and preferences of the Series A Convertible Preferred Stock.

F. The trading status of the shares; and

The certificates representing such securities contain restrictive legends 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

*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;

5,747

- D. The number of shares sold;

5,747

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

\$1.08, and \$1.23 per share (gross proceeds of \$6,754)

- 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 (gross proceeds of \$81,065)

- 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

*2014 Conversion of Series A Convertible Preferred Stock*

- 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 beneficial owner of a majority of the Issuer's common stock.

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

N/A

- C. The number of shares offered;

6,000,000

- D. The number of shares sold;

6,000,000

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

Issued upon conversion of 3,000,000 shares of Series A Convertible Preferred Stock in accordance with the related certificate of designation of the rights and preferences of said securities.

- 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 quarters ended June 30, 2015 and July 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

## 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 29, 2015

### E. Principal products or series, and their markets:

As of June 30, 2015 we operated 34 Granite City restaurants in 14 states and five Cadillac Ranch restaurants in five states. In April 2015, we opened a Granite City restaurant in Northville, Michigan and in May 2015, we opened a Granite City restaurant in National Harbor, Maryland. 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 as of June 30, 2015:

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



## Item 7: Description of the Issuer's Facilities

Our property and equipment consists of the following:

	<u>June 30, 2015</u>	<u>December 30, 2014</u>
Land	\$ 18,000	\$ 18,000
Buildings	37,412,865	33,501,906
Leasehold improvements	17,452,107	16,069,904
Equipment and furniture	51,351,813	47,689,825
	<u>106,234,786</u>	<u>97,279,635</u>
Less accumulated depreciation	(54,143,787)	(50,567,412)
	<u>52,090,998</u>	<u>46,712,223</u>
Construction-in-progress *	4,354,596	8,277,582
	<u>\$ 56,445,595</u>	<u>\$ 54,989,805</u>

\*Includes \$31,550,666 of land and buildings under capital lease.

### Property owned:

We previously operated our beer production facility under a land and building lease agreement. This ten-year lease allowed us to purchase the facility at any time for \$1.00 plus the unamortized construction costs. In May 2015, we exercised our option to purchase the facility for \$1.00.

### Property capital leases:

As of June 30, 2015, we operated 18 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 four 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.

### Property operating leases:

The land portions of the 18 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.
- 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.

- Franklin, TN: The initial term of the land and building lease will expire in 2027 with renewal options for additional periods.
- Indianapolis, IN and Lyndhurst, OH: The initial term of the land and building leases will expire in 2023 with renewal options for additional periods.
- Naperville, IL and Schaumburg, IL: The initial term of the land and building leases will expire in 2029 with renewal options for additional periods.
- National Harbor, MD: The initial term of the land and building lease will expire in 2025 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 and Pittsburgh, PA: The initial term of the land and building leases will expire in 2024 with renewal options for additional periods.

We also lease our corporate headquarters in Minneapolis, MN. Such lease expires in November 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 Jeffrey L. Rager, Chief Financial Officer Monica A. Underwood, Vice President of Finance and Corporate Secretary	
Directors:	Fouad Z. Bashour, Chairman Robert J. Doran H. G. Carrington, Jr. Eugene E. McGowan	Joel C. Longtin Louis M. Mucci Michael S. Rawlings Michael H. Staenberg
Control Persons:	Concept Development Partners LLC Eugene E. McGowan 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 LLC<sup>2</sup>  
500 Crescent Court  
Suite 250  
Dallas, TX 75201-6995  
78.5% common stock

Eugene E. McGowan  
201 South Phillips Avenue  
Suite 100  
Sioux Falls, SD 57104  
11.6% common stock

DHW Leasing, L.L.C.<sup>3</sup>  
230 S. Phillips Avenue, Suite 202  
Sioux Falls, SD 57104  
11.6% common stock

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<sup>2</sup> 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, Amir Yoffe, Michael S. Rawlings, Fouad Z. Bashour and James C. Smith. The present principal occupation of Messrs. Payne, Yoffe, 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, Yoffe, 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 9,606,873 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, as amended. 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.

<sup>3</sup> 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 8<sup>th</sup> Street  
Minneapolis, MN 55402  
(612) 977-8417  
[banderson@briggs.com](mailto: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](mailto: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: August 14, 2015

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

I, Jeffrey L. Rager, 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: August 14, 2015

By: /s/ Jeffrey L. Rager  
Jeffrey L. Rager  
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 Quarters Ended June 30, 2015 and July 1, 2014**

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

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

	June 30, 2015	December 30, 2014
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 3,772,540	\$ 1,974,237
Inventory	2,027,398	1,872,104
Prepays and other	3,226,543	1,567,755
Total current assets	9,026,481	5,414,096
Prepaid rent, net of current portion	310,087	394,185
Property and equipment, net	56,445,595	54,989,805
Intangible and other assets, net	3,151,270	3,235,131
Deferred loss on sale leaseback	10,410,719	5,827,639
Total assets	\$ 79,344,152	\$ 69,860,856
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT:</b>		
Current liabilities:		
Accounts payable	\$ 1,712,910	\$ 4,425,146
Accrued expenses	10,380,808	10,121,419
Deferred rent, current portion	642,720	572,274
Long-term debt, current portion	1,250,000	1,250,000
Capital lease obligations, current portion	1,325,260	1,118,176
Total current liabilities	15,311,698	17,487,015
Deferred rent, net of current portion	5,607,890	5,501,308
Other liabilities - interest rate swap	335,759	270,469
Line of credit, net of current portion	14,150,000	4,500,000
Long-term debt, net of current portion	22,500,000	23,125,000
Capital lease obligations, net of current portion	26,626,329	23,773,801
Total liabilities	84,531,676	74,657,593
Shareholders' deficit:		
Common stock, \$0.01 par value, 90,000,000 shares authorized; 14,360,981 shares issued and outstanding at 6/30/15 and 12/30/14	143,610	143,610
Additional paid-in capital	81,702,544	81,577,802
Retained deficit	(87,033,678)	(86,518,149)
Total shareholders' deficit	(5,187,524)	(4,796,737)
Total liabilities and shareholders' deficit	\$ 79,344,152	\$ 69,860,856

The accompanying notes are an integral part of the condensed consolidated financial statements.

**GRANITE CITY FOOD & BREWERY LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2015	July 1, 2014	June 30, 2015	July 1, 2014
Restaurant revenue	\$ 39,938,595	\$ 35,280,202	\$ 75,285,807	\$ 68,776,487
Cost of sales:				
Food, beverage and retail	10,488,881	9,579,821	19,940,880	18,678,396
Labor	13,394,412	11,289,848	25,240,666	22,145,249
Direct restaurant operating	5,928,657	5,208,347	11,582,159	10,522,088
Occupancy	3,488,336	2,993,976	6,629,412	5,913,150
Cost of sales and occupancy	<u>33,300,286</u>	<u>29,071,992</u>	<u>63,393,117</u>	<u>57,258,883</u>
General and administrative	2,323,945	2,309,277	4,548,584	4,788,880
Depreciation and amortization	2,156,131	1,905,314	3,952,730	3,837,984
Pre-opening	524,668	103,201	1,717,126	106,495
Acquisition costs	27,710	9,688	39,206	27,948
Loss on disposal of assets	117,270	511,636	117,360	579,615
Exit or disposal activities	18,603	8,430	18,603	36,395
Total costs and expenses	<u>38,468,612</u>	<u>33,919,538</u>	<u>73,786,726</u>	<u>66,636,200</u>
Operating income	1,469,983	1,360,664	1,499,081	2,140,287
Interest:				
Income	-	3,674	-	3,674
Expense on capital leases	(628,935)	(455,627)	(1,220,641)	(1,070,354)
Other interest expense	(295,149)	(632,617)	(773,903)	(1,114,483)
Net interest expense	<u>(924,084)</u>	<u>(1,084,570)</u>	<u>(1,994,543)</u>	<u>(2,181,163)</u>
Loss before income tax	545,899	276,093	(495,462)	(40,877)
Income tax expense	-	3,478	20,067	17,178
Net income (loss)	<u>\$ 545,899</u>	<u>\$ 272,616</u>	<u>\$ (515,529)</u>	<u>\$ (58,054)</u>
Income (loss) per common share, basic	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding, basic	<u>14,360,981</u>	<u>8,360,981</u>	<u>14,360,981</u>	<u>8,336,366</u>
Weighted average shares outstanding - assuming dilution	<u>14,402,045</u>	<u>8,567,864</u>	<u>14,419,874</u>	<u>8,345,373</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**GRANITE CITY FOOD & BREWERY LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Twenty-six Weeks Ended	
	June 30, 2015	July 1, 2014
Cash flows from operating activities:		
Net loss	\$ (515,529)	\$ (58,054)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,952,730	3,837,984
Amortization of deferred loss	374,781	220,163
Stock option expense	124,742	70,264
Non-cash interest expense	76,252	243,353
Loss on disposal of assets	117,360	579,615
Deferred rent	166,066	158,171
Changes in operating assets and liabilities:		
Inventory	(155,294)	87,672
Prepays and other	(643,323)	(1,271,645)
Accounts payable	(2,068,134)	(2,017,291)
Accrued expenses	232,293	(1,749,078)
Net cash provided by operating activities	<u>1,661,944</u>	<u>101,154</u>
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(13,376,031)	(3,753,176)
Proceeds from sale leaseback	4,095,038	567,200
Intangible and other assets	(41,699)	21,791
Net cash used in investing activities	<u>(9,322,692)</u>	<u>(3,164,185)</u>
Cash flows from financing activities:		
Proceeds from line of credit	9,650,000	4,500,000
Payments on line of credit	-	(2,500,000)
Payments on capital lease obligations	(609,649)	(534,710)
Payments on long-term debt	(625,000)	(21,198,974)
Proceeds from long-term debt	-	25,000,000
Proceeds from sale leaseback	1,043,700	-
Payment of interest rate swap	-	(122,190)
(Redemption of) proceeds from redeemable preferred stock	-	(2,000,000)
Debt issuance costs	-	(479,680)
Net proceeds from issuance of common stock	-	81,065
Net cash provided by financing activities	<u>9,459,051</u>	<u>2,745,511</u>
Net increase (decrease) increase in cash	1,798,303	(317,520)
Cash and cash equivalents, beginning	<u>1,974,237</u>	<u>2,677,090</u>
Cash and cash equivalents, ending	<u>\$ 3,772,540</u>	<u>\$ 2,359,570</u>



Supplemental disclosure of non-cash investing and financing activities:

Land/buildings acquired under capital lease agreements	<u>\$ 3,669,261</u>	<u>\$ -</u>
Change in fair value of interest rate swap	<u>\$ 65,290</u>	<u>\$ 232,391</u>
Property and equipment, intangibles and equity costs included in accounts payable and accrued expenses	<u>\$ 411,750</u>	<u>\$ 1,051,689</u>
Proceeds from sale leaseback included in prepaids and other	<u>\$ 1,176,971</u>	<u>\$ -</u>
Deferred loss included in other assets	<u>\$ 4,951,338</u>	<u>\$ -</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**GRANITE CITY FOOD & BREWERY LTD.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**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®.

As of June 30, 2015, the Company operated 34 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.

Company also operates five Cadillac Ranch restaurants featuring freshly prepared, authentic, All-American cuisine in a fun, dynamic environment. Its patrons enjoy 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 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 June 30, 2015, and its results of operations for the interim periods ended June 30, 2015 and July 1, 2014. The results of operations for the 26 weeks ended June 30, 2015 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 30, 2014 as filed with OTC Markets. 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. The accompanying balance sheet at December 30, 2014 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 (Note 3). The Company accounts for this derivative using fair value accounting and measurements described in Note 4. The fair value of the interest rate swap is recorded on the condensed 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 condensed consolidated statements of operations in other interest expense.

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

## Related parties

Concept Development Partners LLC (õCDPö) is the Company's controlling shareholder. As of June 30, 2015, CDP beneficially owned approximately 78.5% of the Company's 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 years 2015 and 2014 each consist of 52 weeks.

## Net loss per share

The following table sets forth the computation of basic loss per share for the second quarter and first half of fiscal years 2015 and 2014:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2015	July 1, 2014	June 30, 2015	July 1, 2014
Net income (loss)	\$ 545,899	\$ 272,624	\$ (515,529)	\$ (58,054)
Less accretion of redeemable preferred stock	-	(3,707)	-	(14,828)
Net income (loss) available to common shareholders	<u>\$ 545,899</u>	<u>\$ 268,917</u>	<u>\$ (515,529)</u>	<u>\$ (72,883)</u>
Denominator for earnings (loss) per share				
Weighted average shares; denominator for basic earnings (loss) per share	14,360,981	8,360,981	14,360,981	8,336,366
Effect of dilutive securities; options and warrants	41,064	206,883	58,893	9,007
Dilutive common shares; denominator for diluted earnings (loss) per share	<u>14,402,045</u>	<u>8,567,864</u>	<u>14,419,874</u>	<u>8,345,373</u>
Basic earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Dilutive earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>

## Reclassifications

Certain minor reclassifications have been made to the condensed consolidated financial statements for the first half of fiscal year 2014 for them to conform to the presentation of the condensed consolidated financial statements for the first half of fiscal year 2015. These reclassifications have no effect on the accumulated deficit or net loss previously reported.

## 2. Significant events

The Company's Board of Directors has engaged Houlihan Lokey Capital, Inc., an investment bank, to assist it in exploring a possible strategic transaction. Under the engagement agreement, Houlihan's services may include soliciting, coordinating, and evaluating indications of interest and proposals regarding a possible strategic transaction, and assisting the Board in negotiating financial aspects of a possible strategic transaction.

Such a transaction may take the form of a sale, disposition, merger or other transaction involving all or a substantial portion of the business, assets or equity interests of the Company. There can be no assurance that a transaction will be pursued or, if one is pursued, that it will be consummated.

### 3. 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 1<sup>o</sup> Quoted market prices in active markets for identical assets and liabilities.

Level 2<sup>o</sup> Inputs, other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3<sup>o</sup> 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 June 30, 2015 and December 30, 2014, 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 (Notes 1 and 4).

The following table presents the fair value of liabilities measured on a recurring basis as of June 30, 2015:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	\$ -	(\$335,758)	\$ -	(\$335,758)

The following table presents the fair value of liabilities measured on a recurring basis as of December 30, 2014:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	\$ -	(\$270,469)	\$ -	(\$270,469)

There were no transfers between levels of the fair value hierarchy during the first half of 2015 or fiscal year 2014.

### 4. Credit agreement

In May 2014, the Company entered into a \$40.0 million credit agreement with RBS Citizens, N.A. (Citizens Bank). The agreement, which is secured by liens on the Company's subsidiaries, personal property, fixtures and real estate owned or to be acquired, provides for a secured term loan in the amount of \$25.0 million which was advanced in a single borrowing on May 15, 2014, and a secured line of credit in the amount of \$15.0 million, of which \$14.2 million had been advanced as of June 30, 2015. Subject to the terms and conditions of the credit agreement, Citizens Bank has also agreed to issue standby letters of credit in an aggregate undrawn face amount

up to \$1.0 million. The credit agreement contains customary covenants, representations and warranties, and certain financial covenants, and matures on May 15, 2019.

The Company is obligated to make principal payments on the term loan in quarterly installments which commenced June 30, 2014, each in the amount of \$312,500, with a final payment of principal and interest on May 15, 2019. The line of credit loan is to be paid in equal quarterly installments commencing on July 1, 2017 in an amount sufficient to reduce the outstanding principal balance by 1.25% per quarter with a final payment of all principal and interest due on May 15, 2019. The payment calculation will adjust annually.

The term and credit line loan required the payment of interest at a fluctuating rate per annum equal to 3.65% plus LIBOR. The Company pays a line of credit commitment fee equal to the difference between the total line of credit commitment and the amount outstanding under the line of credit, plus outstanding letters of credit, equal to 0.25% of the unused line.

In June 2014, the Company entered into a five-year interest rate swap agreement to fix interest rates on a portion of this debt (Notes 1 and 3) pursuant to the terms of the credit agreement with Citizens Bank. Under the swap agreement, the Company pays a fixed rate of 1.79% and receives interest at the one-month LIBOR on a notional amount of \$18.75 million. This effectively makes the Company's interest rate 5.44% on \$18.75 million of its debt. The Company did not elect to apply hedge accounting for this interest rate swap agreement. As such, 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, and any changes in the fair value of the swap agreement will be accounted for as non-cash adjustments to interest expense and recognized in current earnings. The decrease in the fair value of the swap agreement was \$335,758 as of June 30, 2015 and was recorded as interest expense in the consolidated statements of operations.

## **5. Leases**

In November 2013, the Company entered into an agreement to purchase approximately three acres of property in Schaumburg, Illinois where it opened a Granite City restaurant in February 2015. In May 2014, the Company closed on the purchase of such land and, pursuant to a sale leaseback agreement with Store Capital, Store Capital took title to the land. The Company purchased the site for approximately \$2.1 million and sold it to Store Capital for the same amount. Pursuant to the sale leaseback agreement, Store Capital would purchase the improvements for up to approximately \$2.7 million. Because the Company incurred all the construction costs and risk of loss, the Company accounted for the transaction as a sale leaseback, pursuant to guidance in ASC 840 Leases. Management evaluated the fair value of the property and determined it to be equal to undepreciated costs, and therefore recorded a deferred loss of approximately \$2.1 million which will be amortized to rent expense over the life of the lease. In February 2015 and June 2015, the parties entered into amendments to the lease agreement whereby the Company is leasing the property for an initial term of 15 years at an annual rental amount of approximately \$394,140. Such agreement includes options for additional terms and provisions for rental adjustments.

In July 2013, the Company entered into a 15-year lease agreement for a site in Northville, Michigan where it constructed a Granite City restaurant which opened in April 2015. Per the terms of the lease, the landlord will pay the Company a tenant improvement allowance of approximately \$2.1 million. Because the Company incurred all the construction costs and risk of loss, the Company accounted for the transaction as a sale leaseback, pursuant to guidance in ASC 840 Leases. Management evaluated the fair value of the property and determined it to be equal to the undepreciated costs, and therefore, recorded a deferred loss of approximately \$1.5 million. The lease, which may be extended at the Company's option for up to two additional five-year periods, calls for annual base rent starting at \$419,640. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales.

In June 2014, the Company entered into a 10-year lease agreement for a site in National Harbor, Maryland where it constructed a Granite City restaurant which it opened in May 2015. Per the terms of the lease, the landlord will

pay the Company a tenant improvement allowance of approximately \$1.3 million. Because the Company incurred all the construction costs and risk of loss, the Company accounted for the transaction as a sale leaseback, pursuant to guidance in ASC 840 Leases. Management evaluated the fair value of the property and determined it to be equal to the undepreciated costs, and therefore, recorded a deferred loss of approximately \$2.8 million. The lease, which may be extended for two additional five-year periods, calls for an annual base rent starting at \$419,898. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales.

## 6. 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 half of fiscal years 2015 and 2014:

	Twenty-six Weeks Ended	
	June 30, 2015	July 1, 2014
Weighted average risk-free interest rate	1.73% - 2.38%	2.48% - 3.04%
Expected life of options	10 years	10 years
Expected stock volatility	85.84% - 86.84%	85.86% - 86.32%
Expected dividend yield	None	None

As of June 30, 2015, there were options outstanding for the purchase of 756,447 and 400,000 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 June 30, 2015, no shares remained available for issuance of options under the Long-Term Incentive Plan.

Due to the limited number of reserved shares remaining under the Long-Term Incentive Plan, the Company amended its 2014 Non-Qualified Plan in May 2015 to accommodate the continued issuance of annual stock option awards to the Company's non-employee directors and periodic stock option awards to select employees. Such amendment allowed for an additional 100,000 of shares of common stock to be reserved under the 2014 Non-Qualified Plan.

A summary of the Company's stock options as of June 30, 2015 is presented below:

Fixed Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 30, 2014	1,346,160	\$ 2.24	6.5 years	\$ 18,130
Granted	87,338	2.16	9.8 years	
Forfeited	(51,299)	2.07		
Outstanding at June 30, 2015	1,382,199	\$ 2.24	6.3 years	\$ 176,103

Options exercisable at December 30, 2014	878,003	\$	2.30	5.1 years	\$	18,130
Options exercisable at June 30, 2015	908,569	\$	2.31	5.0 years	\$	121,412

Weighted-average fair value of  
options granted during 2015 \$ 1.67

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 June 30, 2015 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 June 30, 2015. As of June 30, 2015, there was approximately \$370,228 of total unrecognized compensation cost related to unvested share-based compensation arrangements, of which \$145,247 is expected to be recognized during the remainder of fiscal year 2015, \$140,714 in fiscal year 2016, \$61,778 in fiscal year 2017, \$20,160 in fiscal year 2018 and \$2,329 in fiscal year 2019.

The following table summarizes information about stock options outstanding at June 30, 2015:

Range of Exercise Prices	Outstanding			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	1,249,202	6.6 years	\$ 2.10	775,572	\$ 2.09
\$3.01 - \$5.00	127,999	4.2 years	\$ 3.54	127,999	\$ 3.54
\$5.01 - \$6.00	4,998	3.2 years	\$ 5.47	4,998	\$ 5.47
Total	<u>1,382,199</u>	6.3 years	\$ 2.24	<u>908,569</u>	\$ 2.31

As of June 30, 2015, warrants for the purchase of an aggregate of 215,000 shares of common stock were outstanding and exercisable. The weighted average exercise price of such warrants was \$1.84 per share.

**EXHIBIT B**  
**INFORMATION AND DISCLOSURE STATEMENT PURSUANT TO RULE 15C2-11**

Sections (a)(5)(i) through (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:**  
14,360,981
- 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 Period Ended June 30, 2015.
- ix. **The nature of products or services offered:**  
See Item 6 of Quarterly Report for Period Ended June 30, 2015.
- x. **The nature and extent of the issuer's facilities:**  
See Item 7 of Quarterly Report for Period Ended June 30, 2015.



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

See Item 8 of Quarterly Report for Period Ended June 30, 2015.
- xii. **The issuer's most recent balance sheet and profit and loss and retained earnings statements:**

See Item 5 of Quarterly Report for Period Ended June 30, 2015.
- 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 Period Ended June 30, 2015.
- 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