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

Quarterly Report for the Period Ended
July 1, 2014

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

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

Granite City Food & Brewery Ltd.

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

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

Item 3: **Security Information**

Trading symbol:	GCFB
Exact title and class of securities outstanding:	Common Stock
CUSIP:	38724Q404
Par or stated value:	$0.01 (par value)
Total shares authorized:	90,000,000
Total shares outstanding as of 7/1/14:	8,360,981

Additional class of securities (if necessary):

Trading symbol:	N/A
Exact title of class of securities outstanding:	Series A Convertible Preferred Stock
CUSIP:	N/A
Par or stated value:	$0.01 (par value) $3.00 (stated value)
Total shares authorized as of 7/1/14:	10,000,000 (Preferred Stock) 3,000,000 (Series A Convertible Preferred Stock)
Total shares outstanding as of 7/1/14:	3,000,000
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

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[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:

Pursuant to the terms of the Series A Convertible Preferred Stock, the following stock dividend payments were made to the preferred shareholder of record on the following dates in the past two fiscal years and the interim period through July 1, 2014. All such issuances were made in reliance upon the exemption provided in Section 4(a)(2) of the Securities Act. The certificates representing such securities contain restrictive legends preventing sale, transfer or other disposition, absent registration or an applicable exemption from registration requirements.

Date Paid	Common Stock
12/30/2011	43,679
3/30/2012	46,190
6/29/2012	46,387
9/28/2012	45,998
12/31/2012	45,731
3/29/2013	48,009
6/28/2013	48,600
9/30/2013	46,836
12/31/2013	61,014

Item 4: Issuance History

Beyond the stock dividend payments disclosed pursuant to Item 3 above, the following events resulted in changes in the Issuerõs total outstanding shares of common stock during the past two fiscal years and the interim period through July 1, 2014:

June 2012 Common Stock Offering

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

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

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

N/A

C. The number of shares offered;

3,125,000

D. The number of shares sold;

3,125,000

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

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

F. The trading status of the shares; and

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

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

Yes

2012 and 2013 Stock Option Exercises

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

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

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

N/A

C. The number of shares offered;

62,623

D. The number of shares sold;

62,623

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

$1.08, $1.38 and $2.00 per share (gross proceeds of $111,245)

F. The trading status of the shares; and

The certificates representing such securities were issued pursuant to a registration statement.

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

No

2014 Warrant Exercises

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

Issuance in reliance upon the exemption provided in Section 4(a)(2) of the Securities Act to two institutional investors

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

N/A

C. The number of shares offered;

53,332

D. The number of shares sold;

   53,332

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

   $1.52 per share (gross proceeds of $81,065)

F. The trading status of the shares; and

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

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

   Yes

Item 5: Financial Statements

The following unaudited condensed consolidated financial statements for the quarter ended July 1, 2014 are attached hereto as Exhibit A:

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

Financial statements for the Issuerøs two previous fiscal years appear in the Issuerøs Annual Report on Form 10-K for the fiscal year ended December 31, 2013 as filed with the U.S. Securities and Exchange Commission on March 19, 2014. Such financial statements are incorporated by reference into this report.

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

A. Description of the Issuerøs business operations:

We operate two casual dining concepts: Granite City Food & Brewery® and Cadillac Ranch All American Bar & Grill®. The Granite City restaurant theme is upscale casual dining with a wide variety of menu items that are prepared fresh daily, including Granite Cityøs award-winning signature line of hand-crafted beers finished on-site. The extensive menu features moderately priced favorites served in generous portions. Granite Cityøs attractive price point, high service standards, and great food and beer combine for a memorable dining experience. Cadillac Ranch restaurants feature freshly prepared, authentic, All-American cuisine in a fun, dynamic environment. Patrons enjoy a warm, Rock NôRoll inspired atmosphere, with plenty of room for friends, music and dancing. The Cadillac Ranch menu is diverse with offerings ranging from homemade meatloaf to pasta dishes, all freshly prepared using quality ingredients.

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

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

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

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

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

E. Principal products or series, and their markets:

As of July 1, 2014, we operated 30 Granite City restaurants in 13 states and five Cadillac Ranch restaurants in five states. Our concepts target a broad guest base by offering high quality, made-from-scratch, casual, value-priced food, and fresh, handcrafted, quality beers.

Our prototypical Granite City restaurant consists of an approximately 9,800 square foot facility conveniently located just off one or more interstate highways and centrally located within the respective 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. The interiors are accented with vintage photographs of the local area brewing industry, as well as historical photos of the community landscape. We believe our design creates a fun and energetic atmosphere that promotes a destination dining experience.

The average size of our Cadillac Ranch restaurants is approximately 10,000 square feet. The atmospheres are warm, Rock NøRoll-inspired with plenty of room for friends, music and dancing in a fun, dynamic environment. Classic Rock, Modern Rock and more play through our state of the art sound system, with multiple large-screen televisions throughout. The spacious floor plan allows for catered events such as wedding receptions, corporate events, or any other private party. The Indianapolis location, while similar in appearance to our other Cadillac Ranch locations, is a 20,000 square foot unit that has a much higher percentage of alcohol sales than our other Cadillac Ranch locations.

The following is a listing of the location of each of our restaurants in operation:

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

Item 7: Description of the Issuer's Facilities

Our property and equipment consists of the following:

	July 1, 2014	December 31, 2013
Land	$ 18,000	$ 18,000
Buildings*	33,459,843	33,657,204
Leasehold improvements	15,702,062	15,488,964
Equipment and furniture	46,226,548	46,673,487
	95,406,453	95,837,655
Less accumulated depreciation	(47,502,516)	(44,984,181)
	47,903,937	50,853,474
Construction-in-progress	4,177,883	1,383,763
	$ 52,081,820	$ 52,237,237

*Includes $28,642,005 of buildings under capital lease.

Property capital leases:

As of July 1, 2014, we operated 17 restaurants under capital lease agreements, of which one expires in 2020, two in 2023, two in 2024, five in 2026, three in 2027, one in 2028 and three in 2030, all with renewable options for additional periods. Under certain of the leases, we may be required to pay additional contingent rent based upon restaurant sales. At the inception and the amendment date of each of these leases, we evaluated the fair value of the land and building separately pursuant to the FASB guidance on accounting for leases. The land portion of these leases is classified as an operating lease as the fair value of the land is 25% or more of the total fair value of the lease. The building portion of these leases is classified as a capital lease because its present value was greater than 90% of the estimated fair value at the beginning or amendment date of the lease and/or the lease term represents 75% or more of the expected life of the property.

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

Property operating leases:

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

Granite City restaurant operating leases:

- Fargo, ND: 20-year ground lease upon which we built our restaurant which expires in 2021.
- St. Louis Park, MN: The initial term of the land and building lease will expire in 2016 with renewal options for additional periods.
- South Bend, IN and Carmel, IN: The initial terms of the ground leases upon which we operate our restaurants will expire in 2028 and 2024, respectively. Each lease has renewal options for additional periods.
- Madison, WI, Roseville, MN, Rockford, IL, Ft. Wayne, IN, St. Louis, MO and Toledo, OH: The expiration of the initial terms of the ground lease upon which we operate our restaurants range from 2017 to 2022, each with options for additional terms.

- Franklin, TN: The initial term of the land and building lease will expire in 2027 with renewal options for additional periods.
- Indianapolis, IN: The initial term of the land and building lease will expire in 2023 with renewal options for additional periods.
- Lyndhurst, OH: The initial term of the land and building lease will expire in 2023 with renewal options for additional periods.

Cadillac Ranch operating leases:

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

We also lease our corporate headquarters in Minneapolis, MN. Such lease expires in 2015.

Item 8: Officers, Directors, and Control Persons

A. Names of Officers, Directors and Control Persons

Executive Officers:	Robert J. Doran, Chief Executive Officer Dean S. Oakey, Chief Development Officer Jeffrey L. Rager, Chief Financial Officer Monica A. Underwood, Vice President of Finance and Corporate Secretary
Directors:	Fouad Z. Bashour, Chairman Robert J. Doran H. G. Carrington, Jr. Charles J. Hey Joel C. Longtin Louis M. Mucci Michael S. Rawlings Michael H. Staenberg
Control Persons:	Concept Development Partners LLC Charles J. Hey DHW Leasing, L.L.C.

B. Legal/Disciplinary History:

None of the Issuerȇs 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 personȇs 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 personõs involvement in any type of business or securities activities.

C. Beneficial Shareholders:

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

Charles J. Hey
2908 W. 37th Cir. #306
Sioux Falls, SD 57105
20.01% common stock

DHW Leasing, L.L.C.[3]
230 S. Phillips Avenue, Suite 202
Sioux Falls, SD 57104
19.9% common stock

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[2] As set forth in the Schedule 13D filed on July 9, 2012 by Concept Development Partners LLC, a Delaware limited liability company (ñCDPò), CIC Partners Firm LP, a Delaware limited partnership (ñCIC Partnersò), CIC II LP, a Delaware limited partnership (ñCIC Fund IIò), CIC II GP LLC, a Delaware limited liability company (ñCIC II GPò), CDP-ME Holdings, LLC, a Delaware limited liability company (ñCDP-MEò), and CDP Management Partners, LLC, a Delaware limited liability company (ñCDP Managementò) (collectively, the ñReporting Personsò). CDP is a limited liability company organized under the laws of the State of Delaware and is primarily in the business of investing in the restaurant industry. 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 Chief Development Officer of Granite City, and the present principal occupation of Mr. Doran is Chief Executive Officer of Granite City. Each of CDP, CDP-ME and CDP Management has a principal place of business at 5724 Calpine Drive, Malibu, California 90265. CDP is majority owned by CIC CDP LLC, a Delaware limited liability company (ñCIC CDP LLCò), which is itself a wholly-owned subsidiary of CIC Fund II. CIC Fund II is an investment fund managed by its general partner, CIC II GP, and ultimately owned and controlled by CIC Partners, a mid-market private equity firm headquartered in Dallas, Texas. The principal business of CIC CDP LLC is the investment in Granite City. The principal business of CIC Fund II is to be an investment fund in CIC Partners, and the principal business of CIC II GP is to act as the general partner of CIC Fund II. CIC Partners is jointly owned and managed by Marshall Payne, Amir Yoffe, Michael S. Rawlings, Fouad Z. Bashour and James C. Smith. The present principal occupation of Messrs. Payne, Yoffe, Rawlings, Bashour and Smith is serving as a director of CIC Partners, and together with CIC Partners, CIC Fund II and CIC II GP, each have a principal place of business at 500 Crescent Court, Suite 250, Dallas, Texas 75201. Messrs. Payne, Yoffe, Rawlings, Bashour, Oakey and Doran, as well as CIC Partners, CIC Fund II, CIC II GP, CDP-ME and CDP Management disclaim beneficial ownership of such securities. Represents beneficial ownership of 11,273,539 shares of common stock, including 6,000,000 shares of common stock issuable upon conversion of 3,000,000 shares of Series A Preferred owned by CDP, 3,606,873 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. 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. Prior to conversion, the holder of our Series A Preferred has 0.77922 votes per preferred share and votes with the holders of our common stock as a single class, except on matters adversely affecting the holder of our Series A Preferred as a class.

[3] DHW retains the right to dispose of such shares of common stock; however, it has granted an irrevocable proxy to vote such shares of common stock to CDP. DHWõs address is 230 S. Phillips Avenue, Suite 202, Sioux Falls, SD 57104.

Item 9: Third Party Providers

Legal Counsel:	Brett D. Anderson Briggs and Morgan, P.A. 2200 IDS Center 80 South 8th Street Minneapolis, MN 55402 (612) 977-8417 banderson@briggs.com
Accountant or Auditor:	Charles Selcer Schechter, Dokken, Kanter, Andrews & Selcer, Ltd. 100 Washington Avenue South, Suite 1600 Minneapolis, MN 55401 (612) 332-9335 cselcer@sdkcpa.com
Investor Relations Consultant:	None
Other Advisor:	None

Item 10: Issuer Certifications

I, Robert J. Doran, certify that:

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

Dated: August 8, 2014 by: /s/ Robert J. Doran
Robert J. Doran
Chief Executive Officer

I, Jeffrey L. Rager, certify that:

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

Dated: August 8, 2014 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 Quarter Ended July 1, 2014 (Unaudited)

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

GRANITE CITY FOOD & BREWERY LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 1, 2014 (Unaudited)	December 31, 2013 (Note 1)
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 2,359,570	$ 2,677,090
Inventory	1,728,815	1,816,487
Prepaids and other	2,836,196	2,043,345
Total current assets	6,924,581	6,536,922
Prepaid rent, net of current portion	-	88,406
Property and equipment, net	52,081,820	52,237,237
Intangible and other assets, net	7,744,707	7,906,051
Total assets	$ 66,751,108	$ 66,768,616
LIABILITIES AND SHAREHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable	$ 3,734,078	$ 5,732,394
Accrued expenses	6,849,480	8,598,558
Deferred rent, current portion	858,482	999,566
Long-term debt, current portion	1,250,000	980,109
Capital lease obligations, current portion	1,101,735	1,091,643
Total current liabilities	13,793,775	17,402,270
Deferred rent, net of current portion	4,760,020	4,449,803
Other liabilities - interest rate swap	238,758	128,557
Line of credit, net of current portion	2,000,000	-
Long-term debt, net of current portion	23,437,500	19,906,365
Capital lease obligations, net of current portion	24,342,756	24,887,558
Total liabilities	68,572,809	66,774,553
Commitments and contingencies:		
Redeemable preferred stock, $0.01 par value, 0 and 2,000 shares outstanding at 7/1/14 and 12/31/13	-	1,784,887
Shareholders' deficit:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized;		
3,000,000 shares issued and outstanding	30,000	30,000
Common stock, $0.01 par value, 90,000,000 shares authorized;		
8,360,981 and 8,307,649 shares issued and outstanding at 7/1/14 and 12/31/13, respectively	83,610	83,076
Additional paid-in capital	81,578,956	81,552,313
Retained deficit	(83,514,267)	(83,456,213)
Total shareholders' deficit	(1,821,701)	(1,790,824)
Total liabilities and shareholders' deficit	$ 66,751,108	$ 66,768,616

See notes to condensed consolidated financial statements.

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

	13 Weeks Ended		26 Weeks Ended	27 Weeks Ended
	July 1, 2014	July 2, 2013	July 1, 2014	July 2, 2013
Restaurant revenue	$ 35,280,202	$ 33,955,331	$ 68,776,487	$ 68,916,785
Cost of sales:				
Food, beverage and retail	9,579,821	9,235,029	18,678,396	18,773,466
Labor	11,289,848	11,127,070	22,145,249	22,423,503
Direct restaurant operating	5,208,347	5,143,196	10,522,088	10,636,006
Occupancy	2,993,976	2,787,203	5,913,150	5,461,780
Cost of sales and occupancy	29,071,992	28,292,498	57,258,883	57,294,755
General and administrative	2,312,755	2,353,387	4,806,058	5,104,508
Depreciation and amortization	1,905,314	2,001,162	3,837,984	3,952,805
Pre-opening	103,201	185,631	106,495	623,966
Acquisition costs	9,688	44,491	27,948	76,059
Loss on disposal of assets	511,636	244,642	579,615	300,406
Exit or disposal activities	8,430	15,287	36,395	32,075
Total costs and expenses	33,923,016	33,137,098	66,653,378	67,384,574
Operating income	1,357,186	818,233	2,123,109	1,532,211
Interest:				
Income	3,674	-	3,674	-
Expense on capital leases	(455,627)	(953,827)	(1,070,354)	(1,905,868)
Other interest expense	(632,617)	(360,976)	(1,114,483)	(601,698)
Net interest expense	(1,084,570)	(1,314,803)	(2,181,163)	(2,507,566)
Net income (loss)	$ 272,616	$ (496,570)	$ (58,054)	$ (975,355)
Net income (loss) per share, basic and diluted	$ 0.03	$ (0.09)	$ (0.01)	$ (0.17)
Weighted average shares outstanding, basic	8,360,981	8,150,419	8,336,366	8,123,609
Weighted average shares outstanding - assuming dilution	8,567,864	8,150,419	8,345,373	8,123,609

See notes to condensed consolidated financial statements.

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

	26 Weeks Ended July 1, 2014	27 Weeks Ended July 2, 2013
Cash flows from operating activities:		
Net loss	$ (58,054)	$ (975,355)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,837,984	3,952,805
Amortization of deferred loss	220,163	59,285
Stock option expense	70,264	78,820
Non-cash interest expense	243,353	129,523
Loss on disposal of assets	579,615	300,406
Deferred rent	158,171	650,136
Changes in operating assets and liabilities:		
Inventory	87,672	(138,234)
Prepaids and other	(1,271,645)	(1,348,591)
Accounts payable	(2,017,291)	445,774
Accrued expenses	(1,749,078)	(2,198,604)
Net cash provided by operating activities	101,154	955,965
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(3,753,176)	(6,211,847)
Proceeds from sale leaseback	567,200	1,750,000
Intangible and other assets	21,791	-
Net cash used in investing activities	(3,164,185)	(4,461,847)
Cash flows from financing activities:		
Proceeds from line of credit	4,500,000	3,368,338
Payments on line of credit	(2,500,000)	-
Payments on capital lease obligations	(534,710)	(485,955)
Payments on long-term debt	(21,321,164)	(559,021)
Proceeds from long-term debt	25,000,000	-
Redemption of redeemable preferred stock	(2,000,000)	-
Debt issuance costs	(479,680)	(216,138)
Net proceeds (cost) from issuance of common stock	81,065	(1,550)
Payment of cash dividends on preferred stock	-	(303,754)
Net cash provided by financing activities	2,745,511	1,801,920
Net decrease in cash	(317,520)	(1,703,962)
Cash and cash equivalents, beginning	2,677,090	2,566,034
Cash and cash equivalents, ending	$ 2,359,570	$ 862,072

Supplemental disclosure of non-cash investing and financing activities:

Change in fair value of interest rate swap	$	232,391	$	118,561
Property and equipment, intangibles and equity costs included in accounts payable and accrued expenses	$	1,051,689	$	1,316,578
Line of credit converted to long-term debt	$	-	$	8,368,338
Dividends paid on preferred stock through the issuance of common stock	$	-	$	303,746

See notes to condensed consolidated financial statements.

GRANITE CITY FOOD & BREWERY LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Thirteen and Twenty-six Weeks Ended July 1, 2014 and Thirteen and Twenty-seven Weeks Ended July 2, 2013

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®.

The Company operates 30 restaurants of its original concept, which is a polished casual American restaurant known as Granite City Food & Brewery. The Granite City restaurant theme is upscale casual dining with a wide variety of menu items that are prepared fresh daily, combined with freshly brewed hand-crafted beers finished on-site.

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

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

Basis of presentation

In the opinion of management, the financial statements presented herein include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair statement of the Companyôs financial position as of July 1, 2014, and its results of operations for the interim periods ended July 1, 2014 and July 2, 2013. The results of operations for the twenty-six weeks ended July 1, 2014 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 31, 2013 as filed with the SEC on Form 10-K. 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 on Form 10-K. The accompanying balance sheet at December 31, 2013 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. The Company accounts for this derivative using fair value accounting and measurements described in Note 5. The fair value of the interest rate swap is recorded on the consolidated balance sheet in other assets or other liabilities, depending on the fair value of the swap. The change in the fair value of the swap is recorded on the consolidated statements of operations in other interest expense.

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

Related parties

Concept Development Partners LLC (ñCDPò) is the Companyôs controlling shareholder. As of July 1, 2014, 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 year 2014 will consist of 52 weeks while fiscal year 2013 consisted of 53 weeks.

Earnings (loss) per share

The following table sets forth the computation of basic and diluted earnings (loss) per share for the second quarter and first half of fiscal years 2014 and 2013:

	13 Weeks Ended		26 Weeks Ended	27 Weeks Ended
	July 1, 2014	July 2, 2013	July 1, 2014	July 2, 2013
Net income (loss)	$ 272,616	$ (496,570)	$ (58,054)	$ (975,355)
Less dividends declared	-	(202,500)	-	(405,000)
Less accretion of redeemable preferred stock	(3,707)	-	(14,828)	-
Net income (loss) available to common shareholders	$ 268,909	$ (699,070)	$ (72,882)	$ (1,380,355)
Denominator for earnings (loss) per share				
Weighted average shares; denominator for basic earnings (loss) per share	8,360,981	8,150,419	8,336,366	8,123,609
Effect of dilutive securities; options, warrants and shares issuable upon conversion of Series A Preferred	206,883	-	9,007	-
Dilutive common shares; denominator for diluted earnings (loss) per share	8,567,864	8,150,419	8,345,373	8,123,609
Basic earnings (loss) per share	$ 0.03	$ (0.09)	$ (0.01)	$ (0.17)
Dilutive earnings (loss) per share	$ 0.03	$ (0.09)	$ (0.01)	$ (0.17)
Stock options, warrants and shares of common stock issuable upon the conversion of Series A Preferred excluded because they were anti-dilutive.	1,123,739	6,692,592	7,298,739	6,725,092

2. Credit agreement

In May 2014, the Company entered into a $40.0 million credit agreement with RBS Citizens, N.A. (ñRBSò). The agreement, which is secured by liens on the Companyós subsidiaries, personal property, fixtures and real estate owned or to be acquired, provides for a secured term loan in the amount of $25.0 million which was advanced in a single borrowing on May 15, 2014, and a secured line of credit in the amount of $15.0 million, of which $2.0 million was advanced in a single borrowing on the same day. Subject to the terms and conditions of the credit agreement, RBS has also agreed to issue standby letters of credit in an aggregate undrawn face amount up to $1.0 million. The agreement restricts the Company from declaring or making dividend payments in cash or stock and does not allow the Company to repurchase any of its outstanding securities. Additionally, the credit agreement contains customary covenants, representations and warranties, and certain financial covenants, and matures on May 14, 2019.

A portion of the proceeds from the term loan was used to retire all of the Companyós then-existing long-term debt and line of credit borrowings. At the time of the borrowing, the term and credit line loan required the payment of interest at a fluctuating rate per annum equal to 3.65% plus LIBOR. The Company pays a line of credit commitment fee equal to the difference between the total line of credit commitment and the amount outstanding under the line of credit, plus outstanding letters of credit, equal to 0.25% of the unused line.

The Company is obligated to make principal payments on the term loan in quarterly installments which commenced June 30, 2014, each in the amount of $312,500, with a final payment of principal and interest on May 14, 2019. The line of credit loan is paid in equal quarterly installments commencing on July 1, 2017 in an amount sufficient to reduce the outstanding principal balance by 1.25% per annum with a final payment of all principal and interest due on May 14, 2019. The payment calculation will adjust annually.

In June 2014, the Company entered into a five-year interest rate swap agreement to fix interest rates on a portion of this debt (Notes 1 and 5) pursuant to the terms of the credit agreement with RBS. 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 Companyós interest rate 5.44% on $18.75 million of its debt. The Company did not elect to apply hedge accounting for this interest rate swap agreement. As such, the fair value of the interest rate swap is recorded on the condensed consolidated balance sheet in other assets or other liabilities, depending on the fair value of the swap, and any changes in the fair value of the swap agreement will be accounted for as non-cash adjustments to interest expense and recognized in current earnings. The decrease in the fair value of the swap agreement was $238,758 for the second quarter ended July 1, 2014 and was recorded as interest expense in the condensed consolidated statements of operations.

3. Redeemable preferred stock

In May 2014, using a portion of the proceeds from the credit agreement with RBS, the Company redeemed in full the 2,000 shares of Redeemable Preferred Stock it sold to Michael Staenberg, Trustee of the MHS Trust dated January 13, 1986 (ñMHS Trustò) for $2.0 million in December 2013. MHS Trust is controlled by Michael H. Staenberg, one of the Companyós directors. The Company paid dividends on the Redeemable Preferred Stock totaling $100,833 between the time of issuance and the time of redemption. In connection with the sale of Redeemable Preferred stock, the Company also issued MHS Trust a warrant to purchase 350,000 shares of common stock. With the redemption of the Redeemable Preferred stock, 175,000 shares underlying such warrant were forfeited.

4. Long-term debt and line of credit

In May 2014, the Company retired its then-existing long-term debt and line of credit borrowings using the proceeds from its credit agreement with RBS. The following chart reflects this debt retirement:

Description of Debt	Principal retired
Promissory note the Company issued to an Indiana general partnership in the amount of $250,000 in August 2008. The note was issued to obtain the liquor license for the Companyôs restaurant located in South Bend, Indiana.	$ 227,146
Promissory note the Company issued to the mall owner of the restaurant in Rogers, Arkansas in the amount of $400,000. The Company ceased operating the restaurant in 2008.	$ 116,085
Loan agreement between the Company and First Midwest Bank in March 2011 for $1.3 million for the purchase of the buildings and all related improvements associated with its Indianapolis and South Bend, Indiana restaurants.	$ 1,188,587
Amended and restated credit agreement with the Fifth Third Bank dated May 31, 2013 which, at the time of retirement, included a $15.4 million term loan, $3.7 million delayed draw term loan used to purchase building and improvements at six of the Companyôs restaurant locations, and line of credit borrowings of $2.5 million to fund capital expenditures.	$ 21,600,701

Pursuant to the terms of the credit agreement with Fifth Third Bank, the Company entered into a three-year interest rate swap agreement to fix interest rates on a portion the debt. At the time such debt was retired, the Company terminated this interest rate swap agreement with a payment of $138,500.

5. Fair value measurements

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

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

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

Level 3ð Inputs that are unobservable for the assets or liabilities where there is little or no market data. These inputs require significant management judgment or estimation.

As of July 1, 2014 and December 31, 2013, respectively, the fair value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the capital lease obligations and long-term debt is estimated at its carrying value based upon current rates available to the Company.

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

The following table presents the fair value of liabilities measured on a recurring basis as of July 1, 2014:

Description	Level 1	Level 2	Level 3	Total Liability
Interest rate swap fair value	$ -	$ (238,758)	$ -	$ (238,758)

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

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

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

6. Commitments and contingencies

Leases

In November 2013, the Company entered into an agreement to purchase approximately three acres of property in Schaumburg, Illinois where it is building a Granite City restaurant. In May 2014, the Company closed on the purchase of such land and, pursuant to a sale leaseback agreement with Store Capital, Store Capital took title to the land. The Company purchased the site for approximately $2.8 million and sold it to Store Capital for the same amount. Pursuant to the agreement, the Company is leasing the property for an initial term of 15 years at an annual rental amount of approximately $171,700. Such agreement includes options for additional terms and provisions for rental adjustments.

In June 2014, the Company entered into a 10-year lease agreement for a site in National Harbor, Maryland where it plans to construct a Granite City restaurant. Per the terms of the lease, the landlord will pay the Company a tenant improvement allowance of approximately $1.3 million. The lease, which may be extended for two additional five-year periods, calls for an annual base rent starting at $419,898. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales.

In July 2014, the Company entered into a 20-year lease agreement for site at the Renaissance Center in Detroit, Michigan where it plans to construct a Granite City restaurant. Per the terms of the lease, the annual rent starts at $222,870 with scheduled increases every five years. Under the terms of the lease, the Company may be required to pay additional contingent rent based upon restaurant sales.

Employment agreement

In June 2014, the Company entered into an employment agreement with Jeffrey L. Rager, which provides for Mr. Ragerôs employment as the Companyôs Chief Financial Officer through July 14, 2017 (the ñTermò). If, during the Term, the Company terminates Mr. Rager without cause, or Mr. Rager terminates his employment for good reason, each as defined in the agreement, Mr. Rager would be entitled to severance benefits including one year of base salary and a partial performance bonus, if earned, through the date of termination. In the event of a termination without cause of Mr. Rager following a change in control of the Company, the Company has agreed to pay to Mr. Rager, in addition to the basic one-year severance payment, an additional six months of base salary. The agreement provides for an annual base salary, which may be increased by the Companyôs compensation committee, of $280,000. In addition, Mr. Rager is eligible for an annual bonus of up to 50% of base salary based on achieving performance targets determined by the Companyôs compensation committee, as well as participation in the Companyôs other employee benefit plans and expense reimbursement. Mr. Rager has also agreed to certain nondisclosure provisions during the Term and any time thereafter, and certain non-competition and non-recruitment provisions during the Term and for a certain period thereafter. In connection with his entry into his employment agreement, the Company also granted

Mr. Rager a ten-year stock option to purchase 225,000 shares of the Companyœs common stock at $2.10 per share pursuant to the Companyœs 2014 Non-Qualified Plan.

Separation agreement with former executive officer

James G. Gilbertson, who formerly served as Chief Financial Officer of the Company, resigned from his position as Chief Financial Officer effective July 15, 2014, and his employment with the Company formally ended effective July 31, 2014. On July 9, 2014, the Company entered into a separation agreement and release with Mr. Gilbertson (the ñSeparation Agreementò). Pursuant to the Separation Agreement and consistent with his employment agreement, Mr. Gilbertson will receive payments aggregating $240,000, separate bonus payments aggregating $99,925, and payment of the Companyœs portion of medical (COBRA) premiums for 12 months (if eligible). In addition, the Separation Agreement made certain modifications to Mr. Gilbertsonœs option awards. In particular, outstanding stock options for the purchase of (a) 6,667 shares of common stock at $2.117 per share and (b) 6,666 shares of common stock at $2.10 per share became fully vested. Furthermore, the requirement that Mr. Gilbertson exercise his stock options within three months of the end of his employment was eliminated.

7. Stock-based compensation

The Company measures and recognizes all stock-based compensation under the fair value method using the Black-Scholes option-pricing model. Share-based compensation expense recognized is based on awards ultimately expected to vest, and as such, it is reduced for estimated or actual forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company used the following assumptions within the Black-Scholes option-pricing model for the first half of fiscal years 2014 and 2013:

	Twenty-six Weeks Ended July 1, 2014	Twenty-seven Weeks Ended July 2, 2013
Weighted average risk-free interest rate	2.48% - 3.04%	1.73% - 2.49%
Expected life of options	10 years	10 years
Expected stock volatility	85.86% -86.32%	87.27% - 89.12%
Expected dividend yield	None	None

As of July 1, 2014, there were options outstanding for the purchase of 800,662 and 321,415 shares under the Companyœs 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 July 1, 2014, options for the purchase of 78,585 shares remained available for issuance under the Long-Term Incentive Plan.

A summary of the status of the Companyœs stock options as of July 1, 2014 is presented below:

Fixed Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2013	1,042,391	$ 2.29	6.4 years	$ -
Granted	136,565	2.10	9.9 years	
Exercised	-	-		
Forfeited	(56,879)	2.17		
Outstanding at July 1, 2014	1,122,077	$ 2.27	6.3 years	$ 16,942

Options exercisable at December 31, 2013	820,982	$	2.30	5.8 years	$	-
Options exercisable at July 1, 2014	856,269	$	2.30	5.5 years	$	16,942

Weighted-average fair value of options granted during 2014	$	1.03

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing price of the Companyôs stock on July 1, 2014 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 July 1, 2014. As of July 1, 2014, there was approximately $230,367 of total unrecognized compensation cost related to unvested share-based compensation arrangements, of which $92,211 is expected to be recognized during the remainder of fiscal year 2014, $89,059 in fiscal year 2015, $35,117 in fiscal year 2016, $12,980 in fiscal year 2017 and $1,000 in fiscal year 2018.

The following table summarizes information about stock options outstanding at July 1, 2014:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price		Number of Options Exercisable	Weighted Average Exercise Price	
$1.00 - $3.00	989,080	6.4 years	$	2.09	732,272	$	2.08
$3.01 - $5.00	127,999	5.2 years	$	3.54	118,999	$	3.52
$5.01 - $6.00	4,998	4.2 years	$	5.47	4,998	$	5.47
Total	1,122,077	6.3 years	$	2.27	856,269	$	2.30

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

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

As of July 1, 2014, warrants for the purchase of an aggregate of 216,240 shares of common stock were outstanding and exercisable. The weighted average exercise price of such warrants was $1.85 per share.

EXHIBIT B

INFORMATION AND DISCLOSURE STATEMENT PURSUANT TO RULE 15C2-11

Sections (a)(5)(i) through (a)(5)(xvi)
of the
Securities Exchange Act of 1934, as amended

i. **The exact name of the issuer and its predecessor (if any):**

Granite City Food & Brewery Ltd.

ii. **The address of its principal executive offices:**

701 Xenia Avenue South, Suite 120
Minneapolis, MN 55416

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

Minnesota

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

Common Stock

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

$0.01 (par value)

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

8,307,649

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 the Period Ended July 1, 2014.

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

See Item 6 of Quarterly Report for the Period Ended July 1, 2014.

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

See Item 7 of Quarterly Report for the Period Ended July 1, 2014.

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

See Item 8 of Quarterly Report for the Period Ended July 1, 2014.

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

See Item 5 of Quarterly Report for the Period Ended July 1, 2014.

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

See Item 5 of Quarterly Report for the Period Ended July 1, 2014.

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

N/A

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

N/A

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

N/A