Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Granite City Food & Brewery Ltd.

A Minnesota Corporation

3600 American Boulevard West, Suite 400
Bloomington, MN 55431

Telephone: (952) 215-0660
Website: www.gcfb.com
Email: corporate@gcfb.net
SIC Code: 5812

Quarterly Report
For the Period Ending: March 26, 2019
(the "Reporting Period")

As of March 26, 2019, the number of shares outstanding of our Common Stock was: 14,360,981

As of December 25, 2018, the number of shares outstanding of our Common Stock was: 14,360,981

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934);

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

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

Name of issuer: Granite City Food & Brewery Ltd.

Names used by predecessor entities in the past five years and the dates of the name changes: None

Date and state of incorporation: Our company was incorporated on June 26, 1997, as a Minnesota corporation.

Any changes to incorporation since inception: N/A

Issuer's current standing in its state of incorporation: Active

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years? Yes: ☐ No: ☒

Item 2: 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 (as of 3/26/19)
Total shares outstanding:	14,360,981 (as of 3/26/19)
Number of shares in Public Float:	2,682,779 (as of 3/26/19)
Total number of shareholders of record:	95 (as of 3/26/19)

Additional class of securities (if any):

Trading symbol:	N/A
Exact title and class of securities outstanding:	N/A
CUSIP:	N/A
Par or stated value:	$0.01 (par value)
Total shares authorized:	6,998,000 (Preferred Stock) (as of 3/26/19) 3,000,000 (Series A Convertible Preferred Stock) (as of 3/26/19) 2,000 (Redeemable Preferred Stock) (as of 3/26/19)
Total shares outstanding:	0 (as of 3/26/19)
Transfer Agent:	EQ Shareowner Services (855) 217-6361 EQSS-RELATIONSHIPMANAGEMENT@equiniti.com

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors: None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None

Item 3: Issuance History

A. Changes to the Number of Outstanding Shares.

Check this box to indicate that there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☒

B. Debt Securities, including Promissory and Convertible Notes.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Although the issuer has no outstanding promissory, convertible notes or debt arrangements that resulted (or may result) in any direct changes to the total outstanding shares, see Items 4 and 5 below regarding the issuer's non-convertible debt.

Item 4: Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by:

Nathan G. Hjelseth
Chief Financial Officer
(Executive officer of the issuer)

Condensed consolidated financial statements for the quarters ended March 26, 2019 and March 27, 2018 containing the following information are attached hereto as Exhibit A:

C. Balance Sheets;
D. Statements of Operations;
E. Statements of Cash Flows; and
F. Notes to Financial Statements

Item 5: Issuer's Business, Products and Services

A. Summary of the issuer's business operations:

We operate two casual dining concepts: Granite City Food & Brewery® and Cadillac Ranch All American Bar & Grill®. The Granite City concept features our award-winning signature line of hand-crafted beers finished on-site as well as local and regional craft beers from brewers in our various markets. In addition, our casual dining restaurants offer a wide variety of menu items that are prepared fresh daily. The extensive menu features contemporary American fare made in our scratch kitchens. Granite City's attractive price point, high service standards, and great food and beer combine for a memorable dining experience. Cadillac Ranch restaurants feature freshly prepared, authentic, All-American cuisine in a fun, dynamic environment. Patrons enjoy a warm, Rock N' Roll inspired atmosphere. 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 own and operate a centralized beer production facility in Ellsworth, Iowa which facilitates the initial stages of our brewing process. The product produced at our beer production facility is then transported to the fermentation vessels at each of our Granite City restaurants where the brewing process is completed. We believe that this brewing process improves the economics of microbrewing as it eliminates the initial stages of brewing and storage at multiple locations. We have been granted patents by the United States Patent and Trademark Office for our brewing process and for an apparatus for distributed production of beer.

As of December 27, 2016, our company failed to meet certain financial covenants under our credit facility agreement with Citizens Bank, N.A. (f/k/a RBS Citizens, N.A.) ("Citizens Bank"), which matures on May 15, 2019, and we failed to make our then required $5.0 million principal payment on January 31, 2017. We are, therefore, in default under the terms of the agreement. Such default also constitutes an event of default under our subordinated debt agreement with Great Western Bank which, until March 2019, precluded us from paying principal and interest on such subordinated debt (See Note 3 to our Financial Statements attached hereto as Exhibit A). Having received notices of default and reservations of rights from Citizens Bank and Great Western Bank, we have classified all debt as current. While we have not paid principal or interest associated with the development line of credit, we continued to pay principal and interest on our other outstanding debt with Citizens Bank through and including the March 31, 2018 payment. As of the date of this filing, we have deferred 12 of the last 14 interest payments as well as all four quarterly principal payments due since March 31, 2018 on the term loan and revolving line of credit. Depending upon our future cash flows, we may defer additional principal and/or interest payments. Such deferrals are not documented in the form of a forbearance agreement. As of the filing of this report, due to the existing and continuing events of default, Citizens Bank may exercise its rights under the credit agreement without notice.

In general, our company's ability to continue funding our operations and meet our debt service obligations continues to depend upon our operating performance and operating margins, both of which will be affected by prevailing economic conditions in the retail and casual dining industries and other factors, which may be beyond our control. Increased competition and uncertainty in the casual dining industry continue to make it more difficult to accurately forecast our results of operations and cash position, so our revenues may deteriorate beyond what we anticipate. In 2018, we experienced decreases in comparable restaurant sales. Additionally, our first quarter 2019 comparable restaurant sales were negatively impacted by severe weather throughout the Midwest. Seeking to offset the impact of the negative comparable sales, we have implemented several initiatives that are expected to increase sales and generate guest traffic. In February 2019, we introduced our brand relaunch in six of our markets. This comprehensive brand relaunch includes 44 new menu items, 25 new cocktails and wines, over 10 new seasonal beers, enhanced brunch offerings, new brewery-inspired uniforms, retail merchandising inside the restaurants, and off-site delivery service. We plan to roll out our brand relaunch to all other Granite City restaurants during 2019. Additionally, we continue to invest in marketing designed to increase brand awareness utilizing direct mail, email, paid social and digital media and in-store signage and displays. Our management believes positive results from these initiatives will be realized in the future but can give no assurance that such initiatives will offset the impact of our negative comparable restaurant sales. Furthermore, our company will require additional liquidity including, but not limited to, additional equity and/or debt financing, in order to meet our current liabilities, including the repayment of our credit facility and our subordinated debt. To date, efforts to raise additional capital have been unsuccessful. We can give no assurance that we will successfully execute a financing transaction or any other transaction, and our ability to do so could be adversely affected by numerous factors, including changes in the economic or business environment, financial market volatility, and the performance of our business, and the terms and conditions of our credit agreement with Citizens Bank and our subordinated debt with Great Western Bank. Lastly, we continue to seek to identify cost savings measures to implement; however, even after implementing such cost savings, it is possible that lower than planned sales levels would not create enough liquidity to sustain operations and to pay principal and interest on the term loan and revolver.

Despite the above-referenced initiatives, our company will be unable to repay its existing indebtedness to Citizens Bank upon the May 15, 2019 maturity date, and will, therefore, be dependent upon Citizens Bank's willingness to restructure such debt. Since March 2019, our company has been in discussions with Citizens Bank regarding an amended and restated senior credit facility, but there can be no assurance that such discussions will yield an amended and restated senior credit facility or that our company would be able to meet its debt service obligations thereunder.

B. Subsidiaries, parents, or affiliated companies, if applicable, and their business contact information for the business, officers, directors, managers or control persons:

Unless otherwise noted, these are wholly owned subsidiaries of Granite City Food & Brewery Ltd., which serve to operate one or more restaurants.

Entity	**Address**	**Officers**	**Directors**
Granite City Restaurant Operations, Inc.	3600 American Blvd West, Suite 400 Bloomington, MN 55431	Richard H. Lynch – President and Chief Executive Officer Nathan G. Hjelseth – Chief Financial Officer and Secretary	Richard H. Lynch Nathan G. Hjelseth
Granite City – Arkansas, Inc.	2203 Promenade Blvd. Suite 15100 Rogers, AR 72758	Richard H. Lynch – President and Chief Executive Officer Monica A. Underwood – Treasurer, Chief Financial Officer and Secretary	Richard H. Lynch Monica A. Underwood
Granite City – Creve Coeur, Inc.	West Oak Shopping Center 11411 Olive Street Road St. Louis, MO 63141	Richard H. Lynch – President and Chief Executive Officer Monica A. Underwood – Treasurer, Chief Financial Officer and Secretary	Richard H. Lynch Monica A. Underwood
Granite City of Indiana, Inc.	3809 Coldwater Road Fort Wayne, IN 46805	Richard H. Lynch – President and Chief Executive Officer Monica A. Underwood – Treasurer, Chief Financial Officer and Secretary	Richard H. Lynch Monica A. Underwood
Granite City of Kansas Ltd. <u>Owners</u>: - William R. Hutton 50% - Granite City Restaurant Operations, Inc. 50%	2244 North Webb Road Wichita, KS 67226	Richard H. Lynch – President and Chief Executive Officer Nathan G. Hjelseth – Vice President, Treasurer, Chief Financial Officer, and Secretary Monica A. Underwood – Asst. Chief Financial Officer and Asst. Secretary	Richard H. Lynch Nathan G. Hjelseth
Granite City of Maryland, Inc. <u>Owner</u>: - Granite City Restaurant Operations, Inc. 100%	200 American Way, National Harbor, MD 20745	Richard H. Lynch – President and Chief Executive Officer Nathan G. Hjelseth – Treasurer, Chief Financial Officer and Secretary James Cook – Assistant Secretary	Richard H. Lynch Nathan G. Hjelseth
Granite City of Ohio, Inc.	2300 Village Drive West, Suite 110 Maumee, OH 43537	Richard H. Lynch – President and Chief Executive Officer Monica A. Underwood – Treasurer, Chief Financial Officer and Secretary	Richard H. Lynch Monica A. Underwood
Granite City – Orland Park, Inc.	14035 South LaGrange Road Orland Park, IL 60462	Richard H. Lynch – President and Chief Executive Officer Monica A. Underwood – Treasurer, Chief Financial Officer and Secretary	Richard H. Lynch Monica A. Underwood
Granite City – Peoria, Inc.	230 Conference Center Drive East Peoria, IL 61611	Richard H. Lynch – President and Chief Executive Officer Monica A. Underwood – Treasurer, Chief Financial Officer and Secretary	Richard H. Lynch Monica A. Underwood
Granite City – Rockford, Inc.	7200 Harrison Avenue Rockford, IL 61112	Richard H. Lynch – President and Chief Executive Officer Monica A. Underwood – Treasurer, Chief Financial Officer and Secretary	Richard H. Lynch Monica A. Underwood

C. Issuer's principal products or services, and their markets:

As of March 26, 2019, we operated 32 Granite City restaurants in 13 states and four Cadillac Ranch restaurants in four states. Our concepts target a broad guest base by offering high quality, made-from-scratch, polished casual food, and fresh, handcrafted, quality beers.

Our prototypical Granite City restaurant consists of an approximately 9,800 square foot facility conveniently located just off one or more interstate highways and/or centrally located within the respective area's retail, lodging and transportation activity. Granite City restaurants have open atmospheres as well as outdoor patio areas used for dining during warm weather months. We use granite and other rock materials along with natural woods and glass to create a balanced, clean, natural interior feel. We believe our design creates a fun and energetic atmosphere that promotes a destination dining experience.

The average size of our Cadillac Ranch restaurants is approximately 10,000 square feet. The atmospheres are warm, Rock N' Roll-inspired. 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 following is a listing of the location of each of our restaurants in operation as of March 26, 2019:

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

Item 6: Issuer's Facilities

Our property and equipment assets net of depreciation consist of the following:

	March 26, 2019	December 25, 2018
Land	$ 18,000	$ 18,000
Buildings	80,315,924	13,237,146
Leasehold improvements	4,054,613	4,361,833
Equipment and furniture	14,945,846	15,531,789
Construction-in-progress	187,887	181,432
	$ 99,522,270	$ 33,330,200

Property owned:

We own our beer production facility located in Ellsworth, Iowa.

Property leases:

As of March 26, 2019, we operated our 36 restaurants under lease agreements with expiration dates of their initial terms ranging from 2020 through 2035. All scheduled rent increases during the initial term of each lease are recognized on a straight-line basis. Under certain of the leases, we may be required to pay additional contingent rent based upon restaurant sales.

In April 2016, we entered into a 67-month lease agreement for approximately 11,000 square feet of office space for our corporate offices in Minneapolis, Minnesota. Annual rent is $170,030 with scheduled increases throughout the term.

We believe all of our properties are in satisfactory condition for our intended operating purposes.

Item 7: Officers, Directors, and Control Persons

As of the date of this filing, our officers, directors and control persons were as set forth below. Beneficial ownership information is presented as of May 1, 2019.

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City/State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Richard H. Lynch	Chief Executive Officer and Director	Minneapolis, MN	762,545	Common stock	5.0%	(1)
Nathan G. Hjelseth	Chief Financial Officer	Minneapolis, MN	-	Common stock	-	
Fouad Z. Bashour	Chairman of the Board	Dallas, TX	41,316	Common stock	*	(1) (2)
H. G. Carrington, Jr.	Director	Dallas, TX	29,079	Common stock	*	(1)
Robert J. Doran	Director	Chicago, IL	8,000	Common stock	*	(1) (2)
Eugene E. McGowan	Director and Control Person	Sioux Falls, SD	2,096,639	Common stock	14.6%	(3)
Michael H. Staenberg	Director	Saint Louis, MO	66,316	Common stock	*	(1) (2)
Concept Development Partners LLC	Control Person	Dallas, TX	11,273,539	Common stock	78.5%	(4)
DHW Leasing, L.L.C.	Control Person	Sioux Falls, SD	1,666,666	Common stock	11.6%	(5)

*Represents less than one percent

(1) Represents shares purchasable upon the exercise of options that are exercisable within 60 days of May 1, 2019.

(2) The number of shares of common stock reported herein as beneficially owned by Messrs. Bashour, Doran and Staenberg excludes the shares of common stock beneficially owned by CDP (as defined below). Messrs. Bashour, Doran and Staenberg disclaim beneficial ownership of such securities. Messrs. Bashour and Doran, together with one or more other individuals, are managers of CDP. Since a majority of managers of CDP is required to vote or dispose of any shares of our common stock, none of such individuals is deemed a beneficial owner of the common stock beneficially owned by CDP. Mr. Staenberg is a non-controlling investor in one or more of the funds invested in CDP.

(3) Includes 25,310 shares of common stock purchasable by Mr. McGowan upon the exercise of options and 91,603 shares held directly by Mr. McGowan. Because Mr. McGowan may be deemed to be an indirect beneficial owner of the securities held by Harmony Equity Income Fund, L.L.C. (133,558 shares), Harmony Equity Income Fund II, L.L.C. (133,558 shares), Harmony VII, L.L.C. (45,944 shares), and DHW Leasing, L.L.C. ("DHW") (1,666,666 shares), the number of shares of common stock reported herein as beneficially owned by Mr. McGowan, including shares of common stock owned by the aforementioned entities, totals 2,096,639.

(4) As set forth in the Schedule 13D filed on July 9, 2012 by Concept Development Partners LLC, a Delaware limited liability company ("CDP"), CIC Partners Firm LP, a Delaware limited partnership ("CIC Partners"), CIC II LP, a Delaware limited partnership ("CIC Fund II"), CIC II GP LLC, a Delaware limited liability company ("CIC II GP"), CDP-ME Holdings, LLC, a Delaware limited liability company ("CDP-ME"), and CDP Management Partners, LLC, a Delaware limited liability company

("CDP Management") (collectively, the "Reporting Persons"). CDP is a limited liability company organized under the laws of the State of Delaware and is primarily in the business of investing in the restaurant industry. CDP's board of directors consists of Fouad Z. Bashour, Michael S. Rawlings, Dean S. Oakey and Robert J. Doran. CDP is minority owned by CDP-ME and CDP Management. Both CDP-ME and CDP Management are investment companies managed and partially owned by Messrs. Oakey and Doran. The present principal occupation of Mr. Oakey is Managing Member of CDP Management Partners, LLC and CDP ME Holdings, LLC, and the present principal occupation of Mr. Doran is Managing Member of CDP Management Partners, LLC and CDP ME Holdings, LLC. Each of CDP, CDP-ME and CDP Management has a principal place of business at 1275 North Channel Dr., Harsens Island, MI 48028. CDP is majority owned by CIC CDP LLC, a Delaware limited liability company ("CIC CDP LLC"), which is itself a wholly-owned subsidiary of CIC Fund II. CIC Fund II is an investment fund managed by its general partner, CIC II GP, and ultimately owned and controlled by CIC Partners, a mid-market private equity firm headquartered in Dallas, Texas. The principal business of CIC CDP LLC is the investment in Granite City. The principal business of CIC Fund II is to be an investment fund in CIC Partners, and the principal business of CIC II GP is to act as the general partner of CIC Fund II. CIC Partners is jointly owned and managed by Marshall Payne, Amir Yoffe, Michael S. Rawlings, Fouad Z. Bashour and James C. Smith. The present principal occupation of Messrs. Payne, Yoffe, Rawlings, Bashour and Smith is serving as a director of CIC Partners, and together with CIC Partners, CIC Fund II and CIC II GP, each have a principal place of business at 3879 Maple Avenue, Suite 400, Dallas, Texas 75219. Messrs. Payne, Yoffe, Rawlings, Bashour, Smith, 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, 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.

(5) DHW retains the right to dispose of such shares of common stock; however, it has granted an irrevocable proxy to vote such shares of common stock to CDP.

Item 8: Legal/Disciplinary History

A. None of the issuer's officers, directors, or control persons has, in the past ten years, been the subject of any of the following:

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

B. Legal Proceedings:

Our company is occasionally a defendant in litigation arising in the ordinary course of our business, including claims arising from personal injuries, contract claims, wage and hour claims, dram shop claims, employment-related claims and claims from customers or employees alleging injury, illness or other food quality, health or operational concerns, and landlord-tenant disputes. To date, none of these types of litigation, most of which are typically covered by insurance, has had a material effect on our company. Our company has insured and continues to insure against many of these types of claims. A judgment on any claim not covered by or in excess of our company's insurance coverage could adversely affect our financial condition or results of operations.

A description of the material legal proceedings resolved during fiscal years 2018 and 2017 appears in the Commitments and Contingencies footnote to our Audit Financial Statements filed with the OTC March 22, 2019.

Item 9: Third Party Providers

Securities 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 Service Providers:	None

Item 10: Issuer Certification

Principal Executive Officer

I, Richard H. Lynch, certify that:

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

Dated: May 10, 2019

by:/s/ Richard H. Lynch
Richard H. Lynch
Chief Executive Officer

Principal Financial Officer

I, Nathan G. Hjelseth, certify that:

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

Dated: May 10, 2019

by:/s/ Nathan G. Hjelseth
Nathan G. Hjelseth
Chief Financial Officer

EXHIBIT A

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

Condensed Consolidated Financial Statements for the Fiscal Quarters Ended March 26, 2019 and March 27, 2018

GRANITE CITY FOOD & BREWERY LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 26, 2019	December 25, 2018
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 1,905,502	$ 4,488,207
Inventory	1,691,263	1,656,624
Prepaids and other, net	1,019,742	1,021,410
Total current assets	4,616,508	7,166,241
Prepaid rent, net of current portion	-	194,733
Property and equipment, net	59,648,215	33,330,200
Operating lease right-of-use assets	39,874,055	-
Intangible and other assets, net	2,287,006	2,310,049
Deferred loss on sale leaseback	-	8,672,489
Total assets	$ 106,425,783	$ 51,673,712
LIABILITIES AND SHAREHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable	$ 1,927,195	$ 2,805,900
Accrued expenses	12,492,049	12,445,211
Deferred rent, current portion	-	472,770
Line of credit, current portion	10,273,000	10,273,000
Long-term debt, current portion	27,347,453	27,352,370
Operating lease liabilities, current portion	3,807,924	-
Finance lease liabilities, current portion	1,248,604	1,198,763
Total current liabilities	57,096,225	54,548,014
Deferred rent, net of current portion	-	4,809,398
Operating lease liabilities, net of current portion	51,188,759	
Finance lease liabilities, net of current portion	45,508,966	16,871,357
Total liabilities	153,793,949	76,228,769
Shareholders' deficit:		
Common stock, $0.01 par value, 90,000,000 shares authorized; 14,360,981 shares issued and outstanding at 3/26/19 and 12/25/18	143,610	143,610
Additional paid-in capital	83,297,256	83,231,932
Accumulated deficit	(130,809,032)	(107,930,599)
Total shareholders' deficit	(47,368,166)	(24,555,057)
Total liabilities and shareholders' deficit	$ 106,425,783	$ 51,673,712

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

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

	Thirteen Weeks Ended	
	March 26, 2019	March 27, 2018
Restaurant revenue	$ 31,757,095	$ 33,575,288
Cost of sales:		
Food, beverage and retail	8,372,341	8,764,156
Labor	11,315,617	11,403,051
Direct restaurant operating	6,378,625	6,113,296
Occupancy	3,299,512	3,461,811
Cost of sales and occupancy	29,366,095	29,742,314
General and administrative	2,583,974	2,677,178
Depreciation and amortization	1,618,093	1,745,767
Gain on disposal of assets and exit activity	(19,505)	(109,815)
Total costs and expenses	33,548,657	34,055,444
Operating loss	(1,791,562)	(480,156)
Interest:		
Expense on capital leases	(463,545)	(497,728)
Other interest expense	(797,369)	(542,012)
Net interest expense	(1,260,914)	(1,039,740)
Net loss	$ (3,052,476)	$ (1,519,896)
Loss per common share, basic	$ (0.21)	$ (0.11)
Weighted average shares outstanding, basic	14,360,981	14,360,981

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

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

	Thirteen Weeks Ended	
	March 26, 2019	March 27, 2018
Cash flows from operating activities:		
Net loss	$ (3,052,476)	$ (1,519,896)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,618,093	1,745,767
Amortization of deferred loss	-	327,855
Stock option expense	65,324	164,745
Non-cash interest expense	75,442	(5,655)
Loss on disposal of assets	(19,505)	3,463
Deferred rent	-	(514,510)
Right-of-use operating lease expense	(191,288)	-
Changes in operating assets and liabilities:		
Inventory	(34,639)	(71,544)
Prepaids and other	130,483	124,443
Accounts payable	(808,005)	(48,493)
Accrued expenses	46,837	(2,084,710)
Net cash used in operating activities	(2,169,734)	(1,878,534)
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(188,083)	(167,193)
Intangible and other assets	713	(44,813)
Net cash used in investing activities	(187,370)	(212,006)
Cash flows from financing activities:		
Payments on capital lease obligations	(175,601)	(256,187)
Payments on long-term debt	(50,000)	(360,945)
Net cash used in financing activities	(225,601)	(617,132)
Net decrease in cash	(2,582,705)	(2,707,672)
Cash and cash equivalents, beginning	4,488,207	6,165,079
Cash and cash equivalents, ending	$ 1,905,502	$ 3,457,408
Supplemental disclosure of non-cash investing and financing activities:		
Change in fair value of interest rate swap	$ 24,878	$ (54,665)
Property and equipment, intangibles and equity costs included in accounts payable and accrued expenses	$ -	$ 678

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

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

1. Summary of significant accounting policies

Background

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

As of March 26, 2019, the Company operated 32 restaurants of its original concept, Granite City Food & Brewery, which features its award-winning signature line of hand-crafted beers finished on-site as well as local and regional craft beers from brewers in its various markets. This casual dining restaurant offers a wide variety of menu items that are prepared fresh daily.

The Company also operates four Cadillac Ranch restaurants featuring freshly prepared, authentic, All-American cuisine in a fun, dynamic environment. Its patrons enjoy a warm, Rock N' Roll inspired atmosphere.

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

Principles of consolidation and basis of presentation

As of December 27, 2016, the Company failed to meet certain financial covenants under its credit facility agreement with Citizens Bank, N.A. (f/k/a RBS Citizens, N.A.) ("Citizens Bank"), which matures on May 15, 2019, and it failed to make its then required $5.0 million principal payment on January 31, 2017. The Company is, therefore, in default under the terms of the agreement. Such default also constitutes an event of default under the Company's subordinated debt agreement with Great Western Bank which, until March 2019, precluded it from paying principal and interest on such subordinated debt (Note3). Having received notices of default and reservations of rights from Citizens Bank and Great Western Bank, the Company has classified all debt as current. While the Company has not paid the principal or interest associated with the development line of credit, the Company continued to pay principal and interest on its other outstanding debt with Citizens Bank through and including the March 31, 2018 payment. As of the date of this filing, the Company has deferred 12 of the last 14 interest payments as well as all four quarterly principal payments due since March 31, 2018 on the term loan and revolving line of credit. Depending upon its future cash flows, the Company may defer additional principal and/or interest payments. Such deferrals are not documented in the form of a forbearance agreement. As of the filing of this report, due to the existing and continuing events of default, Citizens Bank may exercise its rights under the credit agreement without notice.

In general, the Company's ability to continue funding its operations and meet its debt service obligations continues to depend upon its operating performance and operating margins, both of which will be affected by prevailing economic conditions in the retail and casual dining industries and other factors, which may be beyond the Company's control. Increased competition and uncertainty in the casual dining industry continue to make it more difficult to accurately forecast the Company's results of operations and cash position, so the Company's revenues may deteriorate beyond what it anticipates. In 2018, the Company experienced decreases in comparable restaurant sales. Additionally, its first quarter 2019 comparable restaurant sales were negatively impacted by severe weather throughout the Midwest. Seeking to offset the impact of the negative comparable sales, the Company has implemented several initiatives that are expected to increase sales and generate guest traffic. In February 2019, the Company introduced its brand relaunch in six of its markets. This comprehensive brand relaunch includes 44 new menu items, 25 new cocktails and wines, over 10 new seasonal beers, enhanced brunch offerings, new brewery-inspired uniforms, retail merchandising inside the restaurants, and off-site delivery service. The Company plans to roll out its brand relaunch to all other Granite City restaurants during 2019. Additionally, the Company continues to invest in marketing designed to increase brand awareness utilizing direct mail, email, paid social and digital media and in-store signage and displays. The Company's management believes positive results from these initiatives will be realized in the future but can give no assurance that such initiatives will offset the impact of its negative comparable restaurant sales. Furthermore, the Company will require additional liquidity including, but not limited to, additional equity and/or debt financing, in order to meet its current liabilities, including the repayment of its credit facility and its subordinated debt. To date, efforts to raise additional capital have been unsuccessful. The Company can give no assurance that it will successfully execute a financing transaction or any other transaction, and its ability to do so could be adversely affected by numerous factors, including changes in the economic or business environment, financial market volatility, the performance of its business, and the terms and conditions of its credit agreement with Citizens Bank and its subordinated debt with Great Western Bank. Lastly, the Company continues to seek to identify cost savings measures to implement; however, even after implementing such cost savings, it is possible that lower than planned sales levels would not create enough liquidity to sustain operations and to pay principal and interest on the term loan and revolver.

Despite the above-referenced initiatives, the Company will be unable to repay its existing indebtedness to Citizens Bank upon the May 15, 2019 maturity date, and will, therefore, be dependent upon Citizens Bank's willingness to restructure such debt. Since March 2019, the Company has been in discussions with Citizens Bank regarding an amended and restated senior credit facility, but there can be no assurance that such discussions will yield an amended and restated senior credit facility or that the Company would be able to meet its debt service obligations thereunder.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described above. In the opinion of management, the financial statements presented herein include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair statement of the Company's financial position as of March 26, 2019, and its results of operations for the interim periods ended March 26, 2019 and March 27, 2018. The results of operations for the 13 weeks ended March 26, 2019 are not necessarily indicative of the results to be expected for the entire year.

Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been condensed or omitted. A description of the Company's accounting policies and other financial information is included in its audited consolidated financial statements for the year ended December 25, 2018 as filed with OTC Markets (the "Annual Report"). Management believes that the disclosures included in the Company's accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report. The accompanying balance sheet at December 25, 2018 has been derived from the Company's audited financial statements at that date.

Related parties

In May 2011, Concept Development Partners LLC ("CDP") became the Company's controlling shareholder through its purchase of Series A Convertible Preferred Stock ("Series A Preferred") and a related shareholder and voting agreement with DHW Leasing, L.L.C. ("DHW"). As of March 26, 2019, CDP beneficially owned approximately 78.5% of the Company's 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.

Fiscal year

The Company utilizes a 52/53-week fiscal year ending on the last Tuesday in December for financial reporting purposes. Fiscal year 2019 will end on December 31, 2019 and will consist of 53 weeks while fiscal year 2018, which ended on December 25, 2018, consisted of 52 weeks.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, other current liabilities, and operating lease liabilities in its condensed consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in its condensed consolidated balance sheets.

Right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Variable lease payments that depend on an index or a rate, such as the Consumer Price Index or a market interest rate, that are initially measured using an index or rate at the commencement date are included in the determination of the present value of lease payments as these represent in substance fixed payments. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Derivatives

The Company utilizes an interest rate swap agreement with a financial institution to fix interest rates on a portion of its variable rate debt, which reduces exposure to interest rate fluctuations (Note 3). The Company accounts for this derivative using fair value accounting and measurements described in Note 2. The fair value of the interest rate swap is recorded in prepaid and other assets on the condensed consolidated balance sheet. The change in the fair value of the swap is recorded in other interest expense on the condensed consolidated statements of operations.

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.

Recent accounting pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (“ASU 842”), which supersedes ASU 840, Leases. This ASU increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. Under this new guidance, at the lease commencement date, a lessee recognizes a ROU and lease liability, which is initially measured at the present value of the future lease payments. For income statement purposes, a dual model was retained for lessees, requiring leases to be classified as either operating or finance leases. Under the operating lease model, lease expense is recognized on a straight-line basis over the lease term. Under the finance lease model, interest on the lease liability is recognized separately from amortization of the right-of-use asset. The new guidance is effective for fiscal years beginning after December 15, 2018 (fiscal 2019), and interim periods within those fiscal years. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented (fiscal 2018) using a modified retrospective approach which includes a number of optional practical expedients that entities may elect to apply. In July 2018, a new ASU was issued to provide relief to companies from restating the comparative period. The guidance permits a "Comparatives Under 840 Option" that changes the date of initial application to the beginning of the period of adoption. The Company elected the Comparatives Under 840 Option in which it will apply ASC 840 to all comparative periods, including disclosures, and recognize the effects of applying ASC 842 as a cumulative-effect adjustment to retained earnings as of the effective date (date of initial application). The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows it to carryforward the historical lease classification. In addition, the Company elected certain practical expedients and accounting policies including the lessee practical expedient to not separate lease components. The Company also made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet. The Company will recognize those lease payments in the condensed consolidated statements of operations on a straight-line basis over the lease term.

The Company elected to adopt the standard effective December 26, 2018, the first day of its 2019 fiscal year. The Company implemented internal controls and key system functionality to enable the preparation of financial information on adoption. The Company elected to use the effective date as its date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before December 26, 2018.
The standard had a material impact on the Company's condensed consolidated balance sheet, but did not have a material impact on its condensed consolidated income statement. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Upon adoption, the Company's finance leases now include ground leases at locations where the building portions were classified as finance leases and the ground portions were classified as operating leases. In adopting this new standard, the cumulative effect adjustment as of December 26, 2018 was $19,825,957, relating to previously deferred losses on leases accounted for as sale leasebacks.

Reclassifications

Certain reclassifications have been made to the condensed consolidated financial statements for the first quarter of fiscal year 2018 for them to conform to the presentation of the condensed consolidated financial statements for the first quarter of fiscal year 2019. These reclassifications have no effect on the accumulated deficit or net loss previously reported.

Subsequent events

The Company has evaluated subsequent events through May 10, 2019, the date the financial statements were available for issuance.

2. Fair value measurements

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

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

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

Level 3—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 March 26, 2019 and December 25, 2018, respectively, the fair value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the capital lease obligations and long-term debt is estimated at its carrying value based upon current rates available to the Company.

The fair value of the Company's interest rate swap is determined based on information provided by the Company's bank counterparty that is model-driven and where inputs were observable or where significant value drivers were observable. Such models utilize quoted interest rate curves to calculate the forward values and then discount the forward values to present values. The Company classifies its interest rate swap as a Level 2 measurement as these securities are not actively traded in the market, but are observable based on current market rates (Notes 1 and 3). The following table presents the fair value of assets measured on a recurring basis as of March 26, 2019:

Description	Level 1	Level 2	Level 3	Total Asset
Interest rate swap fair value	$ -	$21,152	$ -	$21,152

The following table presents the fair value of assets measured on a recurring basis as of December 25, 2018:

Description	Level 1	Level 2	Level 3	Total Asset
Interest rate swap fair value	$ -	$46,030	$ -	$46,030

There were no transfers between levels of the fair value hierarchy during the periods reported.

3. Credit facility and debt

Senior Credit Facility

In May 2014, the Company entered into a five-year $40.0 million credit agreement with Citizens Bank, which was amended in September 2016. The credit advanced under such agreement is secured by liens on the Company's subsidiaries, personal property, fixtures and real estate owned or to be acquired. The credit agreement, as amended, provided for a secured term loan in the amount of $29.0 million, a revolving line of credit of $6.0 million, and a development line of credit of $5.0 million. Subject to the terms and conditions of the credit agreement, Citizens Bank also agreed to issue standby letters of credit in an aggregate undrawn face amount up to $1.0 million. As of March 26, 2019, the Company had outstanding a total of $36.7 million under this credit agreement, including the full $5.0 million of the development line of credit as well as $5.3 million under the revolving line of credit. Due to the existing events of default (described below), Citizens Bank has no obligation to extend further credit to the Company and may exercise its rights under the agreement without notice. The term and revolving credit facilities mature on May 15, 2019 and the development line of credit matured on January 31, 2017. As of December 27, 2016, the Company failed to meet certain financial covenants under this agreement and on January 31, 2017, it failed to make its then required $5.0 million principal payment on the development line of credit, the proceeds of which were used solely to (1) refinance existing indebtedness of the Company and (2) fund capital expenditures and payment of fees, costs and expenses related to the Northbrook, Illinois and Lincoln, Nebraska locations and the build-out of the Company's corporate offices. The Company is, therefore, in default under the terms of the agreement. Such default also constitutes an event of default under the Company's subordinated debt agreement with Great Western Bank which until March 2019, precluded the Company from paying principal and interest on such subordinated debt (described below). Therefore, the Company has classified all debt as current.

The Company is required to make regular interest and, with respect to the term loan only, quarterly amortizing principal payments. In the event that the total leverage ratio of the Company, as defined in the credit agreement, is greater than 3.00 to 1.00, the Company, commencing with the fiscal year ending December 26, 2017, must make an annual excess cash flow payment in an amount equal to the lesser of (x) 50% of the Company's excess cash flow for each fiscal year (as calculated under the credit agreement) or

(y) an amount necessary to cause the total leverage ratio to be 3.00 to 1.00, in either case less the amount of voluntary principal payments during such fiscal year. As of March 26, 2019, the Company failed to comply with the total leverage ratio covenant and the fixed charge coverage ratio covenant.

Pursuant to the amended agreement, the term loan and revolver required the payment of interest at a fluctuating rate per annum equal to 4.0% plus LIBOR. The Company is required to pay 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 has made no principal or interest payments on the development line of credit, however, it paid principal and interest on its other outstanding debt with Citizens Bank through and including the March 31, 2018 payment. As of the date of this filing, the Company has deferred 12 of the last 14 interest payments as well as all four quarterly principal payments due since March 31, 2018 on the term loan and revolving line of credit. Depending upon its future cash flows, the Company may defer additional principal and/or interest payments. Such deferrals are not documented in the form of a forbearance agreement. As of the filing of this report, due to the existing and continuing events of default, Citizens Bank may exercise its rights under the credit agreement without notice.

The Company will be unable to repay its existing indebtedness to Citizens Bank upon the May 15, 2019 maturity date, and will, therefore, be dependent upon Citizens Bank's willingness to restructure such debt. Since March 2019, the Company has been in discussions with Citizens Bank regarding an amended and restated senior credit facility, but there can be no assurance that such discussions will yield an amended and restated senior credit facility or that the Company would be able to meet its debt service obligations thereunder.

In June 2014, the Company entered into a five-year interest rate swap agreement to fix interest rates on a portion of this debt (Notes 1 and 2) pursuant to the terms of the credit agreement with Citizens Bank. Under the swap agreement, the Company pays a fixed rate of 1.79% and receives interest at the one-month LIBOR on a notional amount of $18.75 million. This effectively makes the Company's interest rate 5.44% on $18.75 million of its debt. The Company did not elect to apply hedge accounting for this interest rate swap agreement. As such, the fair value of the interest rate swap is recorded in prepaids and other assets on the condensed consolidated balance sheet, 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 fair value of the swap agreement decreased $24,878 in the first quarter of fiscal year 2019 over that of fiscal year end 2018 and was recorded in interest expense on the condensed consolidated statements of operations.

Subordinated Debt

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 LP's interest in the ground lease of the Omaha, Nebraska Granite City restaurant either by foreclosure or voluntary surrender, it would acquire the building and improvements and assume the ground lease from Great Western Bank. In April 2014, Great Western Bank acquired GC Omaha LP's interest in the ground lease and, following receipt of the required landlord consent, on September 30, 2015, the Company purchased the building and improvements and assumed the ground lease from Great Western Bank. To facilitate the transaction, the Company entered into a loan agreement with Great Western Bank in the amount of $1.08 million with an annual interest at a rate of 5.5%. Such loan matures on September 30, 2020 and requires monthly principal and interest payments. As described above, this debt is in default and Great Western Bank has reserved its rights thereunder, including its ability, subject to the subordination and intercreditor agreement with Citizens Bank, to exercise its rights without notice.

In January 2019, Great Western Bank provided notice that it intended to exercise a remedy available to it under the subordinated debt documents through a trustee's sale of the leasehold interest of Granite City

Restaurant Operations, Inc. ("GCRO") in the Company's Omaha restaurant location (the "Leasehold Sale"). On March 19, 2019, Great Western Bank, the Company, GCRO and Citizens Bank entered into a Consent and Acknowledgment to enable certain payments to resume to Great Western Bank and to cancel the Leasehold Sale. In particular, GCRO has made or will make the following payments to Great Western Bank to be applied to the subordinated debt: (a) $50,000 on or before March 27, 2019 (the "Lump Sum"), (b) $7,500 per month commencing March 31, 2019 and continuing on the last day of each calendar month thereafter through and including February 29, 2020, and (c) $11,773.47 per month commencing on March 31, 2020 and continuing on the last day of each calendar month thereafter until the New Maturity Date (as defined below). Great Western Bank agreed to (a) immediately postpone the Leasehold Sale, (b) cancel the Leasehold Sale upon receipt of the Lump Sum, (c) forego and forbear from exercising any remedies available to it until the first to occur of (1) failure of GCRO to make any payment required under the Consent and Acknowledgment, (2) the New Maturity Date, (3) GCRO having an uncured payment default on the underlying ground lease at the Omaha restaurant location, and (4) the appointment of a receiver for any part of the subordinated collateral, any assignment for the benefit of creditors regarding any part of the subordinated collateral, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against GCRO, and (d) amend the subordinated debt documents by no later than May 15, 2019 (the "Amendment Date") to include the agreements set forth in the Consent and Acknowledgment, including, without limitation, the extension of the subordinated debt's maturity to December 31, 2021; provided that if the senior credit agreement's maturity date is (1) September 5, 2020 or earlier as of the Amendment Date, then the maturity date of the subordinated debt shall remain unchanged, or (2) after September 5, 2020, but before December 31, 2021, then the maturity date of the subordinated debt shall be the same as the senior credit agreement's maturity date (such date, as computed pursuant to this proviso, being the "New Maturity Date"). See Note 15. Citizens Bank consented to the payments by GCRO being delivered to Great Western Bank and applied to the subordinated debt; provided that it expressly reserved all of its other rights and remedies under the senior credit agreement, senior debt documents and subordination and intercreditor agreement.

4. Leases

The Company has operating and finance leases for retail properties, corporate offices, and certain equipment and vehicles. Such leases have remaining lease terms of 1 month to 38 years, inclusive of options to extend. In particular some of our leases include options to extend such leases for up to five years for each option, and some of our leases include options to terminate such leases within two years.

The components of lease expense were as follows for the first quarter of 2019:

Operating lease cost	$	1,568,827
Finance lease cost		
Amortization of right-of-use assets	$	441,651
Interest on lease liabilities		900,622
Total finance lease cost	$	1,342,273
Supplemental cash flow information related to leases:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$	1,760,110
Operating cash flows from finance leases		900,622
Financing cash flows from finance leases		175,601
Right-of-use assets obtained in exchange for lease obligations:		

Operating leases	-
Finance leases	40,280

Supplemental balance sheet information related to leases:

Operating leases	
Operating lease right-of-use assets	$ 39,874,055
Other current liabilities	$ 3,807,924
Operating lease liabilities	51,188,759
Total operating lease liabilities	$ 54,996,683
Finance leases	
Property and equipment, gross	$ 46,310,525
Accumulated depreciation	(13,875,232)
Property and equipment, net	$ 32,435,293
Other current liabilities	$ 1,248,604
Other long-term liabilities	45,508,966
Total finance lease liabilities	$ 46,757,570
Operating leases	16.88 years
Finance leases	24.06 years
Weighted average discount rate	
Operating leases	6.65%
Finance leases	8.39%

Maturities of lease liabilities were as follows:	**Operating Leases**	**Finance Leases**
Thirteen weeks ended March 26, 2019		
2019	$ 7,101,315	$ 3,382,976
2020	7,238,262	4,743,786
2021	6,806,706	4,831,370
2022	6,311,751	4,896,849
2023	5,579,296	4,945,431
Thereafter	62,045,593	83,789,411
Total lease payments	95,082,923	106,589,823
Less imputed interest	(40,086,240)	(59,832,253)
Total	$ 54,996,683	$ 46,757,570

5. Commitments and contingencies

Legal proceedings

The Company is occasionally a defendant in litigation arising in the ordinary course of its business, including claims arising from personal injuries, contract claims, wage and hour claims, dram shop claims, employment-related claims and claims from customers or employees alleging injury, illness or other food quality, health or operational concerns, and landlord-tenant disputes. To date, none of these types of litigation, most of which are typically covered by insurance, has had a material effect on the Company. The Company has insured and continues to insure against many of these types of claims. A judgment on any claim not covered by or in excess of the Company's insurance coverage could adversely affect its financial condition or results of operations.

Employment agreements

Pursuant to a two-year employment agreement, Nathan G. Hjelseth began serving as Chief Financial Officer of the Company on January 21, 2019. If, during the term, the Company terminates Mr. Hjelseth without cause, or Mr. Hjelseth terminates his employment for good reason, each as defined in the agreement, Mr. Hjelseth would be entitled to severance benefits including 12 months of base salary. The agreement provides for an annual base salary, which may be increased by the Company's compensation committee, of $250,000, and a signing bonus of $50,000. In addition, Mr. Hjelseth is eligible for an annual bonus of up to 50% of base salary based on achieving performance targets determined by the Company's compensation committee (with a minimum bonus of $58,750 for fiscal year 2019), as well as participation in the Company's other employee benefit plans, and expense reimbursement. Mr. Hjelseth 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 employment agreement, the Company granted Mr. Hjelseth a ten-year nonqualified stock option to purchase 250,000 shares of the Company's common stock at $0.30 per share pursuant to the NQ Plan.

On January 20, 2019, Jeffrey L. Rager, who had served as the Company's Chief Financial Officer since July 2014, voluntarily resigned from such position. His employment with the Company terminated on February 1, 2019. Mr. Rager had been employed pursuant to a 30-month employment agreement effective March 20, 2017, which provided for an annual base salary of $280,000, eligibility for an annual bonus of up to 50% of base salary based on achieving performance targets determined by the Company's compensation committee, participation in the Company's other employee benefit plans, expense reimbursement, gross ups to cover his taxes on such reimbursements, and payments in lieu of unused vacation time. Because Mr. Rager voluntarily terminated his employment, he is ineligible for severance benefits under his employment agreement. Mr. Rager 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 July 2014 employment agreement, the Company granted Mr. Rager a ten-year nonqualified stock option to purchase 225,000 shares of the Company's common stock at $2.10 per share, which exercise price was subsequently reduced to $0.25 per share, pursuant to the NQ Plan. Provided that Mr. Rager continues to adhere to the terms and conditions of the employment agreement, the Company will cause such option to remain exercisable until February 1, 2022.

6. Stock based compensation

The Company measures and recognizes all stock-based compensation under the fair value method using the Black-Scholes option-pricing model. Share-based compensation expense recognized is based on awards ultimately expected to vest, and as such, it is reduced for estimated or actual forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company used the following assumptions within the Black-Scholes option-pricing model for the first quarter of fiscal years 2019 and 2018:

	Thirteen Weeks Ended	
	March 26, 2019	March 27, 2018
Weighted average risk-free interest rate	2.56% - 2.79%	2.55% - 2.72%
Expected life of options	10 years	10 years
Expected stock volatility	129.04%-136.57%	113.70%-113.98%
Expected dividend yield	None	None

As of March 26, 2019, there were options outstanding for the purchase of 389,186 and 341,950 shares under the Company's Amended and Restated Equity Incentive Plan and Long-Term Incentive Plan, respectively. Although vesting schedules vary, option grants under these plans generally vest over a three or four-year period and options are exercisable for no more than ten years from the date of grant. The Amended and Restated Equity Incentive Plan expired in February 2012. As of March 26, 2019, 58,050 shares remained available for issuance of awards under the Long-Term Incentive Plan.

The 2014 Non-Qualified Plan ("NQ Plan") was created to accommodate the continued issuance of annual stock option awards to the Company's non-employee directors and periodic stock option awards to select employees. In 2017, the NQ Plan was amended to increase the number of shares authorized for issuance to 2,750,000. Options under the NQ Plan generally vest over a three-year period and are exercisable for not more than ten years from the date of grant. As of March 26, 2019, options for the purchase of 2,275,365 shares were outstanding, and 474,635 shares remained available for issuance of awards, under the NQ Plan.

A summary of the status of the Company's stock options as of March 26, 2019 is presented below:

Fixed Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 25, 2018	2,762,501	$ 1.35	7.0 years	$ 49,500
Granted	270,000	0.30	9.1 years	
Exercised	-	-		
Forfeited	(26,000)	1.82		
Outstanding at March 26, 2019	3,006,501	$ 1.25	6.3 years	$ -
Options exercisable at December 25, 2018	1,663,251	$ 1.41	6.1 years	$ 36,400
Options exercisable at March 26, 2019	1,816,251	$ 1.40	5.2 years	$ -
Weighted-average fair value of options granted during 2019	$ 0.29			

The intrinsic value of stock options outstanding at March 26, 2019 was $0. Aggregate intrinsic value is the difference between the closing price of the Company's stock on March 26, 2019 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 "in-the-money" options on March 26, 2019. As of March 26, 2019, there was approximately $296,610 of total unrecognized compensation cost related to unvested share-based compensation arrangements, of which $195,704 is expected to be recognized during the remainder of fiscal year 2019, $77,109 in fiscal year 2020, $17,067 in fiscal year 2021, $6,408 in fiscal year 2022, and $322 in fiscal year 2023.

The following table summarizes information about stock options outstanding at March 26, 2019:

	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
$0.00 - $1.00	625,000	7.2 years	$ 0.27	268,750	$ 0.25
$1.01 - $2.00	1,883,687	6.9 years	$ 1.29	1,103,687	$ 1.33
$2.01 - $3.00	490,981	2.9 years	$ 2.29	436,981	$ 2.25
$3.01 - $6.00	6,833	1.3 years	$ 3.50	6,833	$ 3.50
Total	3,006,501	6.3 years	$ 1.25	1,816,251	$ 1.40

15. Subsequent events

On May 3, 2019, Great Western Bank, the Company, GCRO and Citizens Bank amended the Consent and Acknowledgment to extend the Amendment Date from May 15, 2019 to August 15, 2019, to facilitate continued discussions between the Company and Citizens Bank regarding the amended and restated senior credit facility beyond its original maturity date. There can be no assurance that such discussions will yield an amended and restated senior credit facility or that the Company would be able to meet its debt service obligations thereunder.

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:**

3600 American Boulevard West, Suite 400
Bloomington, MN 55431

iii. **The state of incorporation (if it is a corporation):**

Minnesota

iv. **The exact title and class of the securities:**

Common Stock

v. **The par or stated value of the securities:**

$0.01 (par value)

vi. **The number of shares or total amount of the securities outstanding as of the end of the issuer's most recent fiscal year:**

14,360,981

vii. **The name and address of the transfer agent:**

EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

viii. **The nature of the issuer's business:**

See Item 5 of Quarterly Report for the quarter ended March 26, 2019.

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

See Item 5 of Quarterly Report for the quarter ended March 26, 2019.

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

See Item 6 of Quarterly Report for the quarter ended March 26, 2019.

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

See Item 7 of Quarterly Report for the quarter ended March 26, 2019.

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

See Item 4 of Quarterly Report for the quarter ended March 26, 2019.

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 4 of Quarterly Report for the quarter ended March 26, 2019.

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