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

Quarterly Report for Period Ended
June 28, 2016

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:	3500 American Boulevard West, Suite 450 Minneapolis, MN 55431 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 6/28/16:	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:	6,998,000 (Preferred Stock) 3,000,000 (Series A Convertible Preferred Stock) 2,000 (Redeemable Preferred Stock)
Total shares outstanding as of 6/28/16:	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?[1]

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

[1] 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:

N/A

Item 4: Issuance History

The following events resulted in changes in the Issuerọs total outstanding shares of common stock during the past two fiscal years:

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 Issuerọs 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 28, 2016 and June 30, 2015 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 Issuerøs 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 Cityøs award-winning signature line of hand-crafted beers finished on-site. The extensive menu features contemporary American fare made in our scratch kitchens. Granite Cityøs 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 Nô Roll 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, Iowa 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. Issuerøs Primary SIC Code: 5812
Issuerøs Secondary SIC Code: N/A

D. Issuerøs fiscal year end date: December 27, 2016

E. Principal products or series, and their markets:

As of June 28, 2016, we operated 35 Granite City restaurants in 14 states and five Cadillac Ranch restaurants in five states. We opened a Granite City restaurant in Detroit, Michigan in February 2016 and plan to open another Granite City restaurant in 2016. In addition, we are relocating our restaurant in Lincoln, Nebraska to a new location within that city. Our concepts target a broad guest base by offering high quality, made-from-scratch, polished casual 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/or centrally located within the respective areaøs 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. 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 28, 2016:

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

Item 7: Description of the Issuer's Facilities

Our property and equipment consists of the following:

	June 28, 2016	December 29, 2015
Land	$ 18,000	$ 18,000
Buildings	36,142,999	35,558,188
Leasehold improvements	19,010,810	19,398,427
Equipment and furniture	56,505,332	53,895,187
	111,677,141	108,869,772
Less accumulated depreciation	(59,972,694)	(56,438,884)
	51,704,447	52,430,888
Construction-in-progress	2,519,599	3,063,842
	$ 54,224,046	$ 55,494,730

Property owned:

In May 2015, we exercised option to purchase our beer production facility for $1.00. Such facility is located in Ellsworth, Iowa.

In September 2015, we purchased the building and improvements and assumed the ground lease for our Granite City restaurant in Omaha, Nebraska from Great Western Bank. To facilitate the transaction, we entered into a 5-year loan agreement with Great Western Bank in the amount of $1.08 million with an annual interest at a rate of 5.5%.

In August 2015, we entered into an agreement with the landlord of our Granite City restaurant in Lincoln, Nebraska. Pursuant to such agreement, the landlord assigned its interest in the shopping center lease and ownership of the building and improvements to our company for a fee of approximately $1.1 million, we directly assumed our former landlordȏs obligations under the shopping center lease, and we terminated the lease with our previous landlord. At the same time, we entered into a 10-year lease agreement for a different site in Lincoln, Nebraska where we plan to relocate our Granite City restaurant in the fourth quarter of 2016. Per the terms of the new lease, the landlord agreed to reimburse us for the $1.1 million fee paid to our previous landlord. In return, upon opening our new restaurant, we will relinquish to our new landlord, the building and improvements on our previous site. Because we were relieved of our capital lease obligations under the original lease, we recorded a gain of approximately $600,000. Under the terms of the new lease, the landlord will pay us a tenant improvement allowance of approximately $3.4 million, annual base rent will be approximately $238,000 with scheduled increases throughout the term, we may be required to pay additional contingent rent based upon restaurant sales, and we have the option to extend the lease for two five-year periods.

Property capital leases:

As of June 28, 2016, we operated 16 restaurants under capital lease agreements with expiration dates ranging from 2020 through 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 16 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. We have additional obligations under operating leases for 19 Granite City restaurants and five Cadillac Ranch restaurants. The expiration of the initial terms of the ground leases upon which we operate these restaurants range from 2016 through 2036. All but one of these leases include options for additional terms. Under certain of the leases, we may be required to pay additional contingent rent based upon restaurant sales.

In July 2014, we entered into a 20-year lease agreement for site at the Renaissance Center in Detroit, Michigan where we opened a Granite City restaurant in February 2016. Per the terms of the lease, the landlord will pay us a tenant improvement allowance of approximately $2.0 million. Annual rent is $225,421 with scheduled increases every five years. Under the terms of the lease, we may be required to pay additional contingent rent based upon restaurant sales.

In April 2016, we entered into a 67-month lease agreement for approximately 11,000 square feet of office space for our corporate offices in Minneapolis, Minnesota. Annual rent starts at $157,368 with scheduled increases throughout the term.

Item 8: Officers, Directors, and Control Persons

A. Names of Officers, Directors and Control Persons

Executive Officers:	Philip L. Costner, Chief Executive Officer[2]	
	Jeffrey L. Rager, Chief Financial Officer	
	Jeffery M. Dean, Chief Operating Officer	
	Monica A. Underwood, Vice President of Finance and Corporate Secretary	
Directors:	Fouad Z. Bashour, Chairman	Joel C. Longtin
	Robert J. Doran	Richard H. Lynch
	H. G. Carrington, Jr.	Michael S. Rawlings
	Eugene E. McGowan	Michael H. Staenberg
Control Persons:	Concept Development Partners LLC	
	Eugene E. McGowan	
	DHW Leasing, L.L.C.	

B. Legal/Disciplinary History:

None of the Issuerǿs 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 personǿs 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

[2] Mr. Costner became Granite Cityǿs Chief Executive Officer effective July 1, 2016.

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 personõs involvement in any type of business or securities activities.

C. Beneficial Shareholders:

Concept Development Partners LLC[3]
500 Crescent Court
Suite 250
Dallas, TX 75201-6995
78.5% common stock

Eugene E. McGowan[4]
101 North Main Avenue
Suite 325
Sioux Falls, SD 57104
14.5% common stock

DHW Leasing, L.L.C.[5]
230 S. Phillips Avenue, Suite 202
Sioux Falls, SD 57104
11.6% common stock

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[3] As set forth in the Schedule 13D filed on July 9, 2012 by Concept Development Partners LLC, a Delaware limited liability company (ñCDPò), CIC Partners Firm LP, a Delaware limited partnership (ñCIC Partnersò), CIC II LP, a Delaware limited partnership (ñCIC Fund IIò), CIC II GP LLC, a Delaware limited liability company (ñCIC II GPò), CDP-ME Holdings, LLC, a Delaware limited liability company (ñCDP-MEò), and CDP Management Partners, LLC, a Delaware limited liability company (ñCDP Managementò) (collectively, the ñReporting Personsò). 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. CDPõs 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 Managing Member of CDP Management Partners, LLC and CDP ME Holdings, LLC, and the present principal occupation of Mr. Doran is director of Granite City. Each of CDP, CDP-ME and CDP Management has a principal place of business at 1275 North Channel Dr. Harsens Island, MI 48028. CDP is majority owned by CIC CDP LLC, a Delaware limited liability company (ñCIC CDP LLCò), 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 3879 Maple Avenue, Suite 400, Dallas, Texas 75219. 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. (ñDHWò), 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.

[4] Includes 9,310 shares of common stock purchasable by Mr. McGowan upon the exercise of options and 91,603 shares held directly by Mr. McGowan. Because Mr. McGowan may be deemed to be an indirect beneficial owner of the securities held by Harmony Equity Income Fund, L.L.C. (133,558 shares), Harmony Equity Income Fund II, L.L.C. (133,558 shares), Harmony VII, L.L.C. (45,944 shares), and DHW (1,666,666 shares), the number of shares of common stock reported herein as beneficially owned by Mr. McGowan, including shares of common stock owned by the aforementioned entities, totals 2,080,639.

[5] 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. DHWõs 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) 332-9319 cselcer@sdkcpa.com
Investor Relations Consultant:	None
Other Advisor:	None

Item 10: Issuer Certifications

I, Philip L. Costner, 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 10, 2016

By: /s/ Philip L. Costner
Philip L. Costner
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 10, 2016

By: /s/ Jeffrey L. Rager
Jeffrey L. Rager
Chief Financial Officer

EXHIBIT A

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

Condensed Consolidated Financial Statements for the Quarters Ended June 28, 2016 and June 30, 2015

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

GRANITE CITY FOOD & BREWERY LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 28, 2016	December 29, 2015
Current assets:		
Cash and cash equivalents	$ 3,616,239	$ 3,659,509
Inventory	2,093,125	2,154,227
Prepaids and other	2,429,728	2,006,518
Total current assets	8,139,092	7,820,254
Prepaid rent, net of current portion	277,128	293,607
Property and equipment, net	54,224,046	55,494,730
Intangible and other assets, net	2,672,012	2,710,842
Deferred loss on sale leaseback	10,462,573	9,924,646
Total assets	$ 75,774,851	$ 76,244,079
Current liabilities:		
Accounts payable	$ 2,750,228	$ 3,053,478
Accrued expenses	10,323,264	12,531,390
Deferred rent, current portion	583,452	458,511
Long-term debt, current portion	1,336,040	1,334,481
Capital lease obligations, current portion	1,172,240	1,178,346
Total current liabilities	16,165,224	18,556,206
Deferred rent, net of current portion	5,396,498	5,409,331
Other liabilities - interest rate swap	534,684	298,119
Line of credit	12,750,000	10,000,000
Long-term debt, net of current portion	21,922,692	22,538,377
Capital lease obligations, net of current portion	23,027,829	24,225,051
Total liabilities	79,796,927	81,027,084
Shareholders' deficit:		
Common stock, $0.01 par value, 90,000,000 shares authorized; 14,360,981 shares issued and outstanding at 6/28/16 and 12/29/15	143,610	143,610
Additional paid-in capital	81,967,360	81,854,149
Retained deficit	(86,133,046)	(86,780,764)
Total shareholders' deficit	(4,022,076)	(4,783,005)
Total liabilities and shareholders' deficit	$ 75,774,851	$ 76,244,079

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

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Restaurant revenue	$ 39,691,372	$ 39,938,595	$ 78,262,250	$ 75,285,807
Cost of sales:				
Food, beverage and retail	10,380,602	10,488,881	20,504,418	19,940,880
Labor	13,319,467	13,394,412	26,533,503	25,240,666
Direct restaurant operating	5,921,531	5,928,657	11,927,720	11,582,159
Occupancy	3,896,594	3,488,336	7,597,657	6,629,412
Cost of sales and occupancy	33,518,194	33,300,286	66,563,298	63,393,117
General and administrative	2,551,831	2,323,945	5,225,410	4,548,584
Depreciation and amortization	1,805,491	2,132,682	3,671,843	3,905,932
Pre-opening	(52,578)	524,668	467,049	1,717,126
Acquisition costs	1,419	27,710	1,419	39,206
Loss on disposal of assets	(591,702)	117,270	(583,399)	117,360
Exit or disposal activities	-	18,603	-	18,603
Total costs and expenses	37,232,655	38,445,164	75,345,620	73,739,928
Operating income	2,458,717	1,493,431	2,916,630	1,545,879
Interest:				
Income	1,423	-	1,910	-
Expense on capital leases	(556,579)	(628,935)	(1,120,858)	(1,220,641)
Other interest expense	(464,219)	(318,597)	(1,105,479)	(820,700)
Net interest expense	(1,019,375)	(947,532)	(2,224,427)	(2,041,341)
Income (loss) before income tax	1,439,342	545,899	692,203	(495,462)
Income tax expense	-	-	(44,485)	(20,067)
Net income (loss)	$ 1,439,342	$ 545,899	$ 647,718	$ (515,529)
Income (loss) per common share, basic	$ 0.10	$ 0.04	$ 0.05	$ (0.04)
Income (loss) per common share, assuming dilution	$ 0.10	$ 0.04	$ 0.04	$ (0.04)
Weighted average shares outstanding, basic	14,360,981	14,360,981	14,360,981	14,360,981
Weighted average shares outstanding - assuming dilution	14,387,874	14,402,045	14,399,541	14,419,874

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

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

	Twenty-six Weeks Ended	
	June 28, 2016	June 30, 2015
Cash flows from operating activities:		
Net income (loss)	$ 647,718	$ (515,529)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,671,843	3,952,730
Amortization of deferred loss	498,764	374,781
Stock option expense	113,211	124,742
Non-cash interest expense	293,278	76,252
(Gain) loss on disposal of assets	(583,399)	117,360
Deferred rent	101,146	166,066
Changes in operating assets and liabilities:		
Inventory	61,102	(155,294)
Prepaids and other	(248,954)	(643,323)
Accounts payable	(700,930)	(2,068,134)
Accrued expenses	(2,035,989)	232,293
Net cash provided by operating activities	1,817,790	1,661,944
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(3,333,766)	(13,376,031)
Proceeds from sale leaseback	-	5,138,738
Intangible and other assets	(14,236)	(41,699)
Net cash used in investing activities	(3,348,002)	(8,278,992)
Cash flows from financing activities:		
Proceeds from line of credit	2,750,000	9,650,000
Payments on capital lease obligations	(603,181)	(609,649)
Payments on long-term debt	(659,877)	(625,000)
Net cash provided by financing activities	1,486,942	8,415,351
Net (decrease) increase in cash	(43,270)	1,798,303
Cash and cash equivalents, beginning	3,659,509	1,974,237
Cash and cash equivalents, ending	$ 3,616,239	$ 3,772,540
Supplemental disclosure of non-cash investing and financing activities:		
Land/buildings acquired under capital lease/long term debt agreements	$ -	$ 3,669,261

Capital lease liabilities extinguished upon lease termination/amendments	$ 600,147	$ -
Change in fair value of interest rate swap	$ 236,565	$ 65,290
Property and equipment, intangibles and equity costs included in accounts payable and accrued expenses	$ 456,134	$ 411,750
Proceeds from sale leaseback included in prepaids and other	$ 157,777	$ 1,176,971
Deferred loss on sale leaseback	$ 1,024,000	$ 4,951,338

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 ñCompanyò) develops and operates two casual dining concepts: Granite City Food & Brewery® and Cadillac Ranch All American Bar & Grill®.

As of June 28, 2016, the Company operated 35 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, including Granite Cityõs award-winning signature line of 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 NôRoll 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 Companyõs 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 Companyõs financial position as of June 28, 2016, and its results of operations for the interim periods ended June 28, 2016 and June 30, 2015. The results of operations for the 26 weeks ended June 28, 2016 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 Companyõs accounting policies and other financial information is included in its audited consolidated financial statements for the year ended December 29, 2015 as filed with OTC Markets. Management believes that the disclosures included in the Companyõs 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 Companyõs Annual Report. The accompanying balance sheet at December 29, 2015 has been derived from the Companyõs 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 2). The Company accounts for this derivative using fair value accounting and measurements described in Note 3. 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 trading or speculative purposes and has procedures in place to monitor and control the use of such instruments.

Related parties

Concept Development Partners LLC (ñCDPò) is the Companyôs controlling shareholder. As of June 28, 2016, CDP beneficially owned approximately 78.5% of the Companyôs 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 2016 and 2015 each consist of 52 weeks.

Reclassifications

Certain minor reclassifications have been made to the condensed consolidated financial statements for the first half of fiscal year 2015 for them to conform to the presentation of the condensed consolidated financial statements for the first half of fiscal year 2016. These reclassifications have no effect on the accumulated deficit or net loss previously reported.

In April 2015, the FASB issued authoritative guidance under ASU 2015-03, *Interestð Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt obligation. The Company adopted ASU 2015-03 in the first quarter of fiscal 2016 on a retrospective basis resulting in a $312,632 reduction of other assets and long-term debt within the Company's consolidated balance sheet as of December 29, 2015.

Subsequent events

The Company has evaluated subsequent events through August 10, 2016, the date the financial statements were available for issuance.

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

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

Level 3ð 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 28, 2016 and December 29, 2015, 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 Companyôs interest rate swap is determined based on information provided by the Companyôs 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 3).

The following table presents the fair value of liabilities measured on a recurring basis as of June 28, 2016:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	$ -	($534,684)	$ -	($534,684)

The following table presents the fair value of liabilities measured on a recurring basis as of December 29, 2015:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	$ -	($298,119)	$ -	($298,119)

There were no transfers between levels of the fair value hierarchy during the first half of 2016 or fiscal year 2015.

3. Credit agreement

In May 2014, the Company entered into a $40.0 million credit agreement with RBS Citizens, N.A. (ñCitizens Bankò). The agreement, which is secured by liens on the Companyôs 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 $12.8 million had been advanced as of June 28, 2016. 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 matures on May 15, 2019.

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 2) 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 Companyôs 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 condensed 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 $236,565 as of June 28, 2016 and was recorded as interest expense in the condensed consolidated statements of operations.

4. Leases

In July 2014, the Company entered into a 20-year lease agreement for site at the Renaissance Center in Detroit, Michigan where it opened a Granite City restaurant in February 2016. Per the terms of the lease, the landlord will pay the Company a tenant improvement allowance of approximately $2.0 million. Because the Company incurred 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 $1.0 million. Annual rent is $222,870 with scheduled increases every five years. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales.

In August 2015, the Company entered into an agreement with the landlord of its Granite City restaurant in Lincoln, Nebraska. Pursuant to such agreement, the landlord assigned its interest in the shopping center lease and ownership of the building and improvements to the Company for a fee of approximately $1.1 million, the Company directly assumed the former landlordôs obligations under the shopping center lease, and the Company terminated the lease with the previous landlord. At the same time, the Company entered into a 10-year lease agreement for a different site in Lincoln, Nebraska where it plans to relocate its Granite City restaurant in the fourth quarter of 2016. Per the terms of the new lease, the landlord agreed to reimburse the Company for the $1.1 million fee paid to the previous landlord. In return, upon the opening of the new restaurant, the Company will relinquish to the new landlord, the building and improvements on the previous site. Because the Company was relieved of its capital lease obligations under the original lease, a gain of approximately $600,000 was recorded. Under the terms of the new lease, the landlord will pay the Company a tenant improvement allowance of approximately $3.4 million, annual base rent will be approximately $238,000 with scheduled increases throughout the term, additional contingent rent based upon restaurant sales may be required, and the Company has the option to extend the lease for two five-year periods.

In April 2016, the Company entered into a 67-month lease agreement for approximately 11,000 square feet of office space for its corporate offices in Minneapolis, Minnesota. Annual rent starts at $157,368 with scheduled increases throughout the term.

5. 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 2016 and 2015:

	Thirteen Weeks Ended	
	June 28, 2016	June 30, 2015
Weighted average risk-free interest rate	1.71% - 2.01%	1.73% - 2.38%
Expected life of options	10 years	10 years
Expected stock volatility	87.27%-88.12%	85.84% -86.84%
Expected dividend yield	None	None

As of June 28, 2106, there were options outstanding for the purchase of 638,479 and 384,544 shares under the Companyọs 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 28, 2016, 15,456 shares remained available for issuance of awards under the Long-Term Incentive Plan.

In January 2016, the Company increased by 150,000 the number of shares available for issuance under its 2014 Non-Qualified Plan (the ñNQ Planò) to accommodate the continued issuance of annual stock option awards to the Companyọs non-employee directors and periodic stock option awards to select employees. In May 2016, the Company further increased by 775,000 the number of shares available for issuance under the NQ Plan to accommodate the issuance of a stock option award to its new Chief Executive Officer as well as future awards to other participants. As of June 28, 2016, options for the purchase of 377,469 shares were outstanding and 872,531 shares remained available for issuance of awards under the NQ Plan.

A summary of the Companyǿs stock options as of June 28, 2016 is presented below:

Fixed Options	Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	
Options exercisable at December 29, 2015	1,383,988	$	2.24	6.0 years	$	75,308
Granted	136,361		2.75	9.7 years		
Exercised	-		-			
Forfeited	(119,857)		2.54			
Outstanding at June 28, 2016	1,400,492	$	2.27	6.0 years	$	15,312
Options exercisable at December 29, 2015	964,338	$	2.30	4.8 years	$	70,958
Options exercisable at June 28, 2016	970,519	$	2.25	5.0 years	$	15,312
Weighted-average fair value of options granted during 2016	$ 1.42					

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing price of the Companyǿs stock on June 28, 2016 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 28, 2016. As of June 28, 2016, there was approximately $500,510 of total unrecognized compensation cost related to unvested share-based compensation arrangements, of which $277,540 is expected to be recognized during the remainder of fiscal year 2016, $130,803 in fiscal year 2017, $60,957 in fiscal year 2018, $25,515, in fiscal year 2019 and $5,695 in fiscal year 2020.

The following table summarizes information about stock options outstanding at June 28, 2016:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price		Number of Options Exercisable	Weighted Exercise Price	
$1.00 - $3.00	1,308,328	6.1 years	$	2.17	878,355	$	2.10
$3.01 - $5.00	87,999	4.7 years	$	3.59	87,999	$	3.59
$5.01 - $6.00	4,165	2.2 years	$	5.47	4,165	$	5.47
Total	1,400,492	6.0 years	$	2.27	970,519	$	2.25

In the second quarter of 2011, the Company entered into lease amendments with certain of its landlords. In consideration of more favorable lease terms and conditions, the Company issued five-year warrants to purchase the Companyǿs common stock to such landlords. The number of shares purchasable under these warrants was 40,000 and the exercise price was $3.32 per share. As of June 28, 2016, all such warrants had expired unexercised.

As of June 28, 2016, a warrant for the purchase of 175,000 shares of common stock at an exercise price of $1.50 per share was outstanding and exercisable.

6. Subsequent events

Employment Agreement

Pursuant to an employment agreement, Philip L. Costner began serving as the Companyôs Chief Executive Officer on July 1, 2016, for a two-year term (the ñTermò). If, during the Term, the Company terminates Mr. Costner without cause, as defined in the agreement, Mr. Costner would be entitled to severance benefits including one year of base salary and a partial performance bonus, if earned, through the date of termination. In the event of a termination without cause of Mr. Costner following a change in control of the Company, the Company has agreed to pay Mr. Costner, in addition to the basic one-year severance payment, an additional six months of base salary. The agreement provides for an annual base salary, which may be increased by the Companyôs compensation committee, of $355,000. In addition, Mr. Costner is eligible for an annual bonus of up to 50% of base salary based on achieving performance targets and other objectives which may include strategic or other non-quantitative goals determined by the Companyôs compensation committee, as well as participation in the Companyôs other employee benefit plans, a relocation allowance, and expense reimbursement. Mr. Costner has also agreed to certain nondisclosure provisions during the Term and any time thereafter, and certain non-competition and non-recruitment provisions during the Term and for a certain period thereafter. In connection with commencement of his employment, the Company granted Mr. Costner the following ten-year nonqualified stock options under the NQ Plan: (1) an option to purchase 400,000 shares of the Companyôs common stock at $2.75 per share and (2) an option to purchase 150,000 shares of the Companyôs common stock at $4.00 per share.

Separation Agreement with Former Chief Executive Officer

Robert J. Doran, who formerly served as Chief Executive Officer of the Company, resigned from his position as Chief Executive Officer effective July 1, 2016, and his employment with the Company ceased July 31, 2016. Consistent with his employment agreement and conditioned upon his execution of a separation agreement and release, which he executed on August 1, 2016, Mr. Doran will receive severance payments equal to one year of his final base salary paid over a 12-month period and a partial performance bonus, if earned, through the date of termination.

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:**

3500 American Boulevard West, Suite 450
Minneapolis, MN 55431

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 28, 2016.

ix. **The nature of products or services offered:**

See Item 6 of Quarterly Report for Period Ended June 28, 2016.

x. **The nature and extent of the issuer's facilities:**

See Item 7 of Quarterly Report for Period Ended June 28, 2016.

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

See Item 8 of Quarterly Report for Period Ended June 28, 2016.

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 28, 2016.

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 28, 2016.

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