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

GRANITE CITY

food & brewery

Cadillac Ranch

THE GREAT ALL-AMERICAN BAR & GRILL

Annual Report for the Fiscal Year Ended December 30, 2014

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

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

Granite City Food & Brewery Ltd.

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

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

Item 3: Security Information

Trading symbol:	GCFB
Exact title and class of securities outstanding:	Common Stock
CUSIP:	38724Q404
Par or stated value:	$0.01 (par value)
Total shares authorized:	90,000,000
Total shares outstanding as of 12/30/14:	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) including 3,000,000 (Series A Convertible Preferred Stock) 2,000 (Redeemable Preferred Stock)
Total shares outstanding as of 12/30/14:	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:

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 three fiscal years:

Issuance of Common Stock Dividends

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

June 2012 Common Stock Offering

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

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

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

N/A

C. The number of shares offered;

3,125,000

D. The number of shares sold;

3,125,000

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

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

F. The trading status of the shares; and

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

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

Yes

2012 and 2013 Stock Option Exercises

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

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

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

N/A

C. The number of shares offered;

62,623

D. The number of shares sold;

62,623

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

$1.08, $1.38 and $2.00 per share (gross proceeds of $111,302)

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 Issuerφs 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 audited consolidated financial statements for the fiscal years ended December 30, 2014 and December 31, 2013 are attached hereto as Exhibit A:

A. Report of Independent Registered Public Accounting Firm
B. Consolidated Balance Sheets
C. Consolidated Statements of Operations
D. Consolidated Statements of Cash Flows
E. Notes to 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 moderately priced favorites served in generous portions. 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 NôRoll 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. Issuerôs Primary SIC Code: 5812
Issuerôs Secondary SIC Code: N/A

D. Issuerôs fiscal year end date: December 30, 2014

E. Principal products or series, and their markets:

As of December 30, 2014, we operated 31 Granite City restaurants in 13 states and five Cadillac Ranch restaurants in five states. In February 2015, we opened our 32nd Granite City restaurant which is located in Schaumburg, Illinois. 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 areaôs 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 Nô Roll-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 December 30, 2014:

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

Item 7: Description of the Issuer's Facilities

Our property and equipment consists of the following:

	December 30, 2014	December 31, 2013
Land	$ 18,000	$ 18,000
Buildings	33,501,906	33,657,204
Leasehold improvements	16,069,904	15,488,964
Equipment and furniture	47,689,825	46,673,487
	97,279,635	95,837,655
Less accumulated depreciation	(50,567,412)	(44,984,181)
	46,712,223	50,853,474
Construction-in-progress	8,277,582	1,383,763
	$ 54,989,805	$ 52,237,237

*Includes $28,588,405 of land and buildings under capital lease.

Property capital leases:

As of December 30, 2014, we operated 17 restaurants under capital lease agreements, of which one expires in 2020, two in 2023, two in 2024, five in 2026, three in 2027, one in 2028 and three in 2030, all with renewable options for additional periods. Under certain of the leases, we may be required to pay additional contingent rent based upon restaurant sales. At the inception and the amendment date of each of these leases, we evaluated the fair value of the land and building separately pursuant to the FASB guidance on accounting for leases. The land portion of these leases is classified as an operating lease as the fair value of the land is 25% or more of the total fair value of the lease. The building portion of these leases is classified as a capital lease because its present value was greater than 90% of the estimated fair value at the beginning or amendment date of the lease and/or the lease term represents 75% or more of the expected life of the property.

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

Property operating leases:

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

Granite City restaurant operating leases:

- Fargo, ND: 20-year ground lease upon which we built our restaurant which expires in 2021.
- St. Louis Park, MN: The initial term of the land and building lease will expire in 2016 with renewal options for additional periods.
- South Bend, IN and Carmel, IN: The initial terms of the ground leases upon which we operate our restaurants will expire in 2028 and 2024, respectively. Each lease has renewal options for additional periods.

- 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: The initial term of the land and building lease will expire in 2023 with renewal options for additional periods.
- Lyndhurst, OH: The initial term of the land and building lease will expire in 2023 with renewal options for additional periods.
- Naperville, IL: The initial term of the land and building lease will expire in 2029 with renewal options for additional periods.

Cadillac Ranch operating leases:

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

We also lease our corporate headquarters in Minneapolis, MN. Such lease expires in 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	Joel C. Longtin
	Robert J. Doran	Louis M. Mucci
	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 Issuerøs 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 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 personǿs involvement in any type of business or securities activities.

C. Beneficial Shareholders:

Concept Development Partners LLC[2]
500 Crescent Court
Suite 250
Dallas, TX 75201-6995
78.5% common stock and 100% Series A Convertible Preferred stock

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

DHW Leasing, L.L.C.[3]
230 S. Phillips Avenue, Suite 202
Sioux Falls, SD 57104
11.6% common stock

[2] As set forth in the Schedule 13D filed on July 9, 2012 by Concept Development Partners LLC, a Delaware limited liability company (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. CDPǿs 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 (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 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. (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.

[3] DHW retains the right to dispose of such shares of common stock; however, it has granted an irrevocable proxy to vote such shares of common stock to CDP. DHWǿs 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, Robert J. Doran, certify that:

1. I have reviewed this annual 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: March 13, 2015

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

I, Jeffrey L. Rager, certify that:

1. I have reviewed this annual 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: March 13, 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

Consolidated Financial Statements
for the Fiscal Year Ended December 30, 2014

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Granite City Food & Brewery Ltd.
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of Granite City Food & Brewery Ltd. (the ñCompanyò) as of December 30, 2014 and December 31, 2013, and the related consolidated statements of operations, shareholdersô deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Companyõs management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companyõs internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Granite City Food & Brewery Ltd. as of December 30, 2014 and December 31, 2013, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Schechter, Dokken, Kanter, Andrews & Selcer Ltd.

Minneapolis, Minnesota
March 13, 2015

GRANITE CITY FOOD & BREWERY LTD.
CONSOLIDATED BALANCE SHEETS

	December 30, 2014	December 31, 2013
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 1,974,237	$ 2,677,090
Inventory	1,872,104	1,816,487
Prepaids and other	1,567,755	2,043,345
Total current assets	5,414,096	6,536,922
Prepaid rent, net of current portion	394,185	88,406
Property and equipment, net	54,989,805	52,237,237
Intangible and other assets, net	9,062,770	7,906,051
Total assets	$ 69,860,856	$ 66,768,616
LIABILITIES AND SHAREHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable	$ 4,425,146	$ 5,732,394
Accrued expenses	10,121,419	8,598,558
Deferred rent, current portion	572,274	999,566
Long-term debt, current portion	1,250,000	980,109
Capital lease obligations, current portion	1,118,176	1,091,643
Total current liabilities	17,487,015	17,402,270
Deferred rent, net of current portion	5,501,308	4,449,803
Other liabilities - interest rate swap	270,469	128,557
Line of credit	4,500,000	-
Long-term debt, net of current portion	23,125,000	19,906,365
Capital lease obligations, net of current portion	23,773,801	24,887,558
Total liabilities	74,657,593	66,774,553
Commitments and contingencies:		
Redeemable preferred stock, $0.01 par value, 0 and 2,000 shares outstanding at 12/30/14 and 12/31/13, respectively	-	1,784,887
Shareholders' deficit:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; 0 and 3,000,000 shares issued and outstanding at 12/30/14 and 12/31/13, respectively.	-	30,000
Common stock, $0.01 par value, 90,000,000 shares authorized; 14,360,981 and 8,307,649 shares issued and outstanding at 12/30/14 and 12/31/13, respectively	143,610	83,076
Additional paid-in capital	81,577,802	81,552,313
Retained deficit	(86,518,149)	(83,456,213)
Total shareholders' deficit	(4,796,737)	(1,790,824)
Total liabilities and shareholders' deficit	$ 69,860,856	$ 66,768,616

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

GRANITE CITY FOOD & BREWERY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

	52 Weeks Ended December 30, 2014	53 Weeks Ended December 31, 2013
Restaurant revenue	$ 136,161,765	$ 134,163,349
Cost of sales:		
Food, beverage and retail	37,071,678	36,977,798
Labor	44,516,420	43,761,162
Direct restaurant operating	21,065,823	21,085,533
Occupancy	11,898,925	11,147,131
Cost of sales and occupancy	114,552,846	112,971,624
General and administrative	10,417,850	9,429,670
Depreciation and amortization	7,584,605	8,041,632
Pre-opening	1,789,780	1,651,235
Acquisition costs	66,651	359,378
Loss on disposal of assets	618,034	661,445
Exit or disposal activities	36,459	(424,443)
Total costs and expenses	135,066,225	132,690,541
Operating income	1,095,540	1,472,808
Interest:		
Income	4,150	2,624
Expense on capital leases	(2,305,422)	(3,648,328)
Other interest expense	(1,796,593)	(1,255,059)
Net interest expense	(4,097,865)	(4,900,763)
Loss before income tax	(3,002,325)	(3,427,955)
Income tax expense	(59,611)	(21,985)
Net loss	$ (3,061,936)	$ (3,449,940)
Net loss per share, basic	$ (0.36)	$ (0.52)
Weighted average shares outstanding, basic	8,464,058	8,172,457

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

GRANITE CITY FOOD & BREWERY LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

	Preferred Stock		Common Stock						
	Share	Amount	Shares	Amount	Stock Dividend Payable	Stock Dividend Distributable	Additional Paid-in Capital	Retained Deficit	Shareholdersô Deficit
Balance at December 25, 2012	3,000,000	$30,000	8,051,712	$ 80,517	45,731	$ 457	$ 80,593,601	$(79,196,273)	$ 1,508,302
Compensation expense on options							181,917		181,917
Fair value of warrants issued with redeemable preferred stock							215,113		215,113
Common stock issued upon exercise of options			5,747	57			6,697		6,754
Decrease in deferred registration costs							152,034		152,034
Dividends paid on preferred stock			250,190	2,502	(45,731)	(457)	402,951	(810,000)	(405,004)
Net loss								(3,449,940)	(3,449,940)
Balance at December 31, 2013	3,000,000	30,000	8,307,649	83,076	-	-	81,552,313	(83,456,213)	(1,790,824)
Compensation expense on options							190,071		190,071
Decrease in fair value of warrants upon redemption of redeemable preferred stock							(200,285)		(200,285)
Accretion of redeemable preferred stock							(14,828)		(14,828)
Exercise of warrants			53,332	534			80,531		81,065
Conversion of convertible preferred stock	(3,000,000)	(30,000)	6,000,000	60,000			(30,000)		-
Net loss								(3,061,936)	(3,061,936)
Balance at December 30, 2014	-	$ -	14,360,981	$ 143,610	-	$ -	$ 81,577,802	$(86,518,149)	$ (4,796,737)

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

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

	52 Weeks Ended December 30, 2014	53 Weeks Ended December 31, 2013
Cash flows from operating activities:		
Net loss	$ (3,061,936)	$ (3,449,940)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,584,605	8,041,632
Amortization of deferred loss	458,354	223,549
Stock option expense	190,071	181,917
Non-cash interest expense	302,336	150,481
Loss on disposal of assets	618,034	661,445
Gain on exit or disposal activities	-	(484,715)
Deferred rent	602,289	686,155
Changes in operating assets and liabilities:		
Inventory	(55,617)	(328,262)
Prepaids and other	226,965	420,952
Accounts payable	(2,562,283)	2,373,133
Accrued expenses	845,732	265,389
Net cash provided by operating activities	5,148,550	8,741,736
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(12,484,778)	(13,982,242)
Proceeds from sale leaseback	2,846,596	3,462,800
Intangible and other assets	(121,033)	(114,595)
Net cash used in investing activities	(9,759,215)	(10,634,037)
Cash flows from financing activities:		
Proceeds from line of credit	8,300,000	8,368,338
Payments on line of credit	(3,300,000)	(8,000,000)
Payments on capital lease obligations	(1,087,224)	(4,702,410)
Payments on long-term debt	(882,308)	(1,479,057)
Proceeds from long-term debt	1,069,942	3,700,701
Proceeds from sale leaseback	-	2,869,265
Payment of interest rate swap	(138,500)	
Proceeds from redeemable preferred stock	-	2,000,000
Debt issuance costs	(135,163)	(249,075)
Net proceeds from issuance of common stock	81,065	6,754
Payment of cash dividends on preferred stock	-	(506,255)
Net costs related to issuance of stock	-	(4,904)
Net cash provided by financing activities	3,907,812	2,003,357

Net (decrease) increase in cash		(702,853)		111,056
Cash and cash equivalents, beginning		2,677,090		2,566,034
Cash and cash equivalents, ending	$	1,974,237	$	2,677,090
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	3,753,910	$	4,911,617
Cash paid for state minimum fees	$	30,835	$	21,985
Supplemental disclosure of non-cash investing and financing activities:				
Land, buildings and equipment acquired under capital lease agreements/amendments and long-term debt	$	-	$	1,669,736
Change in fair value of interest rate swap	$	280,412	$	128,557
Property and equipment, intangibles and equity costs included in accounts payable and accrued expenses	$	3,040,562	$	1,032,714
Proceeds from sale leaseback included in prepaids and other	$	245,604	$	567,200
Deferred loss included in other assets	$	1,560,248	$	4,928,614
Line of credit refinanced to long-term debt	$	500,000	$	8,368,338
Capital lease liabilities extinguished upon purchase of property	$	-	$	5,986,280
Decrease in accrued expenses due to deferred registration costs adjustment	$	-	$	152,034
Dividends paid on preferred stock through the issuance of common stock	$	-	$	506,245
Intangibles acquired through financing	$	342,500	$	-
Principal refinanced on long-term debt	$	21,129,166	$	-
Principal refinanced on line of credit	$	2,000,000	$	-
Prepaid rent acquired through financing	$	378,750	$	-
Redeemable preferred stock redeemed through financing	$	2,000,000	$	-
Accrued expenses paid with financing	$	79,642	$	-

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

GRANITE CITY FOOD & BREWERY LTD.
NOTES TO 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®.

Its original restaurant concept is a polished casual American restaurant known as Granite City Food & Brewery. The Granite City restaurant theme is upscale casual dining with a wide variety of menu items that are prepared fresh daily, combined with freshly brewed hand-crafted beers finished on-site. The Company opened its first Granite City restaurant in St. Cloud, Minnesota in July 1999 and has since expanded, operating 31 Granite City restaurants as of December 30, 2014. During 2014, the Company opened a Granite City restaurant in Naperville, Illinois. The Company opened a Granite City restaurant in Schaumburg, Illinois in February 2015 and plans to open additional Granite City restaurants in 2015. Additionally, 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 Companyôs 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. In 2007, the Company was granted a patent by the United States Patent Office for its brewing process and in June 2010, was granted an additional patent for an apparatus for distributed production of beer.

Between November 2011 and May 2012, the Company purchased the assets of six Cadillac Ranch All American Bar & Grill restaurants along with the intellectual property of Cadillac Ranch. Cadillac Ranch restaurants feature 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 Cadillac Ranch menu is diverse with offerings ranging from homemade meatloaf to pasta dishes, all freshly prepared using quality ingredients. Having determined to cease operating the Annapolis, Maryland location, the Company did not exercise its option to renew the lease, and as such, discontinued operations there on January 15, 2014.

Principles of consolidation and basis of presentation

The Companyôs consolidated financial statements include the accounts and operations of the Company and its subsidiary corporation under which its four Kansas locations are operated. By Kansas state law, 50% of the stock of the subsidiary corporation must be owned by a resident of Kansas. Granite City Restaurant Operations, Inc., a wholly-owned subsidiary of the Company, owns the remaining 50% of the stock of the subsidiary corporation. The resident-owner of the stock of that entity has entered into a buy-sell agreement with the subsidiary corporation providing, among other things, that transfer of the shares is restricted and that the resident-owner must sell his shares to the subsidiary corporation upon certain events, or any event that disqualifies the resident-owner from owning the shares under applicable laws and regulations of the state of Kansas. The Company has entered into a master agreement with the subsidiary corporation that permits the operation of the restaurants and leases to the subsidiary corporation the Companyôs property and facilities. The subsidiary corporation pays all of its operating expenses and obligations, and the Company retains, as consideration for the operating arrangements and the lease of property and facilities, all the net profits, as defined, if any, from such operations. The foregoing ownership structure was set up to comply with the licensing and ownership regulations related to microbreweries within the state of Kansas. The Company has determined such ownership structure will cause the subsidiary corporation to be treated as a variable interest entity in which the Company has a controlling financial interest for the purpose of Financial Accounting Standards Boardôs (ñFASBò) accounting guidance on accounting for variable interest entities. As such, the subsidiary corporation is consolidated with the Companyôs financial statements and the Companyôs financial statements do not reflect a minority ownership in the subsidiary corporation. Also included in the Companyôs consolidated financial statements are other wholly-owned subsidiaries. All references to the Company in these notes to the consolidated financial statements relate to the consolidated entity, and all intercompany balances have been eliminated.

Related parties

In May 2011, Concept Development Partners LLC (ñCDPò) became the Companyôs controlling shareholder through its purchase of Series A Convertible Preferred Stock (ñSeries A Preferredò) and a related shareholder and voting agreement with DHW Leasing, L.L.C. (ñDHWò). As of March 11, 2015 CDP beneficially owned 11,273,539 shares of our common stock, or approximately 78.5% of the Companyôs common stock, representing 6,000,000 shares issued in December 2014 upon conversion of its 3,000,000 shares of Series A Preferred, 1,666,666 shares over which CDP has voting power pursuant to a shareholder and voting agreement and irrevocable proxy between CDP and DHW, 3,125,000 shares of common stock purchased in June 2012, and 481,873 shares of common stock issued to CDP as dividends.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Significant estimates include estimates related to asset lives and gift card liability. Actual results could differ from these estimates.

Fiscal year

The Company utilizes a 52/53-week fiscal year ending on the last Tuesday in December for financial reporting purposes. Fiscal year 2014, which ended on December 30, 2014, included 52 weeks while fiscal year 2013, which ended on December 31, 2013, included 53 weeks.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. Amounts receivable from credit/debit card processors are considered cash equivalents because they are both short-term and highly liquid in nature and are typically converted to cash within three to six days of the sales transaction. The Company maintains cash accounts at financial institutions where at times the cash balances exceed the federally insured limit of $250,000. The Company has not experienced any loss with this practice.

Inventory

Inventory, consisting of food, beverages, retail items and beer production supplies, is stated at the lower of cost or market with cost determined using the first-in, first-out (FIFO) method.

Prepaid expenses and other current assets

The Company has cash outlays in advance of expense recognition for items such as rent, insurance, fees and service contracts. All amounts identified as prepaid expenses and other current assets are expected to be utilized during the twelve-month period after the balance sheet dates presented. Other current assets consist primarily of receivables of amounts due from third-party gift card sales, third-party delivery services, rebate amounts due from certain vendors and tenant improvement allowances due from landlords.

Property and equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets. Leasehold improvements are depreciated over the term of the related lease or the estimated useful life, whichever is shorter. Depreciation and amortization of assets are computed on the straight-line method for financial reporting purposes.

The estimated useful lives are as follows:

Computer hardware and software	3 years
Furniture and restaurant equipment	3-8 years
Brewery equipment	20 years
Building and leasehold improvements	10-30 years

The Company capitalizes direct and certain related indirect costs in conjunction with site selection for new restaurants, acquiring restaurant properties and other real estate development projects. These costs are included in property and equipment in the accompanying consolidated balance sheets and are amortized, upon completion of the property, over the life of the related building and leasehold interest. Costs related to abandoned site selections are expensed at time of abandonment.

The Company accumulates construction costs, including contractor fees and architecture fees as well as equipment it has purchased, but not yet placed in service in its construction-in-progress account. Such equipment includes, but is not limited to, kitchen equipment, audio visual equipment, brewing equipment, computers and technical equipment.

Management reviews property and equipment, including leasehold improvements for impairment when events or circumstances indicate these assets might be impaired pursuant to the FASB accounting guidance on impairment or disposal of long-lived assets. The Companyôs management considers such factors as the Companyôs history of losses and the disruptions in the overall economy in preparing an analysis of its property, including leasehold improvements, to determine if events or circumstances have caused these assets to be impaired. Management bases this assessment upon the carrying value versus the fair market value of the asset and whether or not that difference is recoverable. Such assessment is performed on a restaurant-by-restaurant basis and includes other relevant facts and circumstances including the physical condition of the asset. If management determines the carrying value of the restaurant assets exceeds the projected future undiscounted cash flows, an impairment charge would be recorded to reduce the carrying value of the restaurant assets to their fair value. The Company does not believe there are any unrecorded impairments with respect to its property and equipment.

Intangible and other assets

Intangible assets are recorded at cost and reviewed annually for impairment. Included in intangible assets are trademarks for which registrations continue indefinitely. However, the Company expects the value derived from these trademarks will decrease over time, and therefore amortizes them under the straight-line method over 20 years. Also included in intangible assets are transferable liquor licenses that were purchased through open markets in jurisdictions with a limited number of authorized liquor licenses. These liquor licenses are renewable every year if the Company complies with basic applicable rules and policies governing the sale of liquor in the respective states. As a result, the Company expects the cash flows from these licenses to continue indefinitely. Because there is an observable market for transferable liquor licenses and the Company expects them to generate cash flow indefinitely, pursuant to the FASB guidance on intangible assets, the Company does not amortize capitalized liquor licenses as they have indefinite lives. The cost of non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are not capitalized, but rather expensed as incurred. The annual renewal fees for each of the Companyôs liquor licenses, whether capitalized or expensed, are nominal and are expensed as incurred.

The Company has entered into lease agreements whereby the landlord agreed to pay the Company a tenant improvement allowance. Because the Company incurred all the construction costs and risk of loss, it accounted for these transactions as sale leasebacks, pursuant to guidance in ASC 840 Leases. The deferred loss recorded on these transactions is included in other assets and is amortized over the life of the lease.

Also included in other assets are security deposits and deferred loan costs. Deferred loan costs are amortized straight-line over the term of the financing agreements which does not differ materially from the effective interest method of amortizing such costs.

Leases and deferred rent payable

The Company leases substantially all of its restaurant properties. Leases are accounted for under the FASB guidance on accounting for leases. For leases that contain rent escalation clauses, the Company records the total rent payable during the lease term and recognizes expense on a straight-line basis over the initial lease term, including the ñbuild-outò or ñrent-holidayò period where no rent payments are typically due under the terms of the lease. Any difference between minimum rent and straight-line rent is recorded as deferred rent payable. Additionally, contingent rent expense based on a percentage of revenue is accrued and recorded to the extent it is expected to exceed minimum base rent per the lease agreement, based on estimates of probable levels of revenue during the contingency period. Deferred rent payable also includes a tenant improvement allowance the Company received, which is being amortized as a reduction of rent expense also on a straight-line basis over the initial term of the lease.

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 15. The fair value of the interest rate swap is recorded on the consolidated balance sheet in other assets or other liabilities, depending on the fair value of the swap. The change in the fair value of the swap is recorded on the consolidated statements of operations in other interest expense.

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

Revenue recognition

Revenue is derived from the sale of prepared food, beverage and select retail items. Revenue is recognized at the time of sale and is reported on the Companyôs consolidated statements of operations net of sales taxes collected. The amount of sales tax collected is included in other accrued expenses until the taxes are remitted to the appropriate taxing authorities. Revenue derived from gift card sales is recognized at the time the gift card is redeemed. Until the redemption of gift cards occurs, the outstanding balances on such cards are included in accrued expenses in the accompanying consolidated balance sheets. When the Company determines there is no legal obligation to remit the value of unredeemed gift cards to the relevant jurisdictions, the Company periodically recognizes gift card breakage which represents the portion of its gift card obligation for which management believes the likelihood of redemption by the customer is remote, based upon historical redemption patterns. Such amounts are included as a reduction to general and administrative expense.

Advertising costs

Advertising costs are expensed as incurred. Total amounts incurred during fiscal years 2014 and 2013 and were $513,183 and $665,597, respectively. Advertising costs are included as a component of direct restaurant operating expense when the costs are specific to a particular restaurant or market, or in corporate-level general and administrative expense when the costs are not specific to a given restaurant.

Pre-opening costs

Pre-opening costs are expensed as incurred and include direct and incremental costs incurred in connection with the opening of each restaurantôs operations. Pre-opening costs consist primarily of travel, food and beverage, employee payroll and related training costs. Pre-opening costs also include cash and non-cash rental costs under operating leases incurred during a construction period.

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 fiscal years 2014 and 2013:

	Fiscal Year 2014	Fiscal Year 2013
Weighted average risk-free interest rate	2.2% - 3.0%	1.7% - 2.8%
Expected life of options	10 years	10 years
Expected stock volatility	85.8% - 86.3%	86.3% - 89.1%
Expected dividend yield	None	None

Income taxes

The Company utilizes the liability method of accounting for income taxes. Deferred tax assets and liabilities are computed at each balance sheet date for temporary differences between the consolidated financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on tax rates in effect in the years in which the temporary differences are expected to affect taxable income. Valuation allowances are established to reduce deferred tax assets to the amounts that will more likely than not be realized. Management has evaluated the Companyȇs tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. The Company is generally subject to United States federal and state tax examinations for all tax years subsequent to 1999 due to its net operating loss carryforwards and the utilization of the carryforwards in years still open under statute.

Net loss per share

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

	Fiscal Year 2014		Fiscal Year 2013	
Net loss	$	(3,061,936)	$	(3,449,940)
Less dividends declared		-		(810,000)
Less accretion of redeemable preferred stock		(14,828)		(3,534)
Net loss attributable to common shareholders	$	(3,076,764)	$	(4,263,474)
Loss per common share, basic	$	(0.36)	$	(0.52)
Weighted average shares outstanding, basic		8,464,058		8,172,457

Of the net loss per common share, $(0.10) was attributable to dividends declared on preferred stock during fiscal year 2013.

Stock options and warrants for the purchase of 1,561,160 common shares at December 30, 2014 and 1,649,539 common shares at December 31, 2013, were not used for the calculation of loss per common share or weighted average shares outstanding on a fully diluted basis because they were anti-dilutive.

Recent accounting pronouncements

The Company reviewed all significant newly-issued accounting pronouncements and concluded that they either are not applicable to the Companyӳ operations or that no material effect is expected on its consolidated financial statements as a result of future adoption.

Reclassifications

Certain minor reclassifications have been made to the consolidated financial statements for fiscal year 2013 for them to conform to the presentation of the consolidated financial statements for fiscal year 2014. These reclassifications have no effect on the accumulated deficit or net loss previously reported.

2. Credit agreement

In May 2014, the Company entered into a $40.0 million credit agreement with RBS Citizens, N.A. (ӃCitizens BankөThe agreement, which is secured by liens on the Companyӳ 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 $2.0 million was advanced in a single borrowing on the same day. 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 agreement restricts the Company from declaring or making dividend payments in cash or stock and does not allow the Company to repurchase any of its outstanding securities. Additionally, the credit agreement contains customary covenants, representations and warranties, and certain financial covenants, and matures on May 15, 2019.

A portion of the proceeds from the term loan was used to retire all of the Companyӳ then-existing long-term debt and line of credit borrowings. At the time of the borrowing, 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.

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 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.

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 15) 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 Companyӳ 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 $270,469 as of December 30, 2014 and was recorded as interest expense in the consolidated statements of operations.

As of December 30, 2014, future maturities of long-term debt and line of credit, exclusive of interest, were as follows:

Year ending:		
2015	$	1,250,000
2016		1,250,000
2017		1,362,500
2018		1,475,000
2019		23,537,500
Thereafter		-
	$	28,875,000

The foregoing table does not include line of credit advances subsequent to December 30, 2014. As of March 11, 2015, the Company had $9.4 million outstanding on the line of credit. During fiscal years 2014 and 2013, the Company incurred $1,881,346 and $1,419,429, respectively, in interest expense related to long-term debt. Of such interest, $90,191, and $160,836 was capitalized in fiscal years 2014 and 2013, respectively, as the Company constructed new restaurants.

3. Debt retired

Using a portion of the proceeds from the credit agreement with Citizens Bank, the Company retired all obligations under its credit agreement with Fifth Third Bank. At the time the debt was retired, such agreement with Fifth Third Bank provided for a term loan in the amount of $16.0 million, a CapEx line of up to $13.0 million until December 31, 2014 and $10.0 million thereafter, a $100,000 line of credit to issue standby letters of credit; and a delayed draw term loan (ñDDTLò) in the amount of $4.0 million to acquire improvements and assume related ground leases for six of the Companyôs existing restaurant properties from entities related to or managed by Dunham Capital Management L.L.C. (ñDCMò). In December 2013, the Company used $3.7 million of the DDTL to acquire such properties.

Per the terms of the credit agreement with Fifth Third Bank, the Company entered into a three-year interest rate swap agreement to fix interest rates on a portion of this debt. Under the swap agreement, the Company paid a fixed rate of 1.02% and received interest at the one-month LIBOR on a notional amount of $12.0 million. This effectively made the Companyôs interest rate 5.77% on $12.0 million of its debt. The fair value of the swap agreement decreased $9,943 and $128,557 in fiscal years 2014 and 2013, respectively. Such change in value was recorded as interest expense in the consolidated statements of operations. At the time such debt was retired, the Company terminated this interest rate swap agreement with a payment of $138,500.

The following chart reflects the debt the Company retired using the proceeds from its credit agreement with Citizens Bank:

Description of Debt	Principal retired
Promissory note the Company issued to an Indiana general partnership in the amount of $250,000 in August 2008. The note was issued to obtain the liquor license for the Companyôs restaurant located in South Bend, Indiana.	$ 223,793
Promissory note the Company issued to the mall owner of the restaurant in Rogers, Arkansas in the amount of $400,000. The Company ceased operating the restaurant in 2008.	$ 116,085

Loan agreement between the Company and First Midwest Bank in March 2011 for $1.3 million for the purchase of the buildings and all related improvements associated with its Indianapolis and South Bend, Indiana restaurants.	$ 1,188,587
Amended and restated credit agreement with the Fifth Third Bank dated May 31, 2013 which, at the time of retirement, included a $15.4 million term loan, $3.7 million delayed draw term loan used to purchase building and improvements at six of the Companyǿs restaurant locations, and line of credit borrowings of $2.5 million to fund capital expenditures.	$ 21,600,701

4. Redemption of redeemable preferred stock

In December 2013, the Company entered into a Securities Purchase Agreement with Michael Staenberg, Trustee of the MHS Trust dated January 13, 1986 (ñMHS Trustò), pursuant to which it sold 2,000 shares of Redeemable Preferred Stock, par value $0.01 per share, and a warrant to purchase up to 350,000 shares of common stock at an exercise price of $1.50 per share, for an aggregate purchase price of $2.0 million. MHS Trust is controlled by Michael H. Staenberg, one of the Companyǿs directors. The Redeemable Preferred Stock, which had a stated value of $1,000 per share, was non-voting and non-convertible. The holder of the Redeemable Preferred Stock was entitled to receive cumulative dividends, out of funds legally available therefor, at a rate of 11% per year. Such dividends were payable quarterly until the Redeemable Preferred Stock was redeemed in full.

In May 2014, using a portion of the proceeds from the credit agreement with Citizens Bank, the Company redeemed in full such shares of Redeemable Preferred Stock. The Company paid dividends on the Redeemable Preferred Stock totaling $100,833 between the time of issuance and the time of redemption. With the redemption of the Redeemable Preferred stock, 175,000 shares underlying the warrant issued MHS Trust were forfeited and charged against paid-in capital.

The initial carrying amount of the redeemable preferred stock transaction was recorded as liability on the Companyǿs balance sheet and was recorded at its fair value. The Company determined the fair value of the warrant to purchase up to 350,000 shares of common stock using the Black-Scholes pricing model. As the fair value of the transaction at the issue date was less than the mandatory redemption amount, the carrying amount was increased by periodic accretions so that the carrying amount would equal the mandatory redemption amount at the mandatory redemption date. Such increases were charged against paid-in capital.

5. Property and equipment

Property and equipment, including that under capital leases, consisted of the following:

	December 30, 2014	December 31, 2013
Land	$ 18,000	$ 18,000
Buildings	33,501,906	33,657,204
Leasehold improvements	16,069,904	15,488,964
Equipment and furniture	47,689,825	46,673,487
	97,279,635	95,837,655
Less accumulated depreciation	(50,567,412)	(44,984,181)
	46,712,223	50,853,474
Construction-in-progress *	8,277,582	1,383,763
	$ 54,989,805	$ 52,237,237

*Construction-in-progress includes the following approximate amounts for items yet to be placed in service:

	2014	2013
Prototype/Leasehold improvements/Equipment for future locations	$7,696,000	$1,370,000
Enhancements/Equipment for existing locations	$ 582,000	$ 14,000

Interest is capitalized during the period of development based upon applying the Companyȏs borrowing rate to the actual development costs incurred. Total depreciation expense was $7,324,223 and $7,719,532 in fiscal years 2014 and 2013, respectively.

6. Intangible and other assets

Intangible assets and other assets consisted of the following:

	December 30, 2014	December 31, 2013
Intangible assets:		
Liquor licenses	$ 923,273	$ 907,583
Trademarks	1,777,669	1,774,163
Other:		
Deferred loan costs	478,353	803,691
Security deposits	443,312	400,165
Deferred loss on sale leaseback	5,827,640	4,725,037
	9,450,247	8,610,639
Less accumulated amortization	(387,477)	(704,588)
	$ 9,062,770	$ 7,906,051

Management estimates amortization expense of $184,413 in each fiscal years 2015, 2016, 2017 and 2018, and $124,872 in fiscal year 2019. Total amortization expense was $260,382 and $322,100 in fiscal years 2014 and 2013, respectively.

7. Accrued expenses

Accrued expenses consisted of the following:

	December 30, 2014	December 31, 2013
Payroll and related	$ 3,048,993	$ 2,340,500
Deferred revenue from gift card sales	3,875,135	4,009,763
Sales taxes	901,585	861,259
Income tax	28,776	-
Interest	332,705	270,628
Real estate taxes	452,812	507,200
Credit card fees	259,739	252,857
Utilities	204,111	182,969
Construction in progress	752,813	3,959
Other	264,750	169,423
	$ 10,121,419	$ 8,598,558

8. Deferred rent

Under the terms of the lease agreement the Company entered into regarding its Lincoln, Nebraska property, the Company received a lease incentive of $450,000, net. This lease incentive was recorded as deferred rent and is being amortized to reduce rent expense over the initial term of the lease using the straight-line method.

Also included in deferred rent is the difference between minimum rent payments and straight-line rent over the initial lease term including the ñbuild outò or ñrent-holidayò period. Deferred rent also includes amounts certain of the Companyôs landlords agreed to defer for specified periods of time. The deferrals are offset in part by the fair value of the warrants issued to certain landlords in consideration of rent reductions. Contingent rent expense, which is based on a percentage of revenue, is also recorded to the extent it exceeds minimum base rent per the lease agreement. Deferred rent payable consisted of the following:

	December 30, 2014	December 31, 2013
Difference between minimum rent and straight-line rent	$ 5,773,502	$ 4,974,807
Warrant fair value	(144,737)	(166,662)
Deferred lease payments	6,843	12,857
Contingent rent expected to exceed minimum rent	289,085	449,478
Tenant improvement allowance	148,889	178,889
	$ 6,073,582	$ 5,449,369

9. Leases

Capital leases

As of December 30, 2014, the Company operated 17 restaurants under capital lease agreements, of which one expires in 2020, two in 2023, two in 2024, five in 2026, three in 2027, one in 2028 and three in 2030, all with renewable options for additional periods. Under certain of the leases, the Company may be required to pay additional contingent rent based upon restaurant sales. At the inception and the amendment date of each of these leases, the Company 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 while 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.

In December 2013, the Company purchased its Granite City restaurant in Olathe, Kansas and simultaneously entered into a sale leaseback agreement with Store Capital Acquisitions, LLC (ñStore Capitalò) whereby it is leasing the restaurant for an initial term of 15 years at an annual rental rate of approximately $248,669. Such agreement includes options for additional terms and provisions for rental adjustments. The Company purchased the site for $2.0 million and sold it for $2.9 million. The combined transaction resulted in a deferred gain of approximately $1.2 million which is included in property and equipment and will be amortized over the life of the lease.

The Company also has a land and building lease agreement for its beer production facility. This ten-year lease allows the Company to purchase the facility at any time for $1.00 plus the unamortized construction costs. Because the construction costs will be fully amortized through payment of rent during the base term, if the option is exercised at or after the end of the initial ten-year period, the option price will be $1.00. As such, the lease, including land, is classified as a capital lease. The Company has provided notice to exercise its option to purchase the facility for $1.00 and expects to close on the transaction in March 2015.

Included in property and equipment are the following assets held under capital leases:

		December 30, 2014		December 31, 2013
Land	$	18,000	$	18,000
Building		28,570,405		28,713,205
		28,588,405		28,731,205
Less accumulated depreciation		(11,859,085)		(10,355,370)
	$	16,729,320	$	18,375,835

Amortization expense related to the assets held under capital leases is included with depreciation expense on the Companyõs statements of operations.

Operating leases

The land portions of the 17 property leases referenced above are classified as operating leases because the fair value of the land was 25% or more of the leased property at the inception of each lease. All scheduled rent increases for the land during the initial term of each lease are recognized on a straight-line basis. In addition to such property leases, as of December 30, 2014, the Company had obligations under the following operating leases:

In January 2001, the Company entered into a 20-year operating lease for the land upon which the Company built its Fargo, North Dakota restaurant. Under the lease terms, the Company is obligated to pay annual rent of $72,000.

In March 2006, the Company entered into a lease agreement for the land and building for its St. Louis Park, Minnesota restaurant. Rental payments for this lease are $154,339 annually. This operating lease expires in 2016 with renewal options for additional periods.

The Company leases the land upon which it operates restaurants in South Bend and Indianapolis, Indiana. Annual lease payments are $287,795 and $296,257, respectively, and such leases expire in 2028 and 2024, respectively. Each lease has renewal options for additional periods.

The Company assumed the leases at the six Cadillac Ranch restaurants it acquired in 2011 and 2012. Having determined to cease operating the Annapolis, Maryland location, the Company did not exercise its option to renew the lease, and as such, discontinued operations there on January 15, 2014. The terms of the remaining leases range from five to ten years, each with options for additional terms, and the leases have been classified as operating leases. Annual lease payments range from $270,000 to $390,193.

In December 2013, the Company exercised the option granted to it by DCM and GC Rosedale, L.L.C. to acquire the building and improvements and assume the ground leases associated with Granite City restaurants in Madison, Wisconsin, Roseville, Minnesota, Rockford, Illinois, Ft. Wayne, Indiana, St. Louis, Missouri and Toledo, Ohio by paying off the respective debt owed on the properties. The Company paid $3.3 million in the aggregate to relieve the related property debt and realized a gain of $0.9 million which is included as a reduction to loss on disposal of assets on the consolidated statement of operations. The terms of these ground leases range from two to eight years, each with options for additional terms. Annual lease payments range from $242,000 to $393,064.

In February 2012, the Company entered into a 15-year lease agreement for a site in Franklin, Tennessee where it opened a Granite City restaurant in February 2013. Per the terms of the lease, the landlord paid the Company a tenant improvement allowance of approximately $1.8 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 $1.7 million which will be amortized to rent expense over the life of the lease. The lease, which may be extended at the Companyøs option for up to two additional five-year periods, calls for annual base rent of $158,000.

In June 2012, the Company entered into a 10-year lease agreement for a site in Indianapolis, Indiana where it opened a Granite City restaurant in July 2013. Per the terms of the lease, the landlord paid the Company a tenant improvement allowance of approximately $1.1 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 undepreciated costs, and therefore recorded a deferred loss of approximately $1.2 million which will be amortized to rent expense over the life of the lease. Through the build out or ñrent holidayò period, the Company recorded an aggregate of $148,547 of non-cash rent expense in pre-opening costs. Of such amount, approximately $115,968 was included in fiscal year 2013. The lease, which may be extended at the Companyøs option for up to two additional five-year periods, calls for annual base rent of $210,000. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales.

In October 2012, the Company entered into a 10-year lease agreement for a site in Lyndhurst, Ohio where it opened a Granite City restaurant in November 2013. Per the terms of the lease, the landlord agreed to pay the Company a tenant improvement allowance of approximately $1.2 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 $2.0 million which will be amortized to rent expense over the life of the lease. Through the build out or ñrent holidayò period, the Company recorded an aggregate of $179,198 of non-cash rent expense in pre-opening costs. The lease, which may be extended at the Companyøs option for up to two additional five-year periods, calls for annual base rent starting of $456,840. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales. The Company.

In August 2013, the Company entered into an agreement to purchase approximately two acres of property in Naperville, Illinois where it opened a Granite City restaurant in October 2014. In March 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 $2.0 million and sold it to Store Capital for the same amount. Pursuant to the sale leaseback agreement, Store Capital purchased the improvements for approximately $2.5 million. 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 $1.6 million which will be amortized to rent expense over the life of the lease. Through the build out or ñrent holidayò period, the Company recorded an aggregate of $132,323 of non-cash rent and $118,242 cash rent expense in pre-opening costs. The Company is leasing the property for an initial term of 15 years at an annual rental amount of $399,375. Such agreement includes options for additional terms and provisions for rental adjustments.

In February 2012, the Company entered into a 46-month lease agreement for approximately 8,831 square feet of office space for its corporate offices. Annual rent for this space is $180,668. Such lease expires in November 2015.

Minimum future lease payments under all capital and operating leases as of December 30, 2014 are as follows:

Fiscal Year ending:	Capital Leases	Operating Leases
2015	$ 3,446,930	$ 7,819,183
2016	3,477,523	7,639,808
2017	3,509,905	7,421,676
2018	3,597,177	7,039,343

2019	3,603,326	6,740,752
Thereafter	24,727,226	35,374,048
Total minimum lease payments	42,362,087	72,034,810
Less amount representing interest	(17,470,110)	
Present value of net minimum lease payments	24,891,977	
Less current portion	(1,118,176)	
Long-term portion of obligations	$ 23,773,801	

Rental expense for fiscal years 2014 and 2013 on all operating leases was $9,677,807 and $8,057,421, respectively. Included in rent expense at December 30, 2014 and December 31, 2013, was $469,485 and $769,246, respectively, of contingent rent expense based on restaurant revenue.

At December 30, 2014, the annual implicit interest rates on the land and building leases were between 6.4% and 13.0%. The average interest rate on the building capital leases was 10.0%. Interest expense on these leases was $2,305,422 and $3,648,328 for fiscal years 2014 and 2013, respectively. Total future minimum lease payments do not include contingent rent that is based on restaurant revenue.

10. Income taxes

The income tax benefit (expense) consists of the following:

	Year Ended	
	December 30, 2014	**December 31, 2013**
Current income taxes:		
Federal	$ -	$ -
State	(59,611)	(21,985)
Deferred income taxes:		
Federal	$ 1,638,813	$ 1,776,586
State	371,188	253,824
Deferred income tax benefit	2,010,001	2,030,410
Net change to valuation allowance	(2,010,001)	(2,030,410)
Total income tax expense	$ (59,611)	$ (21,985)

A reconciliation of the federal income tax provision at the statutory rate with actual taxes provided on loss from continuing operations is as follows:

	2014	**2013**
Statutory U.S. tax rate	34.0%	34.0%
State taxes, net of federal benefit	4.5%	4.7%
Stock option compensation	-1.0%	-1.1%
All others, net	2.1%	0.2%
U.S. business tax credits	24.0%	20.5%
Valuation allowance	-65.6%	-58.9%
Tax benefit (expense)	-2.0%	-0.6%

Deferred taxes were calculated using enacted tax rates of 34% for federal and an estimate based on the mix of income and applicable rates by jurisdiction for state. For the year ended December 30, 2014, the state estimate was 7.1%.

The components of deferred tax assets and liabilities are as follows:

	Year Ended December 30, 2014	Year Ended December 31, 2013
Deferred tax assets:		
Share-based compensation	$ 1,331,852	$ 1,215,085
Net operating loss carryforwards	15,441,176	15,572,889
General business credit carryforwards	8,183,732	7,009,475
Deferred rent payable	2,331,880	1,936,360
Property and equipment	1,630,954	369,776
Amortization	203,989	400,845
Other future deductible items	451,481	1,103,426
	29,575,064	27,607,856
Deferred tax liabilities:		
Small wares	(878,688)	(921,481)
Net deferred tax assets	28,696,376	26,686,375
Valuation allowance	(28,696,376)	(26,686,375)
Net deferred tax assets net of valuation allowance	$ ð	$ ð

For income tax return purposes, the Company had federal net operating loss carryforwards of approximately $40,839,000 and $42,419,000 as of December 30, 2014, and December 31, 2013, respectively. The Company also had federal general business credit carryforwards of approximately $8,182,000 and $7,009,000, respectively. These carryforwards are limited due to changes in control of the Company during 2009 and 2011 and, if not used, portions of these carryforwards will begin to expire in 2020. As a result of these limitations, the carryforwards for federal net operating losses, credits, and other items is limited to approximately $18,699,000 and $18,948,000 as of December 30, 2014, and December 31, 2013, respectively.

The Company has determined, based upon its history, that it is probable that future taxable income may be insufficient to fully realize the benefits of the net operating loss carryforwards and other deferred tax assets. As such, the Company has determined that a full valuation allowance is needed at this time.

11. Commitments and contingencies

Leases

In July 2013, the Company entered into a 15-year lease agreement for a site in Northville, Michigan where it is constructing a Granite City restaurant. Per the terms of the lease, the landlord will pay the Company a tenant improvement allowance of approximately $2.1 million. The lease, which may be extended at the Companyôs option for up to two additional five-year periods, calls for annual base rent starting at $417,480. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales. The Company plans to open this restaurant in March 2015.

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. Through the build out or ñrent holidayò period, the Company recorded an aggregate of $107,967 cash rent and $156,684 of non-cash rent expense in pre-opening costs. In February 2015, the parties entered into an amendment 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 $318,500. Such agreement includes options for additional terms and provisions for rental adjustments.

In December 2013, the Company entered into a binding agreement with Great Western Bank whereby the Company agreed that if Great Western Bank acquired GC Omaha LPös interest in the ground lease of the Omaha, Nebraska Granite City restaurant either by foreclosure or voluntary surrender, the Company would acquire the building and improvement and assume the ground lease from Great Western Bank for $875,000. In April 2014, Great Western Bank acquired GC Omaha LPös interest in the ground lease. As of March 11, 2015, Great Western Bank had not yet finalized the consent needed from the ground landlord to transfer the ground lease interest to the Company.

In June 2014, the Company entered into a 10-year lease agreement for a site in National Harbor, Maryland where it is building a Granite City restaurant. Per the terms of the lease, the landlord will pay the Company a tenant improvement allowance of approximately $1.3 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. The Company plans to open this restaurant in the second quarter of 2015.

In July 2014, the Company entered into a 20-year lease agreement for site at the Renaissance Center in Detroit, Michigan where it plans to construct a Granite City restaurant. Per the terms of the lease, the landlord will pay the Company a tenant improvement allowance of approximately $2.0 million. Annual rent starts at $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. The Company plans to open this restaurant in the fourth quarter of 2015.

Litigation

From time to time, lawsuits are threatened or filed against the Company in the ordinary course of business. Such lawsuits typically involve claims from customers, former or current employees, and others related to issues common to the restaurant industry. A number of such claims may exist at any given time. Although there can be no assurance as to the ultimate disposition of these matters, it is managementös opinion, based upon the information available as of March 11, 2015, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the results of operation, liquidity or financial condition of the Company.

Employment agreements

In December 2012, the Company entered into employment agreements with Messrs. Doran and Oakey. Each agreement was effective January 1, 2013 and provided for employment with the Company through December 31, 2014. Pursuant to January 2015 amendments, the term of Mr. Doranös employment was extended through December 31, 2015 and the term of Mr. Oakeyös employment was extended through October 31, 2015. If, during the term, the Company terminates either of these executives without cause, or Mr. Doran should terminate his agreement for good reason, each as defined in the agreements, the terminated executive is entitled to base salary for the remainder of the term, certain non-equity compensation described below and, in the case of Mr. Doran, a partial performance bonus, if earned, through the date of termination. If the Company terminates the employment of Mr. Doran without cause, it has also agreed to pay him one year of base salary.

In the event of a termination without cause of Mr. Doran following a change in control of the Company, the Company has agreed to pay to Mr. Doran, in addition to the balance of his compensation for the remainder of the term, a severance payment equal six months of base salary.

The agreements provide for an annual base salary, which may be increased by the Companyôs board of directors. The annual base salaries for such executives have been set as follows: Mr. Doran ($355,000) and Mr. Oakey ($300,000). Mr. Doran is eligible for an annual bonus of up to $200,000 based on achieving performance targets determined by the Companyôs compensation committee. In addition, Messrs. Doran and Oakey are eligible to receive non-equity incentive compensation based on performance specified by the Companyôs compensation committee, as well as participate in the Companyôs other employee benefit plans and expense reimbursement. Each executive has also agreed to certain nondisclosure provisions during the term of his employment and any time thereafter, and certain non-competition and non-recruitment provisions during the term of his employment and for a certain period thereafter.

In June 2014, the Company entered into an employment agreement with Jeffrey L. Rager, which provides for Mr. Ragerôs employment as the Companyôs Chief Financial Officer through July 14, 2017. If, during the term, the Company terminates Mr. Rager without cause, or Mr. Rager terminates his employment for good reason, each as defined in the agreement, Mr. Rager 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. Rager or for good reason by Mr. Rager following a change in control of the Company, the Company has agreed to pay to Mr. Rager, 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 $280,000. In addition, Mr. Rager is eligible for an annual bonus of up to 50% of base salary based on achieving performance targets determined by the Companyôs compensation committee, as well as participation in the Companyôs other employee benefit plans and expense reimbursement. Mr. Rager 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 his entry into his employment agreement, the Company granted Mr. Rager a ten-year stock option to purchase 225,000 shares of the Companyôs common stock at $2.10 per share pursuant to the Companyôs 2014 Non-Qualified Plan.

Separation agreement with former executive officers

The Company's former President was employed by the Company in a non-officer capacity pursuant to an employment agreement substantially similar to the December 2012 employment agreements the Company had with Messrs. Doran and Oakey, on January 1, 2013. On August 16, 2013, he resigned from his position as a director of the Company and his employment with the Company formally ended effective September 4, 2013.

In August 2013, the Company entered into a separation agreement and release with its former President (the ñSeparation Agreementò). Pursuant to the Separation Agreement, he was to receive payments aggregating $206,250, separate bonus payments aggregating $25,000, and payment of the Companyôs portion of medical (COBRA) premiums for 12 months (if eligible). The Separation Agreement further provided that the Company would continue to pay for the lease of his car through August 31, 2014. In addition, the Separation Agreement made certain modifications to the scope of the non-competition provisions contained in his amended and restated employment agreement, dated January 1, 2013.

As a result of his separation from the Company, its former Presidentøs outstanding stock option for the purchase of 69,958 shares of common stock at $2.00 per share, which had already vested to the extent of two-thirds, became fully vested. Furthermore, the requirement that he exercise his stock options within three months of the end of his employment was eliminated.

The Companyøs former Chief Financial Officer resigned from his position as Chief Financial Officer effective July 15, 2014, and his employment with the Company formally ended effective July 31, 2014. In July 2014, the Company entered into a separation agreement and release with him (the ñSeparation Agreementò). Pursuant to the Separation Agreement, he was to receive payments aggregating $240,000, separate bonus payments aggregating $99,925, and payment of the Companyøs portion of medical (COBRA) premiums for 12 months (if eligible). In addition, the Separation Agreement made certain modifications to his option awards. In particular, outstanding stock options for the purchase of (a) 6,667 shares of common stock at $2.117 per share and (b) 6,666 shares of common stock at $2.10 per share became fully vested. Furthermore, the requirement that he exercise his stock options within three months of the end of his employment was eliminated.

Purchase commitments

The Company has entered into contracts through 2017 with certain suppliers of raw materials (primarily hops) for minimum purchases both in terms of quantity and in pricing. As of December 30, 2014, the Companyøs future obligations under such contracts aggregated approximately $0.9 million.

12. Common stock warrants

During the first eight months of 2009, in consideration of rent reduction agreements entered into with certain of its landlords, the Company issued five-year warrants to purchase shares of the Companyøs common stock to such landlords. Pursuant to the anti-dilution provisions of such agreements, the number of shares purchasable under these warrants came to be 201,125 and the weighted average exercise price came to be $1.60 per share. As of December 30, 2014, warrants for the purchase of 37,309 shares with exercise prices ranging from $1.58 to $3.00 per share had been exercised and warrants for the purchase of 163,816 expired unexercised.

Pursuant to the bridge loan agreement entered into in March 2009 with Harmony Equity Income Fund, L.L.C., Harmony Equity Income Fund II, L.L.C. and certain other accredited investors, the Company issued to the investors five-year warrants for the purchase of an aggregate of 53,332 shares of common stock at a price of $1.52 per share. Such warrants were exercised in March 2014.

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 Companyøs common stock to such landlords. The number of shares purchasable under these warrants is 40,000 and the exercise price is $3.32 per share. As of December 30, 2014, all such warrants remained unexercised.

The Company issued a warrant to purchase 350,000 shares of common stock at an exercise price of $1.50 per share to MHS Trust in connection with the sale of Redeemable Preferred stock to such entity in December 2013. With the redemption of the Redeemable Preferred stock in May 2014, 175,000 shares underlying such warrant were forfeited.

As of December 30, 2014, warrants for the purchase of an aggregate of 215,000 shares of common stock were outstanding. The weighted average exercise price of such warrants was $1.84 per share.

A summary of the status of the Company's stock warrants is presented in the table below:

	Number of common stock shares	Weighted average exercise price per share	Warrants exercisable
Outstanding December 25, 2012	257,148	$1.85	257,148
Granted	350,000	$1.50	
Exercised	-	N/A	
Outstanding December 31, 2013	607,148	$1.65	432,148
Exercised	53,332	$ 1.52	
Forfeited	338,816	1.55	
Outstanding December 30, 2014	215,000	$1.84	215,000

13. Stock option plans

In August 2002, the Company adopted the 2002 Equity Incentive Plan, now known as the Amended and Restated Equity Incentive Plan. As of December 30, 2014, there were options outstanding under the plan for the purchase of 791,246 shares. Although vesting schedules vary, option grants under this plan 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.

In October 2011, the Company's shareholders approved its Long-Term Incentive Plan. This plan provides for flexible, broad-based incentive compensation in the form of stock-based awards of options, stock appreciation rights, warrants, restricted stock awards and restricted stock units, stock bonuses, cash bonuses, performance awards, dividend equivalents, and other equity-based awards. The issuance of up to 400,000 shares of common stock is authorized under the plan. All stock options issued under the plan must have an exercise price equal to or greater than the fair market value of the Company's common stock on the date of grant. As of December 30, 2014, options for the purchase of 329,914 shares were issued and outstanding under the plan and options for the purchase of 70,086 shares remained available for issuance.

In connection with his entry into his employment agreement, the Company granted its chief financial officer a ten-year stock option to purchase 225,000 shares of the Company's common stock at $2.10 per share pursuant to the Company's 2014 Non-Qualified Plan. No shares remained available for issuance under such plan as of December 30, 2014.

A summary of the status of the Companyôs stock options as of December 30, 2014 and December 31, 2013 and changes during the years ending on those dates is presented below:

Fixed Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 25, 2012	1,074,470	$2.34	6.9 years	$ 142,536
Granted	114,700	2.07	9.4 years	
Exercised	(5,747)	1.17		
Forfeited	(141,032)	2.60		
Outstanding at December 31, 2013	1,042,391	2.29	6.4 years	$ -
Granted	406,565	2.10	9.5 years	
Exercised	-	-		
Forfeited	(102,796)	1.96		
Outstanding at December 30, 2014	1,346,160	$ 2.24	6.5 years	$ 18,130
Options exercisable at December 31, 2013	820,982	$ 2.30	5.8 years	$ -
Options exercisable at December 30, 2014	878,003	$ 2.30	5.1 years	$ 18,130
Weighted-average fair value of options granted during fiscal year 2014	$ 1.12			

The following table presents additional information regarding options granted and exercised:

	Fiscal Year 2014	Fiscal Year 2013
Weighted average fair value of stock options granted	$ 1.12	$ 1.72
Intrinsic value of stock options exercised	$ -	$ -
Fair value of stock options vested during the year	$ 169,698	$ 357,104

The intrinsic value of stock options outstanding at December 30, 2014 and December 30, 2013 was $18,130 and $0, respectively. Aggregate intrinsic value is the difference between the closing price of the Companyôs stock on December 30, 2014 and the exercise price, multiplied by the number of shares that would have been received by the option holders had all option holders exercised their ñin-the-moneyò options on December 30, 2014. As of December 30, 2014, there was approximately $373,304 of total unrecognized compensation cost related to unvested share-based compensation arrangements, of which $219,986 is expected to be recognized in fiscal year 2015, $97,681 in fiscal year 2016, $45,664 in fiscal year 2017 and $9,973 in fiscal year 2018.

The following table summarizes information about stock options outstanding at December 30, 2014:

	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 Average Exercise Price
$1.00 - $3.00	1,213,163	6.7 years	$ 2.09	754,006	$ 5.16
$3.01 - $5.00	127,999	4.7 years	$ 3.54	118,999	$ 3.52
$5.01 - $6.00	4,998	3.7 years	$ 5.47	4,998	$ 5.47
Total	1,346,160	6.5 years	$ 2.24	878,003	$ 2.30

14. Preferred stock

In May 2011, the Company issued 3,000,000 shares of Series A Preferred to CDP for $9.0 million pursuant to a stock purchase agreement. The Company was obligated to pay 9% dividends on the Series A Preferred through 2013, one-half of which was in the form of common stock. In December 2014, CDP converted each share of Series A Preferred into two shares of the Companyĝs common stock.

Pursuant to the terms of the Series A Preferred, the following dividend payments were made to the preferred shareholder of record:

Date Paid	Cash	Common Stock
6/30/2011	$ 58,500	15,914
9/30/2011	$ 101,251	33,515
12/31/2011	$ 101,252	43,679
3/30/2012	$ 101,252	46,190
6/29/2012	$ 101,251	46,387
9/28/2012	$ 101,252	45,998
12/31/2012	$ 101,252	45,731
3/29/2013	$ 101,252	48,009
6/28/2013	$ 101,250	48,600
9/30/2013	$ 101,251	46,836
12/30/2013	$ 101,250	61,014

15. 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 December 30, 2014 and December 31, 2013, respectively, the fair value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the capital lease obligations and long-term debt is estimated at its carrying value based upon current rates available to the Company.

The fair value of the 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 2).

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)

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

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

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

16. Retirement plan

The Company sponsors a defined contribution plan under the provisions of section 401(k) of the Internal Revenue Code. The plan is voluntary and is provided to all employees who meet the eligibility requirements. A participant can elect to contribute up to 100% of his/her compensation subject to IRS limits. The Company has elected to match 10% of such contributions up to 6% of the participantôs compensation. In the fiscal years 2014 and 2013, the Company contributed $26,986 and $21,563 in the aggregate, respectively, under the plan.

17. Subsequent events

The Companyôs 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, Houlihanôs 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.

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 Annual Report for the Fiscal Year Ended December 30, 2014.

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

See Item 6 of Annual Report for the Fiscal Year Ended December 30, 2014.

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

See Item 7 of Annual Report for the Fiscal Year Ended December 30, 2014.

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

See Item 8 of Annual Report for the Fiscal Year Ended December 30, 2014.

xii. **The issuer's most recent balance sheet and profit and loss and retained earnings statements:**

See Item 5 of Annual Report for the Fiscal Year Ended December 30, 2014.

xiii. **Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence:**

See Item 5 of Annual Report for the Fiscal Year Ended December 30, 2014.

xiv. **Whether the broker or dealer or any associated person is affiliated, directly or indirectly, with the issuer:**

N/A

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

N/A

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

N/A