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

Quarterly Report for Period Ended
March 28, 2017

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

TABLE OF CONTENTS

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:	3600 American Boulevard West, Suite 400 Minneapolis, MN 55431 Tel: (952) 215-0660 Email: corporate@gcfb.net Website: www.gcfb.net
IR contact:	N/A

Item 3: Security Information

Trading symbol:	GCFB
Exact title and class of securities outstanding:	Common Stock
CUSIP:	38724Q404
Par or stated value:	$0.01 (par value)
Total shares authorized:	90,000,000
Total shares outstanding as of 3/28/17:	14,360,981

Additional class of securities (if necessary):	
Trading symbol:	N/A
Exact title and class of securities outstanding:	N/A
CUSIP:	N/A
Par or stated value:	$0.01 (par value)
Total shares authorized:	6,998,000 (Preferred Stock) 3,000,000 (Series A Convertible Preferred Stock) 2,000 (Redeemable Preferred Stock)
Total shares outstanding as of 3/28/17:	0

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

Is the Transfer Agent registered under the Exchange Act?[1]

Yes

List any restrictions on the transfer of security:

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

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

None

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

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

N/A

Item 4: Issuance History

N/A

Item 5: Financial Statements

The following unaudited condensed consolidated financial statements for the quarters ended March 28, 2017 and March 29, 2016 are attached hereto as Exhibit A:

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

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

A. Description of the Issuerǿs 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 Cityǿs award-winning signature line of hand-crafted beers finished on-site. The extensive menu features contemporary American fare made in our scratch kitchens. Granite Cityǿs 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 NǿRoll inspired atmosphere, with plenty of room for friends, music and dancing. The Cadillac Ranch menu is diverse with offerings ranging from homemade meatloaf to pasta dishes, all freshly prepared using quality ingredients.

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

As of December 27, 2016, the Company failed to meet certain financial covenants under the credit facility agreement with Citizens Bank, N.A. (f/k/a RBS Citizens, N.A.) (ñCitizens Bankò), and on January 31, 2017 it failed to make its then required $5.0 million principal payment. The Company is, therefore, in default under the terms of the agreement. Such default also constitutes an event of default under the Companyǿs subordinated debt agreement. Therefore, the Company has classified all debt as current. On April 28, 2017, the Company entered into a forbearance agreement with Citizens Bank pursuant to which Citizens Bank agreed for a specified period of time to forbear from exercising its rights and remedies under the credit agreement, the other loan documents and applicable law. During the forbearance period, which assuming compliance by the Company continues through October 2, 2017, the Company (a) will provide Citizens Bank with certain budget deliverables, (b) has agreed to take specified steps to enable payoff of the development line of credit, including raising $7.0 million of new capital, and (c) has agreed to certain financial covenants. Scheduled principal and interest must be paid on the term and credit line loan during the forbearance period. Interest as of April 28, 2017 accrues on the development line of credit and must be paid along with the principal at the end of the forbearance period. There can be no assurance that the Company will satisfy the requirements of Citizens Bank during, or upon expiration of, the forbearance period. If the Company fails to satisfy such requirements, Citizens Bank may exercise its right under the credit agreement without notice.

The Companyøs 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 Companyøs control. Along with many others in the industry, the Company experienced decreases in comparable restaurant sales in 2016 and these decreases have continued into 2017. To offset the negative impact of these sales trends, the Company has begun implementing several initiatives that are expected to increase sales and reduce costs. Such initiatives include new marketing designed to increase brand awareness and help generate additional guest traffic, menu pricing adjustments, reduction of food costs, management par level reductions at selected restaurants, changes to the senior management team and a reduction in corporate overhead expenses. The Company has also engaged a firm to work with its landlords in an attempt to restructure current leases through a variety of means in order to reduce total occupancy costs. Additionally, the Company closed one of its lower performing restaurants early in March 2017. The Companyøs management believes positive results from these initiatives will be realized in the future. Nevertheless, if current trends persist and as required by the forbearance agreement, 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. There can be no assurance that the Company will successfully raise such equity or debt financing.

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

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

C. Issuerøs Primary SIC Code: 5812
Issuerøs Secondary SIC Code: N/A

D. Issuerøs fiscal year end date: December 26, 2017

E. Principal products or services, and their markets:

As of March 28, 2017, we operated 35 Granite City restaurants in 14 states and five Cadillac Ranch restaurants in five 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 areaøs retail, lodging and transportation activity. Granite City restaurants have open atmospheres as well as floor-to-ceiling window systems creating, where designs permit, expansive views of outdoor patio areas used for dining during warm weather months. This window treatment allows activity to be viewed both inside and outside the restaurant and creates a bright, open environment. We use granite and other rock materials along with natural woods and glass to create a balanced, clean, natural interior feel. We believe our design creates a fun and energetic atmosphere that promotes a destination dining experience.

The average size of our Cadillac Ranch restaurants is approximately 10,000 square feet. The atmospheres are warm, Rock 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 March 28, 2017:

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

Item 7: Description of the Issuer's Facilities

Our property and equipment consists of the following:

	March 28, 2017	December 27, 2016
Land	$18,000	$18,000
Buildings	35,161,564	35,205,544
Leasehold improvements	18,945,019	18,720,270
Equipment and furniture	59,094,683	59,029,397
	113,219,266	112,973,211
Less accumulated depreciation	(65,692,782)	(63,721,160)
	47,526,484	49,252,051
Construction-in-progress	361,501	310,188
	$47,887,985	$49,562,239

Property owned:

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

Property capital leases:

As of March 28, 2017, we operated 16 Granite City restaurants under capital lease agreements with expiration dates ranging from 2020 through 2030, all with renewable options for additional periods. Under certain of the leases, we may be required to pay additional contingent rent based upon restaurant sales. At the inception and the amendment date of each of these leases, we evaluated the fair value of the land and building separately pursuant to the FASB guidance on accounting for leases. The land portion of these leases is classified as an operating lease as the fair value of the land is 25% or more of the total fair value of the lease. The building portion of these leases is classified as a capital lease because its present value was greater than 90% of the estimated fair value at the beginning or amendment date of the lease and/or the lease term represents 75% or more of the expected life of the property.

Property operating leases:

The land portions of the 16 property leases referenced above are classified as operating leases because the fair value of the land was 25% or more of the leased property at the inception of each lease. All scheduled rent increases for the land during the initial term of each lease are recognized on a straight-line basis. We have additional obligations under operating leases for 19 Granite City restaurants and five Cadillac Ranch restaurants. The expiration of the initial terms of the ground leases upon which we operate these restaurants range from 2016 through 2036. All but one of these leases include options for additional terms. Under certain of the leases, we may be required to pay additional contingent rent based upon restaurant sales.

We lease approximately 11,000 square feet of office space for our corporate offices in Minneapolis, Minnesota. Annual rent is $157,368 with scheduled increases throughout the initial term which expires in March 2022.

Item 8: Officers, Directors, and Control Persons

A. Names of Officers, Directors and Control Persons

Executive Officers:	Robert J. Doran, Interim Chief Executive Officer[2] Jeffrey L. Rager, Chief Financial Officer Jeffery M. Dean, Chief Operating Officer	
Directors:	Fouad Z. Bashour, Chairman Robert J. Doran H. G. Carrington, Jr. Eugene E. McGowan	Richard H. Lynch Michael S. Rawlings Michael H. Staenberg
Control Persons:	Concept Development Partners LLC Eugene E. McGowan DHW Leasing, L.L.C.	

B. Legal/Disciplinary History:

None of the Issuerꞌs 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 personꞌs 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 personꞌs involvement in any type of business or securities activities.

[2] Richard H. Lynch, one of our directors, will begin serving as Granite Cityꞌs Chief Executive Officer effective May 15, 2017.

C. Beneficial Shareholders: Concept Development Partners LLC[3]
3879 Maple Avenue, Suite 400
Dallas, TX 75201-6995
78.5% common stock

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

DHW Leasing, L.L.C.[5]
101 North Main Avenue, Suite 325
Sioux Falls, SD 57104
11.6% common stock

[3] As set forth in the Schedule 13D filed on July 9, 2012 by Concept Development Partners LLC, a Delaware limited liability company (ñCDPò), CIC Partners Firm LP, a Delaware limited partnership (ñCIC Partnersò), CIC II LP, a Delaware limited partnership (ñCIC Fund IIò), CIC II GP LLC, a Delaware limited liability company (ñCIC II GPò), CDP-ME Holdings, LLC, a Delaware limited liability company (ñCDP-MEò), and CDP Management Partners, LLC, a Delaware limited liability company (ñCDP Managementò) (collectively, the ñReporting Personsò). CDP is a limited liability company organized under the laws of the State of Delaware and is primarily in the business of investing in the restaurant industry. CDPõs board of directors consists of Fouad Z. Bashour, Michael S. Rawlings, Dean S. Oakey and Robert J. Doran. CDP is minority owned by CDP-ME and CDP Management. Both CDP-ME and CDP Management are investment companies jointly owned and managed by Messrs. Oakey and Doran. The present principal occupation of Mr. Oakey is Managing Member of CDP Management Partners, LLC and CDP ME Holdings, LLC, and the present principal occupation of Mr. Doran is Interim Chief Executive Officer of Granite City. Each of CDP, CDP-ME and CDP Management has a principal place of business at 1275 North Channel Dr., Harsens Island, MI 48028. CDP is majority owned by CIC CDP LLC, a Delaware limited liability company (ñCIC CDP LLCò), which is itself a wholly-owned subsidiary of CIC Fund II. CIC Fund II is an investment fund managed by its general partner, CIC II GP, and ultimately owned and controlled by CIC Partners, a mid-market private equity firm headquartered in Dallas, Texas. The principal business of CIC CDP LLC is the investment in Granite City. The principal business of CIC Fund II is to be an investment fund in CIC Partners, and the principal business of CIC II GP is to act as the general partner of CIC Fund II. CIC Partners is jointly owned and managed by Marshall Payne, Amir Yoffe, Michael S. Rawlings, Fouad Z. Bashour and James C. Smith. The present principal occupation of Messrs. Payne, Yoffe, Rawlings, Bashour and Smith is serving as a director of CIC Partners, and together with CIC Partners, CIC Fund II and CIC II GP, each have a principal place of business at 3879 Maple Avenue, Suite 400, Dallas, Texas 75219. Messrs. Payne, Yoffe, Rawlings, Bashour, 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 Leasing, L.L.C. (ñDHWò), dated May 10, 2011, as amended. The Reporting Persons have shared voting power over all of the reported shares and shared dispositive power over 9,606,873 shares of common stock.

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

[5] DHW retains the right to dispose of such shares of common stock; however, it has granted an irrevocable proxy to vote such shares of common stock to CD.

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 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 12, 2017

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

I, Jeffrey L. Rager, certify that:

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

Dated: May 12, 2017

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

EXHIBIT A

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

Condensed Consolidated Financial Statements for the Quarters Ended March 28, 2017 and March 29, 2016

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

GRANITE CITY FOOD & BREWERY LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 28, 2017	December 27, 2016
ASSETS:		
Current assets:		
Cash and cash equivalents	$4,828,589	$4,414,045
Inventory	1,857,528	1,949,712
Prepaids and other	1,711,887	3,661,028
Total current assets	8,398,004	10,024,785
Prepaid rent, net of current portion	252,410	260,649
Property and equipment, net	47,887,985	49,562,239
Intangible and other assets, net	2,505,847	2,602,477
Deferred loss on sale leaseback	11,907,475	12,203,519
Total assets	$70,951,721	$74,653,669
LIABILITIES AND SHAREHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable	$2,305,669	$3,174,969
Accrued expenses	10,237,431	11,931,068
Deferred rent, current portion	392,653	417,611
Line of credit, current portion	10,273,000	9,273,000
Long-term debt, current portion	28,932,359	29,283,037
Capital lease obligations, current portion	1,295,057	1,243,107
Total current liabilities	53,436,169	55,322,792
Deferred rent, net of current portion	5,676,082	5,683,590
Other liabilities - interest rate swap	111,108	180,107
Capital lease obligations, net of current portion	22,263,782	22,614,243
Total liabilities	81,487,141	83,800,732
Shareholders' deficit:		
Common stock, $0.01 par value, 90,000,000 shares authorized; 14,360,981 shares issued and outstanding at 3/28/17 and 12/27/16	143,610	143,610
Additional paid-in capital	82,307,220	82,209,927
Accumulated deficit	(92,986,250)	(91,500,600)
Total shareholders' deficit	(10,535,420)	(9,147,063)
Total liabilities and shareholders' deficit	$70,951,721	$74,653,669

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 28, 2017	March 29, 2016
Restaurant revenue	$37,501,449	$38,570,877
Cost of sales:		
Food, beverage and retail	9,806,754	10,123,816
Labor	12,604,508	13,214,036
Direct restaurant operating	6,146,340	6,006,188
Occupancy	4,216,719	3,701,063
Cost of sales and occupancy	32,774,321	33,045,103
General and administrative	3,120,537	2,687,644
Depreciation and amortization	2,066,255	1,866,352
Pre-opening	23,288	519,627
Loss on disposal of assets	17,761	8,304
Exit or disposal activities	2,398	-
Total costs and expenses	38,004,560	38,127,030
Operating income	(503,111)	443,847
Interest:		
Income	23	487
Expense on capital leases	(547,993)	(564,279)
Other interest expense	(426,019)	(641,260)
Net interest expense	(973,989)	(1,205,052)
Loss before income tax	(1,477,100)	(761,205)
Income tax expense	8,550	30,420
Net Loss	$(1,485,650)	$(791,625)
Loss per common share, basic	$(0.10)	$(0.06)
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 28, 2017	March 29, 2016
Cash flows from operating activities:		
Net loss	$(1,485,650)	$(791,625)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,066,255	1,866,352
Amortization of deferred loss	302,358	249,382
Stock option expense	97,293	52,191
Non-cash interest expense	(29,103)	229,336
Loss on disposal of assets	17,761	8,304
Deferred rent	(37,908)	3,648
Changes in operating assets and liabilities:		
Inventory	92,184	444
Prepaids and other	646,016	419,664
Accounts payable	(842,641)	(32,145)
Accrued expenses	(1,516,228)	(1,129,409)
Net cash (used in) provided by operating activities	(689,663)	876,142
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(597,785)	(1,519,097)
Proceeds from sale leaseback	1,311,364	-
Intangible and other assets	74,270	(17,903)
Net cash provided by (used in) investing activities	787,849	(1,537,000)
Cash flows from financing activities:		
Proceeds from line of credit	1,000,000	1,000,000
Payments on capital lease obligations	(298,511)	(297,696)
Payments on long-term debt	(385,131)	(333,330)
Net cash provided by financing activities	316,358	368,974
Net increase (decrease) increase in cash	414,544	(291,884)
Cash and cash equivalents, beginning	4,414,045	3,659,509
Cash and cash equivalents, ending	$4,828,589	$3,367,625

Supplemental disclosure of non-cash investing and financing activities:

Change in fair value of interest rate swap	$(68,999)	$200,979
Property and equipment, intangibles and equity costs included in accounts payable and accrued expenses	$26,522	$100,891
Proceeds from sale leaseback included in prepaids and other	$-	$157,777
Deferred loss on sale leaseback	$-	$1,024,000

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

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

1. Summary of significant accounting policies

Background

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

As of March 28, 2017, the Company operated 35 restaurants of its original concept, which is a polished casual American restaurant known as Granite City Food & Brewery. The Granite City restaurant theme is upscale casual dining with a wide variety of menu items that are prepared fresh daily, including Granite Cityôs award-winning signature line of hand-crafted beers finished on-site.

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

The Company operates a centralized beer production facility which facilitates the initial stages of its brewing process. The product created at its beer production facility is then transported to the fermentation vessels at each of the 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. The Company was granted patents by the United States Patent Office for its brewing process and for an apparatus for distributed production of beer.

Basis of presentation

As of December 27, 2016, the Company failed to meet certain financial covenants under the credit facility agreement with Citizens Bank, N.A. (f/k/a RBS Citizens, N.A.) (ñCitizens Bankò), and on January 31, 2017 it failed to make its then required $5.0 million principal payment. The Company is, therefore, in default under the terms of the agreement. Such default also constitutes an event of default under the Companyôs subordinated debt agreement. Therefore, the Company has classified all debt as current. On April 28, 2017, the Company entered into a forbearance agreement with Citizens Bank pursuant to which Citizens Bank agreed for a specified period of time to forbear from exercising its rights and remedies under the credit agreement, the other loan documents and applicable law. During the forbearance period, which assuming compliance by the Company, continues through October 2, 2017, the Company (a) will provide Citizens Bank with certain budget deliverables, (b) has agreed to take specified steps to enable payoff of the development line of credit, including raising $7.0 million of new capital, and (c) has agreed to certain financial covenants. Scheduled principal and interest must be paid on the term and credit line loan during the forbearance period. Interest as of April 28, 2017 accrues on the development line of credit and must be paid along with the principal at the end of the forbearance period. There can be no assurance that the Company will satisfy the requirements of Citizens Bank during, or upon expiration of, the forbearance period. If the Company fails to satisfy such requirements, Citizens Bank may exercise its right under the credit agreement without notice.

The Companyôs 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 Companyôs control. Along with many others in the industry, the Company experienced decreases in comparable restaurant sales in 2016 and these decreases have continued into 2017. To offset the negative impact of these sales trends, the Company has begun implementing several initiatives that are expected to increase sales and reduce costs. Such initiatives include new marketing designed to increase brand awareness and help generate additional guest traffic, menu pricing adjustments, reduction of food costs, management par level reductions at selected restaurants, changes to the senior management team and a reduction in corporate overhead expenses. The Company has also engaged a firm to work with its landlords in an attempt to restructure current leases through a variety of means in order to reduce total occupancy costs. Additionally, the Company closed one of its lower performing restaurants early in March 2017. The Companyôs management believes positive results from these initiatives will be realized in the future. Nevertheless, if current trends persist and as required by the forbearance agreement, 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. There can be no assurance that the Company will successfully raise such equity or debt financing.

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. Managementôs 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 Companyôs financial position as of March 28, 2017, and its results of operations for the interim periods ended March 28, 2017 and March 29, 2016. The results of operations for the 13 weeks ended March 28, 2017 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 Companyôs accounting policies and other financial information is included in its audited consolidated financial statements for the year ended December 27, 2016 as filed with OTC Markets (the ñAnnual Reportò). Management believes that the disclosures included in the Companyôs 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 Companyôs Annual Report. The accompanying balance sheet at December 27, 2016 has been derived from the Companyôs audited financial statements at that date.

Derivatives

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

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

Related parties

Concept Development Partners LLC (ñCDPò) is the Companyôs controlling shareholder. As of March 28, 2017, CDP beneficially owned approximately 78.5% of the Companyôs common stock.

Fiscal year

The Company utilizes a 52/53-week fiscal year ending on the last Tuesday in December for financial reporting purposes. Fiscal years 2017 and 2016 each consist of 52 weeks.

Subsequent events

The Company has evaluated subsequent events through May 12, 2017, 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 1ô Quoted market prices in active markets for identical assets and liabilities.

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

Level 3ô 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 28, 2017 and December 27, 2016, 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 Companyọs interest rate swap is determined based on information provided by the Companyọs bank counterparty that is model-driven and where inputs were observable or where significant value drivers were observable. Such models utilize quoted interest rate curves to calculate the forward values and then discount the forward values to present values. The Company classifies its interest rate swap as a Level 2 measurement as these securities are not actively traded in the market, but are observable based on current market rates (Notes 1 and 3).

The following table presents the fair value of liabilities measured on a recurring basis as of March 28, 2017:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	$ -	($111,108)	$ -	($111,108)

The following table presents the fair value of liabilities measured on a recurring basis as of December 27, 2016:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	$ -	($180,107)	$ -	($180,107)

There were no transfers between levels of the fair value hierarchy during the first quarters of fiscal years 2017 and 2016.

3. Credit facility and long-term debt

In May 2014, the Company entered into a $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 Companyọs 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 28, 2017, the Company has borrowed a total of $38.9 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. 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 Companyôs 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. At the time of the amendment, the term and credit line loan required the payment of interest at a fluctuating rate per annum equal to 4.0% 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 term and revolving credit facilities mature on May 15, 2019. The development line of credit matured on January 31, 2017, but the Company did not make the $5.0 million principal payment required under the development line of credit on January 31, 2017 and is, therefore, in default under the terms of the agreement.

On March 20, 2017, the Company received correspondence from Citizens Bank indicating that Citizens Bank is reserving its rights to, among other things, accelerate and demand payment of the loan and other obligations without notice. As a result of the existing event of default, Citizens Bank has no obligation to extend further credit to the Company.

On April 28, 2017, the Company entered into a forbearance agreement with Citizens Bank pursuant to which Citizens Bank agreed for a specified period of time to forbear from exercising its rights and remedies under the credit agreement, the other loan documents and applicable law. During the forbearance period, which assuming compliance by the Company, continues through October 2, 2017, the Company (a) will provide Citizens Bank with certain budget deliverables, (b) has agreed to take specified steps to enable payoff of the development line of credit, including raising $7.0 million of new capital, and (c) has agreed to certain financial covenants. Scheduled principal and interest at a fluctuating rate per annum equal to 7% as of April 28, 2017, must be paid on the term and credit line loan during the forbearance period. Interest at a fluctuating rate per annual equal to 9% as of April 28, 2017 accrues on the development line of credit and must be paid along with the principal at the end of the forbearance period. There can be no assurance that the Company will satisfy the requirements of Citizens Bank during, or upon expiration of, the forbearance period. If the Company fails to satisfy such requirements, Citizens Bank may exercise its right under the credit agreement without notice.

In June 2014, the Company entered into a five-year interest rate swap agreement to fix interest rates on a portion of this debt (Notes 1 and 2) pursuant to the terms of the credit agreement with Citizens Bank. Under the swap agreement, the Company pays a fixed rate of 1.79% and receives interest at the one-month LIBOR on a notional amount of $18.75 million. This effectively makes the Companyôs interest rate 5.44% on $18.75 million of its debt. The Company did not elect to apply hedge accounting for this interest rate swap agreement. As such, the fair value of the interest rate swap is recorded in other assets or other liabilities on the consolidated balance sheet, 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 fair value of the swap agreement increased $68,999 in the first quarter of 2017 and was recorded as a reduction of interest expense in the condensed consolidated statements of operations.

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 LPôs 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 LPôs 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. Because the Company is in default under the terms of its agreement with Citizens Bank, the Company is, therefore, in default under the terms of the Great Western Bank agreement. As of March 28, 2017, all the debt of the Company was classified as current.

4. Leases

The lease agreement under which the Company leased the land and building for its St. Louis Park, Minnesota restaurant expired March 31, 2017. The Company did not renew this lease and ceased operations at this location on March 26, 2017.

5. Commitments and contingencies

Legal proceedings

On August 22, 2016, Domonik Greene, one of the Companyõs former employees in Ohio, filed a collective action under the Fair Labor Standards Act (ñFLSAò) against the Company in the United States District Court for the District of Minnesota. The complaint alleged that the Company required Granite City servers and bartenders who, in states other than Minnesota, receive compensation in part through tip credits, to perform work that was ineligible for tip credit compensation at a tip credit rate in violation of the minimum wage provisions of the FLSA. In late January, plaintiffsô counsel advised that they did not intend to seek collective action certification of the named plaintiffõs claims, and the parties agreed to resolve the claims alleged by the named plaintiff and four opt-in plaintiffs for a total payment of $25,000, inclusive of plaintiffsô attorneysô fees, pending documentation of the settlement and submission of it to the court for approval. On April 20, 2017, the court ordered all claims to be dismissed with prejudice, and judgment was entered the same day.

On September 9, 2016, Chelsea Koenig, one of the Companyõs former employees in Pittsburgh, filed a collective action under the FLSA and a putative class action under Pennsylvania state law against the Company (and as yet unidentified ñJohn Doeò defendants) in the United States District Court for the Western District of Pennsylvania. The complaint alleged that the Company required all tipped employees of Granite City and Cadillac Ranch in states other than Minnesota, to perform work that was ineligible for tip credit compensation at a tip credit rate, required ñoff the clockò work, required tipped employees to participate in a tip pool that included ñexpeditors,ò failed to provide sufficient notice of the application of the tip credit, and required tipped employees to cover walk-outs and shortages, in violation of the minimum wage provisions of the FLSA. The claim further alleged violation of the Pennsylvania Minimum Wage Act, the Pennsylvania Wage Payment Collection Law, and a Pennsylvania common law claim. Following motion practice regarding the fact that similar claims involving the Granite City brand were pending in Minnesota, the plaintiff agreed to limit her claims to Cadillac Ranch employees. Following her deposition, she further agreed to limit her claims to an alleged failure to provide sufficient notice of the application of the tip credit. The parties are currently briefing the plaintiffõs motion to certify a Pennsylvania state class, as well as a nationwide collective action under the FLSA. On May 11, 2017, the federal court granted plaintiffõs motion for class certification of a Pennsylvania state law class, as well as plaintiffõs motion for conditional certification of a nationwide collective action under the FLSA, relating to the sufficiency of notice provided to employees at Cadillac Ranch restaurants regarding the use of the tip credit. The parties are currently briefing the form and content of class notice.

The Company intends to vigorously defend itself against the Koenig lawsuit. Because the outcome of litigation is inherently uncertain, a loss of one or more of the claims is possible. At this stage of the litigation, the Company is unable to reasonably determine the probability of a loss or the amount of a loss if liability were established.

In addition to the litigation described above, 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. 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 Companyôs insurance coverage could adversely affect its financial condition or results of operations.

Employment agreements

Chief Executive Officer: Pursuant to an employment agreement, Richard H. Lynch agreed to begin serving as Chief Executive Officer of the Company on May 15, 2017. Mr. Lynchôs employment will continue until the third anniversary of such date, at which time, unless notice to the contrary has been provided, the term will renew for successive 12-month periods. If, during the term, the Company terminates Mr. Lynch without cause, or Mr. Lynch terminates his employment for good reason, each as defined in the agreement, Mr. Lynch would be entitled to severance benefits including 12 months of base salary (18 months in connection with a change of control), and a partial performance bonus, if earned, through the date of termination. The agreement provides for an annual base salary, which may be increased by the Companyôs compensation committee, of $425,000. In addition, Mr. Lynch is eligible for an annual bonus of up to 60% 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, expense reimbursement, relocation expenses, gross-ups to cover taxes on such relocation expenses, and a $250,000 retention bonus payable over the second year of employment. Mr. Lynch 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 agreed to grant Mr. Lynch a ten-year nonqualified stock option to purchase 1,000,000 shares of the Companyôs common stock, at an exercise price equal to the greater of $1.25 per share or the closing price on the OTC Market on his commencement date, pursuant to the Companyôs 2014 Non-Qualified Plan (the ñNQ Planò). The Company will cause such option to remain exercisable for a period of three to 36 months following the date of termination of Mr. Lynchôs employment, depending upon his length of service.

Interim Chief Executive Officer: Robert J. Doran, the Companyôs former Chief Executive Officer, has served as Interim Chief Executive Officer of the Company pursuant to an employment agreement since January 20, 2017. Mr. Doranôs service in such capacity will end on May 15, 2017. During such term, the agreement provides Mr. Doran with a base salary calculated at the gross amount of $1,500 per day worked plus an amount representing the differential in marginal income tax rates between Illinois and Minnesota. Mr. Doran is entitled to reimbursement of the premium cost of his health insurance, expense reimbursement, and gross ups to cover his taxes on such reimbursements. Mr. Doran 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.

Chief Financial Officer: Effective March 20, 2017, the Company entered into an employment agreement with Jeffrey L. Rager, who has served as the Companyôs Chief Financial Officer since July 2014, which provides for Mr. Ragerôs continued employment in such capacity through September 19, 2019. 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 six months of base salary, a partial performance bonus, if earned, through the date of termination, and accelerated vesting on a certain portion of the below-described stock option. 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, expense reimbursement, gross ups to cover his taxes on such reimbursements, and payment in lieu of unused vacation time. 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 July 2014 employment agreement, the Company granted Mr. Rager a ten-year nonqualified stock option to purchase 225,000 shares of the Companyôs common stock at $2.10 per share pursuant to the NQ Plan. Provided that Mr. Rager adheres to the terms and conditions of the employment agreement, including the 30-day notice requirement for voluntary termination set forth therein, the Company will cause such option to remain exercisable for a period of 36 months following the date of termination of Mr. Rager’s employment.

Chief Operating Officer: Effective February 1, 2016, the Company entered into an employment agreement with Jeffery M. Dean, which provides for Mr. Dean’s employment as the Company’s Chief Operating Officer through February 1, 2018. If, during the term, the Company terminates Mr. Dean without cause, as defined in the agreement, he would be entitled to severance benefits including one year of base salary and a partial performance bonus, if earned, through the date of termination. The agreement provides for an annual base salary, which may be increased by the Company’s compensation committee, of $222,000. In addition, Mr. Dean 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, as well as participation in the Company’s other employee benefit plans and expense reimbursement. Mr. Dean 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. Dean ten-year nonqualified stock options to purchase an aggregate of 110,000 shares of the Company’s common stock at $2.75 per share pursuant to the NQ Plan.

Key Non-Executive Officers: Effective March 20, 2017, the Company began employing certain key non-executive officer employees pursuant to two-year employment agreements. If, during the term, the Company terminates the employee without cause, or the employee terminates his or her employment for good reason, each as defined in the respective agreement, the employee would be entitled to severance benefits including six to twelve months of base salary. Each agreement provides for an annual base salary, bonus eligibility, participation in the Company’s employee benefits plans, and expense reimbursement. Each employee has also agreed to certain nondisclosure provisions during the term and any time thereafter, and certain non-recruitment provisions during the term and for a certain period thereafter.

Separation agreement

Consistent with Mr. Doran’s former employment agreement, he had been receiving severance payments equal to one year of his final base salary paid ($355,000) paid over a 12-month period and a partial performance bonus (of up to 50% of base salary paid to him during his employment), if earned, through the date of termination (July 31, 2016). Such severance payments were suspended during Mr. Doran’s service as Interim Chief Executive Officer. Provided that Mr. Doran signs and does not revoke a release after his last day of employment (May 15, 2017), unpaid severance payments will resume. CIC Partners has agreed to nominate Mr. Doran for election to the board of directors of the Company in connection with any election of directors held during any period in which severance payments are being made and Mr. Doran shall serve as a director for at least a one-year period beginning on the date that severance payments recommence.

On January 20, 2017, Philip L. Costner, who began serving as the Company’s Chief Executive Officer on July 1, 2016, commenced working in a non-officer capacity with duties as assigned by the Company’s Chairman of the Board. His employment with the Company ceased February 19, 2017. Consistent with his employment agreement and conditioned upon his execution of a separation agreement and release, which he executed on February 9, 2017, Mr. Costner will receive severance payments equal to one year of his final base salary ($355,000) paid over a 12-month period and a partial performance bonus (of up to 50% of base salary paid to him during his employment), if earned, through the date of termination. Pursuant to his former employment agreement, Mr. Costner was eligible to participate in the Company’s employee benefit plans, and he received a relocation allowance and expense reimbursement. Mr. Costner 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 connection with his employment agreement, the Company granted Mr. Costner ten-year nonqualified stock options to purchase (a) 400,000 shares of the Company’s common stock at $2.75 per share and (b) 150,000 shares of the Company’s common stock at $4.00 per share, pursuant to the NQ Plan. Because Mr. Costner was not entitled to exercise such options at the date of termination of his employment, such options expired unexercised.

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 quarters of fiscal years 2017 and 2016:

	Thirteen Weeks Ended	
	March 28, 2017	March 29, 2016
Weighted average risk-free interest rate	2.36% - 2.51%	1.71% - 2.01%
Expected life of options	10 years	10 years
Expected stock volatility	89.58%-89.80%	87.27% -87.30%
Expected dividend yield	None	None

As of March 28, 2017, there were options outstanding for the purchase of 545,564 and 360,372 shares under the Companyôs 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 28, 2017, 39,628 shares remained available for issuance of awards under the Long-Term Incentive Plan.

The 2014 Non-Qualified Plan (ñNQ Planò) was created to accommodate the continued issuance of annual stock option awards to the Companyôs non-employee directors and periodic stock option awards to select employees. In March 2017, the NQ Plan was amended to increase the number of shares authorized for issuance from 1,250,000 to 1,750,000. During the first quarter of 2017, the Company granted ten-year nonqualified stock options to purchase an aggregate of 903,000 shares of the Companyôs common stock at $1.25 per share to various operations and restaurant support center employees pursuant to the NQ Plan. Such options vest cumulatively to the extent of 50% on the first anniversary of the date of grant and 25% annually thereafter. These options were issued pursuant to the exemption set forth in Securities Act Rule 701 and the securities issuable upon their exercise will be ñrestricted securitiesò as defined in Securities Act Rule 144. Such transferability restriction is set forth on the agreements evidencing the options. Also in the first quarter of 2017, options for the purchase of 550,000 shares were forfeited upon the termination of employment of the Companyôs chief executive officer and reentered the pool of available shares. As of March 28, 2017, options for the purchase of 1,291,025 shares were outstanding and 458,975 shares remained available for issuance of awards under the NQ Plan.

A summary of the Companyôs stock options as of March 28, 2017 is presented below:

Fixed Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 27, 2016	1,921,127	$2.51	7.0 years	$847
Granted	923,000	1.27	9.2 years	
Exercised	-	-		
Forfeited	(647,166)	3.02		
Outstanding at March 28, 2017	2,196,961	$1.84	6.7 years	$2,555

Options exercisable at December 27, 2016	1,079,079	$2.47	5.4 years	$847
Options exercisable at March 28, 2017	909,684	$2.19	3.9 years	$2,555
Weighted-average fair value of options granted during 2017	$1.05			

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing price of the Companyǿs stock on March 28, 2017 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 28, 2017. As of March 28, 2017, there was approximately $1,054,456 of total unrecognized compensation cost related to unvested share-based compensation arrangements, of which $501,124 is expected to be recognized during the remainder of fiscal year 2017, $379,288 in fiscal year 2018, $143,753 in fiscal year 2019, $29,754, in fiscal year 2020 and $537 in fiscal year 2021.

The following table summarizes information about stock options outstanding at March 28, 2017:

	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 - $2.00	1,132,901	7.8 years	$1.37	222,651	$1.84
$2.01 - $3.00	1,015,479	5.7 years	$2.28	638,452	$2.19
$3.01 - $6.00	48,581	3.0 years	$3.74	48,581	$3.74
Total	2,196,961	6.7 years	$1.84	909,684	$2.19

As of March 28, 2017, a warrant for the purchase of 175,000 shares of common stock at an exercise price of $1.50 per share was outstanding and exercisable.

7. Subsequent events

The Company failed to make its required $5.0 million principal payment due on January 31, 2017 pursuant to the terms under the credit facility agreement with Citizens Bank. As such, the Company is in default under the terms of the agreement. Such default also constitutes an event of default under the Companyǿs subordinated debt agreement. On April 28, 2017, the Company entered into a forbearance agreement with Citizens Bank pursuant to which Citizens Bank agreed for a specified period of time to forbear from exercising its rights and remedies under the credit agreement, the other loan documents and applicable law (see Note 3 to the financial statements).

Pursuant to an employment agreement, Richard H. Lynch agreed to begin serving as Chief Executive Officer of the Company on May 15, 2017. Mr. Lynchǿs employment will continue until the third anniversary of such date, at which time, unless notice to the contrary has been provided, the term will renew for successive 12-month periods. On May 3, 2017, the Company increased the number of shares available for issuance under the NQ Plan by 1,000,000 shares to accommodate the planned option issuance to Mr. Lynch (see Note 5 to the financial statements).

On May 10, 2017, the Company granted ten-year nonqualified stock options to purchase an aggregate of 48,000 shares of the Companyǿs common stock at $1.25 per share to its non-employee directors pursuant to the NQ Plan. Such options vest on the first anniversary of the date of grant.

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
Minneapolis, MN 55431

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

Minnesota

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

Common Stock

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

$0.01 (par value)

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

14,360,981

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

Wells Fargo Bank Minnesota, N.A.
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

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

See Item 6 of Quarterly Report for Period Ended March 28, 2017.

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

See Item 6 of Quarterly Report for Period Ended March 28, 2017.

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

See Item 7 of Quarterly Report for Period Ended March 28, 20176.

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

See Item 8 of Quarterly Report for Period Ended March 28, 2017.

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

See Item 5 of Quarterly Report for Period Ended March 28, 2017.

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

See Item 5 of Quarterly Report for Period Ended March 28, 2017.

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