DIVERSIFIED RESTAURANT HOLDINGS, INC.

FORM S-1/A
(Securities Registration Statement)

Filed 04/03/13

Address	27680 FRANKLIN ROAD SOUTHFIELD, MI 48034
Telephone	(248) 223-9160
CIK	0001394156
Symbol	BAGR
SIC Code	5812 - Eating Places
Industry	Restaurants
Sector	Services
Fiscal Year	12/27

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
AMENDMENT No. 1
to
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

DIVERSIFIED RESTAURANT HOLDINGS, INC.
(Exact name of Registrant as Specified in its Charter)

NEVADA	**7221**	**03-0606420**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

27680 Franklin Rd., Southfield, MI 48034
(248) 223-9160

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

T. Michael Ansley
President, Chief Executive Officer, and Chairman of the Board of Directors
Diversified Restaurant Holdings, Inc.
27680 Franklin Rd.
Southfield, Michigan 48034
(248) 223-9160

(Name, address, including zip code, and telephone, including area code of agent for service)

Copies to:

Michael T. Raymond
Dickinson Wright PLLC
2600 W. Big Beaver Road, Suite 300
Troy, Michigan 48084
(248) 433-7273

Ryan C. Brauer
Fredrikson & Byron, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, Minnesota 55402
(612) 492-7000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or combination basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If the form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer (Do not check if a smaller reporting company) ☐ Smaller reporting company ☑

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	**Proposed Maximum Aggregate Offering Price (1)(2)**	**Amount Of Registration Fee (3)**
Common Stock, par value $0.0001 per share	$31,625,000	$4,314

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.
(2) Includes shares of our common stock that the underwriters have the option to purchase to cover overallotments, if any.
(3) Calculated under Section 6(b) of the Securities Act of 1933 as 0.0001364 of the aggregate offering price.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information contained in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, April 2, 2013

5,000,000 SHARES

Diversified Restaurant Holdings, Inc.
Common Stock

We are offering 5,000,000 shares of our common stock. Our common stock is currently traded on the OTCQB under the symbol "DFRH". We have applied to list our common stock on the NASDAQ Capital Market under the symbol "BAGR". There is presently a limited market for our common stock, and the shares are being offered in anticipation of the development of a secondary trading market. The last reported market price of our common stock on the OTCQB on April 1, 2013 was $4.00 per share. We anticipate the public offering price to be between $5.00 and $5.50 per share.

Investing in our common stock involves a high degree of risk. Please read "Risk Factors" beginning on page 13 of this prospectus.

Neither the Securities and Exchange Commission, nor any state securities commission, nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discounts and Commissions[1]		
Proceeds to Diversified Restaurant Holdings, Inc., before expenses		

[1] The underwriters will receive compensation in addition to the underwriters discounts and commissions. See "Underwriting" beginning on page 68 for more information.

We have granted the underwriters an option to purchase up to 750,000 shares of common stock from us at the public offering price, less the underwriting discount, within 45 days from the date of this prospectus to cover overallotments, if any.

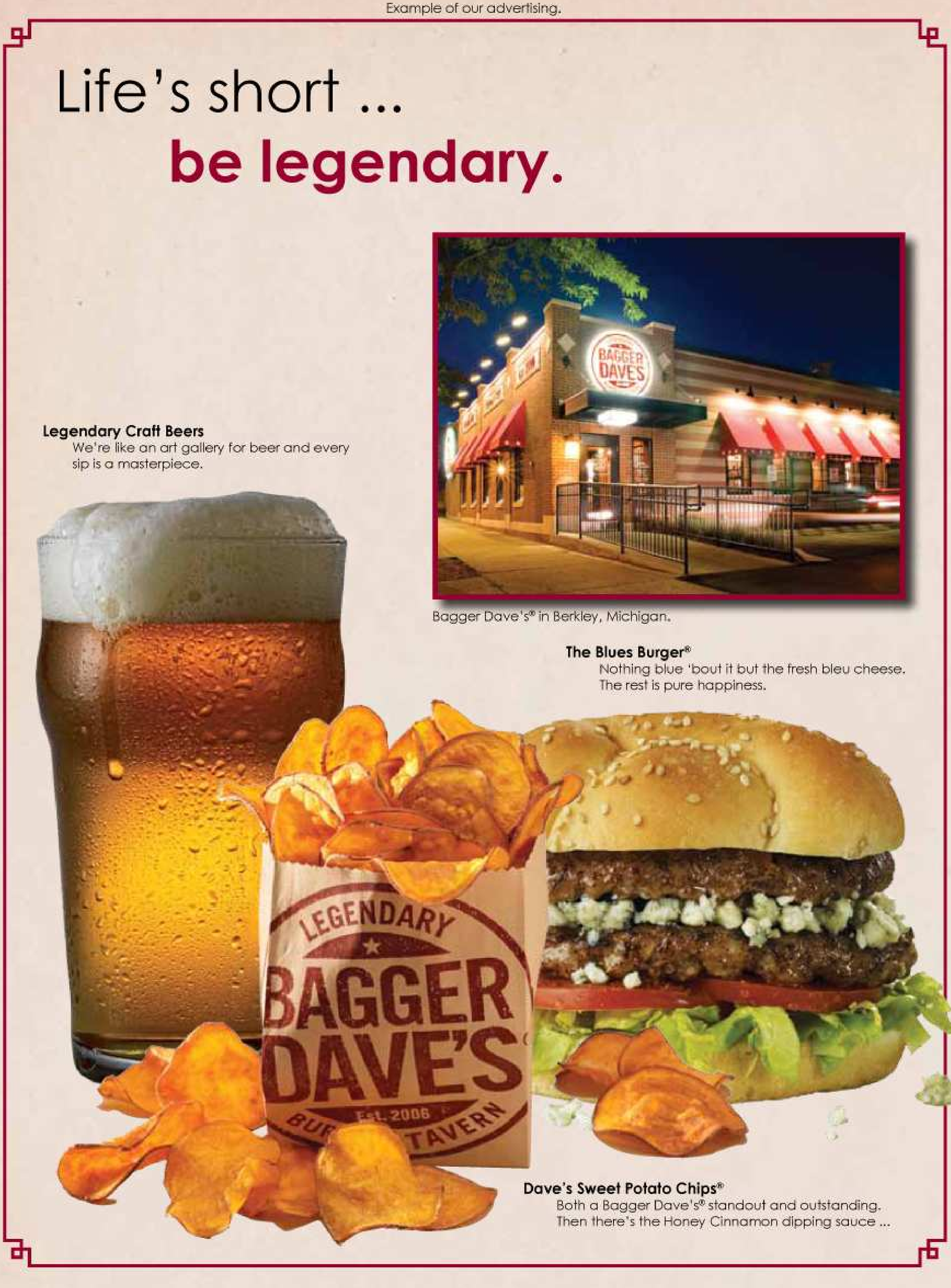
Delivery of the shares of common stock is expected to be made on or about , 2013. If the underwriter exercises the overallotment option in full, the total underwriting discounts and commissions payable by us will be $ and the total proceeds, before expenses, will be $.

DOUGHERTY & COMPANY
Sole Book-Running Manager

FELTL AND COMPANY
Co-Manager

Prospectus dated , 2013

Example of our advertising.




We're spreading across the map with deliciousness.
DRH
diversifiedrestaurantholdingsinc.
LEGENDARY BAGGER DAVE'S BURGER TAVERN EST. 2008
MICHIGAN
Ann Arbor
Berkley
Bloomfield Hills
Brighton
Cascade Twp.
East Lansing
Grandville
Holland
Novi
Shelby Twp.
INDIANA
Indianapolis
Also one franchised unit in Cape Girardeau, Missouri.
Bagger Dave's® in Novi, Michigan.
Bagger Dave's® in Brighton, Michigan.
Bagger Dave's® in Ann Arbor, Michigan.
BUFFALO WILD WINGS
Buffalo Wild Wings in Fort Myers, Florida.
Buffalo Wild Wings in Novi, Michigan.
New Artisan Mac 'n' Cheese
New Mac 'n' Cheese hand-crafted in small batches the way it was meant to be. Three varieties available.
MICHIGAN
Chesterfield Twp.
Clinton Twp.
Detroit
Fenton
Ferndale
Flint
Grand Blanc
Marquette
Novi
Petoskey
Port Huron
Sterling Heights
Traverse City
Troy
Warren
ILLINOIS
Calumet City
Homewood
Lansing
Lincoln Park
INDIANA
Crown Point
Hobart
Schererville
Valparaiso
FLORIDA
Brandon
Fish Hawk
Fort Myers
Lakeland
Largo
North Port
Riverview
Sarasota
University Park
Ybor City

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BASIS OF PRESENTATION

We operate on a 52- or 53-week fiscal year that ends on the last Sunday of December. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Our 2012 fiscal year consisted of 53 weeks while our 2011 and 2010 fiscal years each consisted of 52 weeks. Fiscal years are identified in this prospectus according to the calendar year in which the fiscal year ends. For example, references to "2012," "fiscal 2012," "fiscal year 2012," or similar references refer to the fiscal year ended December 30, 2012, while references to "2011," "fiscal 2011," "fiscal year 2011," or similar references refer to the fiscal year ended December 25, 2011.

References to comparable restaurants in this prospectus include restaurants operating in and following the 18 th month of operations. As of December 30, 2012 and December 25, 2011, we had four and three, respectively, comparable Bagger Dave's restaurants and 29 and 16, respectively, comparable Buffalo Wild Wings restaurants.

The information presented in this prospectus assumes (1) a public offering price of $5.25 per share of common stock, which is the midpoint of the estimated range of the price set forth on the cover page of this prospectus, and (2) that the underwriters will not exercise their overallotment option. Unless otherwise indicated, all references to "dollars" and "$" in this prospectus are amounts presented in United States ("U.S.") dollars.

Unless otherwise indicated or the context otherwise requires, financial and operating data in this prospectus reflects the consolidated business and operations of DRH.

INDUSTRY AND MARKET DATA

This prospectus includes industry and market data that we derived from internal company records, publicly available information and industry publications and surveys such as reports from KNAPP-TRACK, the National Restaurant Association and Technomic, Inc. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. You should carefully consider the inherent risks and uncertainties associated with the industry and market data contained in this prospectus.

KNAPP-TRACK is a monthly sales and guest count tracking service for the full-service restaurant industry in the United States, which tracks over 10,400 restaurants with over $32.1 billion in total sales. Each monthly KNAPP-TRACK report aggregates the change in comparable restaurant sales and guest counts compared to the same month in the preceding year from the competitive set of participants in the full service restaurant industry. We, as well as other restaurants, use the data included in the monthly KNAPP-TRACK report as one way of benchmarking our performance.

TRADEMARKS AND COPYRIGHTS

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos, and website names. In addition, we own or have the rights to copyrights, trade secrets, and other proprietary rights that protect the content of our products and the formulations for such products. Solely for convenience, some of the trademarks, trade names, and copyrights referred to in this prospectus are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trademarks, and trade names.

PROSPECTUS SUMMARY

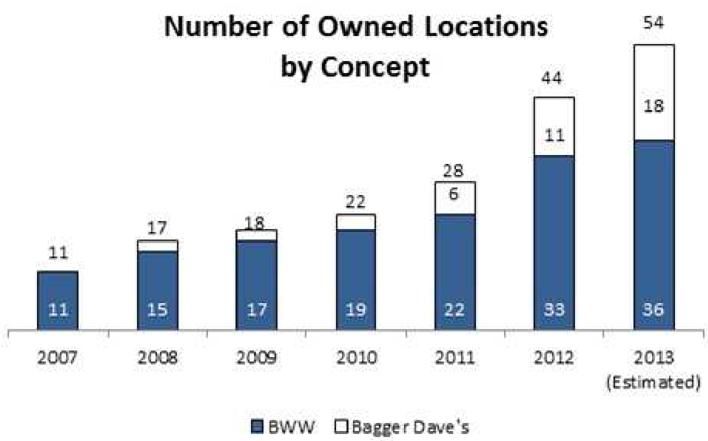
The following summary highlights information contained elsewhere in this prospectus and is qualified in its entirety by the more detailed information and the consolidated financial statements, and the related notes to those statements, included elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common shares. You should also carefully consider, among other things, the matters discussed in the section entitled "Risk Factors" and the consolidated financial statements and related notes to those statements included elsewhere in this prospectus before deciding to invest in our common stock. Some of the statements in this prospectus constitute forward-looking statements. For more information, see "Cautionary Statement regarding Forward-Looking Statements."

Our Company

DRH is a fast-growing restaurant company operating two complementary concepts: Bagger Dave's Legendary Burger Tavern® ("Bagger Dave's") and Buffalo Wild Wings® ("BWW"). As the creator, developer, and operator of Bagger Dave's and as one of the largest franchisees of BWW, we provide a unique guest experience in a casual and inviting environment. We are committed to providing value to our guests through offering generous portions of flavorful food in an upbeat and entertaining atmosphere. We believe Bagger Dave's and DRH-owned BWW are uniquely-positioned restaurant brands designed to maximize appeal to our guests. Both restaurant concepts offer competitive price points and a family-friendly atmosphere, which we believe enables consistent performance through economic cycles. We were incorporated in 2006 and are headquartered in the Detroit metropolitan area. As of the date of this prospectus, we had 45 locations in Florida, Illinois, Indiana, Michigan, and Missouri. Of those restaurants, 44 are corporate owned and one is franchised by a third party.

While our brands share certain corporate support functions to maximize efficiencies across our Company, each brand maintains its own identity, allowing both brands to be located in common markets. We have demonstrated the viability of our brands in a variety of markets across the Midwest and Florida, growing the total number of corporate-owned restaurants in our system from 22 locations as of the end of fiscal year 2010 to 44 locations as of the end of fiscal year 2012, representing a compound annual growth rate of 41.4%. Between the two concepts, we opened eight corporate-owned restaurants and a franchisee opened one franchised Bagger Dave's restaurant in 2012. We also acquired eight existing BWW locations in 2012. Between both brands, we plan to open an at least an additional 10 restaurants by the end of 2013. From fiscal year 2010 to fiscal year 2012, our annual revenue increased from $45.2 million to $77.4 million, representing a compound annual growth rate 30.9%.

Our change in comparable sales for both concepts has outperformed the KNAPP-TRACK index of casual dining restaurants since we began reporting comparable restaurant sales in 2011. For the fiscal year 2012, comparable restaurant sales increased 7.6% over the same period from the prior year compared to the KNAPP-TRACK average of 1.5% over the same period. We believe that the broad appeal of both brands, our historical unit economics, and adaptable real estate requirements enhance the portability of our concepts and provide us ample opportunity for continued expansion.



Bagger Dave's

Bagger Dave's is a full-service, family-friendly, ultra-casual restaurant and bar with a comfortable, local "corner tavern" atmosphere. The first Bagger Dave's opened in 2008 in Michigan. As of the date of this prospectus, we have 11 corporate-owned Bagger Dave's locations in Michigan and Indiana and one franchised location in Missouri.

Bagger Dave's is more than just a "better burger" concept. Better burger concepts typically have a fast-casual service model, a limited menu, and either no bar, or only offer beer and wine. Bagger Dave's has a highly customizable menu with a variety of proteins, including beef, turkey, tuna, and egg, as well as full table service and a complete bar. Our menu features freshly-made, never frozen burgers that are made to order from a selection of four types of buns, six types of cheese, seven sauces, and more than 30 toppings, for a uniquely customizable burger offering. We offer a variety of sandwiches, salads, sides, fresh-cut fries, and hand-dipped milkshakes. In addition, we offer a selection of local craft beers, wine, and craft sodas, augmented by a full bar. Our culinary and beverage teams continuously strive to develop new recipes, sauces, and offerings to ensure that all menu items feature both distinctive twists on classic burger combinations and exclusive offerings. Our signature dishes include Sloppy Dave's BBQ®, Train Wreck Burger®, and Bagger Dave's Amazingly Delicious Turkey Black Bean Chili®. We believe our menu offerings, generous portions of high-quality, fresh, and flavorful food, combined with our ambiance and friendly, attentive service offers guests an attractive price-value proposition and drive brand loyalty.

The focused menu and full bar helps to generate significant traffic in four day parts. Bagger Dave's lunch, happy hour, dinner, and late night represented 29.7%, 26.0%, 40.9%, and 3.4% of revenue, respectively, for the fiscal year 2012. We use the same menu at lunch and dinner and entrees range in price from $4.19 to $7.99, while appetizers and entrée salads range from $3.99 to $6.19. Bagger Dave's also offers a kid's menu at $4.99. Alcohol was 14.2% of sales for fiscal year 2012. Our average annual revenue per comparable restaurant was $1.3 million during the same period. Our goal is to increase the average annual revenue to $1.6 million per comparable restaurant as we open new restaurants over time.

Bagger Dave's are typically located in high-traffic, high-visibility locations, such as retail centers, big-box shopping centers, and entertainment centers. Each Bagger Dave's strives to have a cozy, comfortable, local "corner tavern" feel, including a selection of local or regional craft beer on draft and an electric train that runs above the dining room and bar areas. In the design of our restaurants, we include local themes and history by showcasing historical photos unique to that town or location as part of the decor.

Buffalo Wild Wings

Buffalo Wild Wings, Inc. ("BWLD") was founded in 1982, began franchising in 1991, and is a public company (NASDAQ: BWLD) with 891 locations as of December 30, 2012, of which 510 are franchised. Our founder, T. Michael Ansley, who is also our President, Chief Executive Officer, and Chairman of the Board of Directors, became a BWW franchisee in 1996, and we are currently one of the largest BWW franchisees in the U.S. and Canada. As of the date of this prospectus, we operate 33 DRH-owned BWW restaurants in Florida, Illinois, Indiana, and Michigan. We have built our DRH-owned BWW restaurant portfolio through the organic build-out of our 32-restaurant area development agreement as well as through a targeted acquisition strategy. We completed a nine-restaurant acquisition from affiliated parties in February 2010 and an eight-restaurant acquisition from third parties in September 2012. On December 23, 2012, we opened the nation's largest BWW restaurant, based on square footage, in Detroit, Michigan.

BWW restaurants strive to create a welcoming neighborhood atmosphere that includes an extensive multi-media system, a full bar, and an open layout, which we believe appeals to sports fans and families alike. We believe BWW restaurants are differentiated by the social environment they create and the connection that is made with team members, guests, and the local community. Guests have the option of watching sporting events or other popular programs on projection screens and an average of 50 additional televisions, competing in Buzztime Trivia, or playing video games. The DRH-owned BWW restaurant in Detroit, Michigan has over 96 televisions for the entertainment of our guests. The open layout of the restaurants offers dining and bar areas that provide distinct seating choices for sports fans and families. We believe our flexible restaurants allow our guests to customize their BWW experience to meet their time demands and service preferences, whether they are seeking a workday lunch, a dine-in dinner, a take-out meal, an afternoon or evening enjoying a sporting event, or a late-night craving.

We believe BWW restaurants have widespread appeal. BWW restaurants have won dozens of "Best Wings" and "Best Sports Bar" awards across the country. The BWW made-to-order menu items are enhanced by the bold flavor profile of 16 signature sauces and five signature seasonings, ranging from Sweet BBQ™ to Blazin'®. BWW restaurants offer 12 to 24 domestic and imported beers on tap, including craft brews and a wide selection of bottled beer, wine, and liquor. The award-winning food and memorable experience drives guest visits and loyalty.

Mr. Ansley has been the recipient of numerous awards for restaurant performance within the BWW system. He won the BWW award for Highest Annual Restaurant Sales in 2004, 2005, and 2006, and he was awarded Franchisee of the Year by the International Franchise Association in September 2007. In addition to his reputation as an operator, we believe Mr. Ansley and DRH are innovators in the BWW system. We were one of the first franchisees in the BWW system to offer full-service dining, which is ubiquitous throughout the system today.

DRH-owned BWW restaurants have the same lunch and dinner menus and also offer lunch specials and a kid's menu. Entrees range in price from $6.19 to $13.59, and appetizers and salads range in price from $3.99 to $12.99. Lunch and dinner represented 20.6% and 38.7% of revenue, respectively, for fiscal year 2012. Happy hour and late night represented 27.7% and 13.0% of sales, respectively, while alcohol was approximately 21.1% of sales during the same period. Our average annual revenue per comparable restaurant was $2.7 million during the same period.

Our Business Strengths

Multi-Brand Company with Complementary Infrastructure

We believe we have two well-developed affordable, neighborhood brands that are highly complementary and can be located in common markets, which includes high density residential areas, shopping malls, lifestyle centers, and other high-traffic locations. Our brands are designed to have broad guest appeal at a similar price point, and attract customers to the local corner-tavern or a sports entertainment destination. We believe each brand features unique design elements and atmosphere that attract a diverse guest base as well as common guests who visit both Bagger Dave's and DRH-owned BWW for different dining experiences in crossover markets. We believe the differentiated qualities of our brands allow us to operate in significantly more locations than would be possible with one brand.

We have established our restaurants primarily within the Midwest, but in widely-dispersed urban, suburban, and more rural markets that provide sufficient geographic diversity to help offset varying economic cycles within these areas. We have restaurants in Michigan that range from Grand Rapids to Detroit and as far north as Marquette. We also have restaurants in other markets with different economic drivers including Florida, Illinois, Indiana, and Missouri.

Together with our founder, T. Michael Ansley, we have a 17-year history of operating restaurants. We have spent significant time and capital to build an infrastructure to support the continued growth of our brands. We believe the systems and operations we built to support our DRH-owned BWW restaurants provide Bagger Dave's a more sophisticated back office than a brand of its size and stage of development would typically be able to access. We have developed consistent and repeatable processes governing many aspects of our restaurant operations and strive to share best practices in service, preparation, and food quality across both brands. In addition, we share services such as real estate development, purchasing, human resources, marketing and advertising, information technology, operations, training, construction, and finance and accounting, allowing us to maximize efficiencies across our Company as we continue our growth.

Flexible Business Model with Compelling Unit Economics and Strong Return on Investment

We believe our comparable restaurants achieve top-tier financial performance relative to our peers. Our average annual revenue per comparable restaurant was an attractive $1.3 million at our Bagger Dave's restaurants and $2.7 million at our DRH-owned BWW restaurants measured for the 12 months ended December 30, 2012. We have generated strong historical restaurant-level EBITDA margins at our comparable restaurants. You should read this information in conjunction with the information in the sections of this prospectus entitled "Summary of Historical Consolidated Financial and Operating Data," specifically the "Other Financial Data" section.

We have a proven track record of profitably opening restaurants in a number of diverse commercial real estate locations including freestanding, in-line and end-cap formats. In addition, we believe the flexibility of our restaurant design is a competitive advantage that allows us to open new restaurants in attractive markets without being limited to a standard floor plan.

We have a disciplined site identification process. Based on demographics, co-tenants, and net investment requirements, we can choose between our two brands to determine which is optimal, in our opinion, for a location.

Under our current investment model, the amount of total cash investment varies based upon whether we build-out an existing leased space or newly construct the building. Excluding any investment in land and building, we expect that the build out of a new Bagger Dave's restaurant will, on average, require a total cash investment (including pre-opening expenses) of approximately $950,000 to $1.2 million. Similarly, we expect that the build out of a new DRH-owned BWW restaurant will require an estimated cash investment (including pre-opening expenses) of $1.3 million to $1.6 million. We target a return on investment (excluding real estate) of four years for both concepts. The expected return is impacted by the initial construction cost, amount of tenant improvement allowance we negotiate with the landlord, and how quickly we reach our target sales volume.

Broad Appeal with Attractive Guest Base

We strive to provide our guests with an inviting, neighborhood atmosphere at both Bagger Dave's and DRH-owned BWW restaurants during lunch, dinner, happy hour, and late night, which we believe attracts guests from not only the casual dining segment, but also from the fast-casual, quick-service, and fine dining segments. We believe our guest-centric culture is one of our most valuable assets and we are committed to preserving and continually investing in our culture and restaurant experience to ensure a positive guest experience with every visit. We seek to locate our restaurants in high-traffic locations to attract primarily local patrons with limited reliance on business travelers. We believe our guest-centric culture, combined with our fast-casual pricing and our sponsorship of local community events such as charities and fundraisers, has cultivated a loyal guest base with a high level of repeat business, which we believe provides a foundation for the long-term sustainability of our concepts.

Superior Dining Experience and Value Proposition

We are committed to providing value to our guests through offering generous portions of flavorful, innovative food, using fresh, high quality ingredients. We believe our menu offers a considerable value proposition to our guests, with none of the items at Bagger Dave's priced over $8.00 and only four items at DRH-owned BWW priced over $10.00. We believe our restaurants appeal to a broad spectrum of guests and will continue to benefit from trends in consumer preferences. These trends include the consumer craving for bold, unique flavor choices, gluten-free options, and a high degree of customization in their orders, like that offered by our current menus, particularly at Bagger Dave's. We believe we are also an attractive venue for families and other large parties, and consider many of our restaurants, particularly those in more rural areas, to be destination locations, drawing guests from greater distances.

Management Team with Proven Track Record

We believe we have assembled a tested and proven management team with significant experience. Our management team is led by our President, CEO, and Chairman of the Board, T. Michael Ansley, who founded DRH in 2006. A restaurant operator since 1996, Mr. Ansley opened the Company's first DRH-owned BWW franchise in 1999, has garnered numerous nationwide franchisee awards, and we believe he is regarded as a thought leader in the brand. Our senior management team, including regional managers, who we refer to as regional managing partners, have an average of approximately 14.8 years of restaurant industry expertise. Our 44 general managers, who we refer to as managing partners, as of the date of this prospectus, have an average tenure at DRH of more than four years. Our Board also has significant retail, restaurant, and public company experience with companies such as Salsarita's Fresh Cantina, Marriott, McAlister's Deli, Herman Miller, Spartan Motors, Beacon Roofing Supply, and Federal-Mogul Corporation.

Our Growth Strategy

Pursue Disciplined New Restaurant Growth

We believe there are significant opportunities to grow our brands in existing and new markets throughout the Midwest where we believe we can generate attractive unit level economics and returns. We have an established growth pipeline and a disciplined strategy for opening new restaurants that includes aggressive new unit development for Bagger Dave's and the fulfillment of our current area development agreement with BWLD by opening an additional 14 restaurants in our current markets. We believe our greatest growth opportunity is in the geographic expansion of the Bagger Dave's concept. Our priority will be to open corporate-owned locations in Midwest markets where we can leverage our existing DRH-owned BWW infrastructure. We opened eight corporate-owned Bagger Dave's and DRH-owned BWW restaurants and a franchisee opened one franchised Bagger Dave's restaurant in 2012. We also acquired eight existing BWW restaurants in 2012 from a third party. Between both concepts, we plan to open at least an additional 10 restaurants by the end of 2013. Over the next five years, our current target is to open 35 to 45 new corporate-owned Bagger Dave's restaurants and 14 new DRH-owned BWW restaurants.

Deliver Consistent Comparable Restaurant Sales Growth Through Providing High-Quality Food and Service

We believe our concepts achieve strong sales and guest count growth with comparable restaurant sales increasing by 7.2%, 6.2%, 7.2%, and 9.2% for each of the four quarters of fiscal 2012 as compared to the respective prior year periods and 7.6% for fiscal year 2012 as compared to fiscal year 2011. We believe we will be able to continue to generate comparable restaurant sales growth by consistently providing an attractive price/value proposition for our guests driven by an innovative menu of freshly-prepared, high-quality food in an upbeat atmosphere. Though we anticipate the core menu of Bagger Dave's will remain unchanged, we will continue to explore potential additions, such as the introduction of our own macaroni and cheese recipe in late February 2013, as well as limited time food and drink offerings. Additionally, we will continue to promote our brand and drive traffic through local marketing efforts, community events, social media, and charity events.

Guest service is a priority for us, and we plan to continue investing significantly in the ongoing training of our employees, which we refer to in this prospectus as team members, to maintain our guest-centric culture. We strive to delight guests by focusing on seven essential business drivers: people, quality, hospitality, speed, accuracy, cleanliness, and value. We plan to continue investing in team member retention and training to enhance guest experience and to develop management from within to ensure operational and service consistency. Our mission, posted throughout every restaurant, is to "delight guests." This mission is taught and engrained in every team member, from servers to cooks. We work hard to ensure that every team member who joins the Company gets a thorough understanding of who we are, why we are here, and what we are trying to do, and that is to delight our guests.

We believe that the atmosphere and visual appeal of a restaurant's interior is a critical part of the guest experience and that cleanliness and a "fresh" appearance are important to growing sales. We expect to selectively remodel and refresh existing units in a methodical, consistent approach to maintain our high standards in these areas.

Leverage our Infrastructure to Enhance our Profitability

As part of our new restaurant development plan, we have invested in our infrastructure, including both corporate and restaurant-level supervisory personnel. We believe these investments will minimize the need for significant additional investments to support our growth plan for the foreseeable future. As a result, as our restaurant base grows, we expect our general and administrative costs to increase at a slower growth rate than our revenue. We intend to continue to aggressively protect our margins using economies of scale, including marketing and purchasing synergies between our brands, and leveraging our corporate infrastructure as we continue to open new restaurants.

Our Principal Stockholders

T. Michael Ansley, our President, CEO, Chairman and founder, is currently the beneficial owner of approximately 69.8% of our outstanding common stock. Upon completion of this offering, Mr. Ansley, is expected to be the beneficial owner of approximately 55.3% of our outstanding common stock, or 53.7% if the underwriters' overallotment option is fully exercised. Mr. Ansley's beneficial ownership includes 11,113,600 shares owned directly, 9,000 shares owned indirectly as custodian for his children's UGMA accounts, options exercisable within 60 days of March 27, 2013 to purchase 50,000 shares, 37,500 shares of restricted stock and 2,104,000 shares over which he has sole voting power but does not have record ownership. In order to consolidate voting authority among family members and for voting expediency, Thomas Ansley and Mark Ansley, father and brother of T. Michael Ansley, respectively, entered into an Amended and Restated Voting Agreement granting T. Michael Ansley proxy authority to vote their shares, in his sole discretion. As a result, T. Michael Ansley will be able to exert significant voting influence over fundamental and significant corporate matters and transactions.

For more information, please see the section of this prospectus entitled “Risk Factors,” specifically “Our Current Principal Stockholder Owns a Large Percentage of Our Voting Stock, Which Allows Him to Control Substantially All Matters Requiring Stockholder Approval” and the section entitled “Description of Capital Stock – Voting Agreement.”

Risk Factors

Before you invest in our stock, you should carefully consider all of the information in this prospectus, including matters set forth in the section of this prospectus entitled “Risk Factors.” Risks relating to our business include, among others factors described in the “Risk Factors” section of this prospectus, our ability to continue to build upon the success of our existing restaurants and to successfully develop new restaurants and expand our operations.

Recent Developments

2012 Buffalo Wild Wings Restaurant Acquisition

On September 25, 2012, we completed the acquisition of substantially all of the assets of Crown Wings, Inc., Brewsters, Inc., Valpo Wings, Inc., Buffaloville Wings, Inc., and Hammond Wings, Inc., each an Indiana corporation, and Homewood Wings, Inc., Cal City Wings, Inc., Lansing Wings, Inc., and Lincoln Park Wings, Inc., each an Illinois corporation (collectively, the “Indiana and Illinois Entities”). The acquired assets consist primarily of four BWW franchised restaurants operating in Indiana and another four operating in Illinois, along with the right to develop a fifth BWW restaurant in Indiana.

This acquisition expanded the scope of our operations, added a number of new markets to our existing footprint and, we believe, strategically positions us for future expansion throughout the Midwest. Our near-term focus will be to integrate the acquired restaurants and capitalize on the anticipated opportunities to improve their operating and financial performance. Longer term, we plan to leverage this acquisition by expanding our Bagger Dave’s concept within the same geographic areas. We commenced this effort by opening our first Bagger Dave’s restaurant in Indianapolis, Indiana in December 2012.

September 2012 Credit Facility

On September 25, 2012, we entered into a new senior secured credit facility with RBS Citizens, N.A. (“RBS”), which consists of a $37.0 million term loan, a $10.0 million development line of credit, and a $1.0 million revolving line of credit (the “September 2012 Credit Facility”). The term loan is for a term of five years. Payments of principal are based upon an 84-month straight-line amortization schedule, and the interest rate is LIBOR plus an applicable margin, which ranges from 2.5% to 3.7% depending on the lease adjusted leverage ratio defined in the terms of the loan agreement.

We immediately used approximately $15.2 million of the September 2012 Credit Facility to refinance existing outstanding debt with RBS and used approximately $3.3 million of the September 2012 Credit Facility to refinance and term out the outstanding balance of our existing development line of credit loan with RBS. Additionally, on September 25, 2012, we used approximately $14.7 million of the September 2012 Credit Facility to complete the acquisition of the Indiana and Illinois Entities and we used approximately $2.5 million of the September 2012 Credit Facility to purchase 100.0% of the membership interests in the Ansley Group. We used the remaining balance of the September 2012 Credit Facility, approximately $1.3 million, to pay the fees and expenses associated with the above acquisitions and the September 2012 Credit Facility.

Acquisition of Clinton Township Property

On September 25, 2012, we also acquired 100.0% of the membership interests in the Ansley Group LLC, a Michigan limited liability company and the owner of a parcel of real estate located at 15745 15 Mile Road, Clinton Township, Michigan 48035, which is the location of our Clinton Township DRH-owned BWW restaurant. As a result of this acquisition, we acquired complete ownership of the underlying real estate for our Clinton Township DRH-owned BWW restaurant. The Ansley Group was owned by T. Michael Ansley and Thomas D. Ansley. T. Michael Ansley is the President, CEO, and Chairman of the Board, as well as a principal stockholder of DRH, and Thomas D. Ansley is his father and a principal stockholder of DRH. The disinterested members of the Board concluded that the acquisition of the Ansley Group was completed on terms at least as favorable to the Company as could have been obtained through an arm’s-length transaction.

Company Information

Our headquarters are located at 27680 Franklin Road, Southfield, Michigan 48034. Our telephone number is (248) 223-9160. DRH can also be found on the internet at www.diversifiedrestaurantholdings.com and www.baggerdaves.com . Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

THE OFFERING

Shares of common stock offered by us	5,000,000 shares (excluding the overallotment option).
Overallotment option	We have granted the underwriters an option for a period of 45 days to purchase up to 750,000 additional shares of our common stock to cover overallotments.
Ownership after offering	Upon completion of this offering, our executive officers, directors and affiliated entities will own approximately 61.5% of our outstanding common stock, or 59.7% if the underwriters exercise their overallotment option in full, and as a result will have significant control over our affairs.
Common stock to be outstanding after this offering	24,019,525 shares, 24,769,525 shares if the underwriters exercise their overallotment option in full.
Use of proceeds	We estimate that we will receive net proceeds from the sale of shares of our common stock in this offering of $24,218,750, assuming an initial offering price of $5.25 per share, which is the midpoint of the range set forth on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering for new restaurant development, to repay up to $10 million of our outstanding senior debt and for general corporate purposes. See "Use of Proceeds."
Dividend policy	We currently expect to retain all available funds and future earnings, if any, for reinvestment in the growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board and will depend on our financial condition, operating results, capital requirements, and such other factors as our Board deems relevant. In addition, our September 2012 Credit Facility restricts our ability to pay dividends. See "Description of Indebtedness."
Proposed NASDAQ Capital Market symbol	"BAGR". We have applied to have our shares of common stock approved for listing on the NASDAQ Capital Market under the symbol "BAGR". Our common stock is currently traded on the OTCQB under the symbol "DFRH."
Risk factors	Investment in our common stock involves substantial risks. You should read this prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and the related notes to those statements included elsewhere in this prospectus before investing in our common stock.

The number of shares of our common stock to be outstanding after this offering is based on 19,019,525 shares of common stock outstanding as of March 27, 2013 and excludes 354,000 shares of our common stock issuable upon exercise of outstanding options at a weighted average exercise price of $2.50 per share. See "Compensation of Executive Officers and Directors." Unless otherwise noted, all information in this prospectus assumes that the underwriters do not exercise their overallotment option.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table sets forth, for the periods and dates indicated, our summary historical financial and operating data. We have derived the balance sheet and statement of operations data as of and for the fiscal years ended December 30, 2012 and December 25, 2011 from our audited consolidated financial statements, appearing elsewhere in this prospectus, and December 26, 2010 from our audited consolidated financial statements not included in this prospectus. We have derived the pro forma statement of operations data for the year ended December 30, 2012 from the unaudited pro forma condensed combined financial statements appearing elsewhere in this prospectus. Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year's presentation. You should read this information in conjunction with the information in the sections of this prospectus entitled "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes to those statements included elsewhere in this prospectus.

Consolidated Statements of Operations Data:

	Twelve Months Ended			
	December 30 2012 (Pro Forma)	December 30 2012	December 25 2011	December 26 2010
Revenue				
Food and beverage sales	$ 90,473,827	$ 77,435,684	$ 60,657,475	$ 45,248,018
Franchise royalties and fees	11,524	11,524	50,000	-
Total revenue	**90,485,351**	**77,447,208**	**60,707,475**	**45,248,018**
Operating expenses				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Food, beverage, and packaging	28,856,346	24,117,399	17,486,880	13,340,619
Compensation costs	22,654,777	19,448,210	15,226,145	11,575,154
Occupancy	5,293,805	4,289,966	3,291,339	2,817,933
General and administrative and other restaurant operating costs	25,060,179	21,594,079	16,877,793	12,542,636
Pre-opening costs	1,792,168	1,792,168	714,330	654,764
Depreciation and amortization	5,589,928	4,587,310	3,479,360	2,689,584
Loss on disposal of property and equipment	36,833	36,833	31,465	20,965
Total operating expenses	**89,284,036**	**75,865,965**	**57,107,312**	**43,641,655**
Operating profit	**1,201,315**	**1,581,243**	**3,600,163**	**1,606,363**
Change in fair value of derivative instruments	(43,361)	(43,361)	(246,818)	(367,181)
Interest expense	(1,545,777)	(1,282,991)	(1,137,725)	(1,322,502)
Other income (expense), net	(40,147)	20,081	366,497	74,456
Income (loss) before income taxes	**(427,970)**	**274,972**	**2,582,117**	**(8,864)**
Income tax provision (benefit)	(274,314)	(167)	586,086	(125,826)
Net income (loss)	**(153,656)**	**275,139**	**1,996,031**	**116,962**
Less: (Income) loss attributable to noncontrolling interest	(95,040)	(95,040)	(153,845)	50,892
Net (loss) income attributable to DRH	**$ (248,696)**	**$ 180,099**	**$ 1,842,186**	**$ 167,854**
Basic (loss) earnings per share	$ (0.01)	$ 0.01	$ 0.10	$ 0.01
Fully diluted (loss) earnings per share	$ (0.01)	$ 0.01	$ 0.10	$ 0.01
Weighted average number of common shares outstanding				
Basic	18,949,556	18,949,556	18,902,782	18,871,879
Diluted	19,091,849	19,091,849	19,055,500	19,052,969

Consolidated Balance Sheet (at end of period):

ASSETS	December 30 2012	December 25 2011	December 26 2010
Cash and cash equivalents	$ 2,700,328	$ 1,537,497	$ 1,358,381
Working capital (deficit)	(8,729,007)	(3,873,042)	(2,601,764)
Total assets	56,544,738	27,350,399	22,354,392
Total debt	44,647,285	19,808,490	17,883,869
Commonn stock	1,888	1,888	1,888
Total DRH stockholders' equity (deficit)	1,503,904	1,519,134	(462,825)
Total stockholders' equity (deficit)	1,503,904	1,904,619	(124,185)

Other Financial Data:

	December 30, 2012	December 25, 2011	December 26, 2 010
Adjusted EBITDA	**$ 8,511,054**	**$ 7,825,318**	**$ 4,971,676**
Adjusted EBITDA margin %	11.0%	12.9%	11.0%
General and administrative	$ 6,472,408	$ 5,023,212	$ 3,463,831
Restaurant-Level EBITDA [(1)]	**$ 14,983,462**	**$ 12,848,530**	**$ 8,435,507**
Restaurant-Level EBITDA margin %	19.3%	21.2%	18.6%

(1) Restaurant-Level EBITDA represents net income plus the sum of non-restaurant specific general and administrative expenses, restaurant pre-opening costs, loss on property and equipment disposals, the change in fair value of derivative instruments, depreciation and amortization, other income and expenses, interest, taxes, and non-recurring acquisition related expenses in the fourth quarter of 2012. Adjusted EBITDA represents net income plus the sum of restaurant pre-opening costs, loss on property and equipment disposals, the change in fair value of derivative instruments, depreciation and amortization, other income and expenses, interest, taxes, and non-recurring acquisition related expenses in the fourth quarter of 2012.

We are presenting Restaurant-Level EBITDA and Adjusted EBITDA, which are not prepared in accordance with GAAP, because we believe that they provide an additional metric by which to evaluate our operations and, when considered together with our GAAP results and the reconciliation to our net income, we believe they provide a more complete understanding of our business than could be obtained absent this disclosure. We use Restaurant-Level EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as revenue, income from operations, net income and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. Restaurant-Level EBITDA and Adjusted EBITDA are presented because: (i) we believe they are useful measures for investors to assess the operating performance of our business without the effect of noncash depreciation and amortization expenses; (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness; and (iii) we use Restaurant-Level EBITDA and Adjusted EBITDA internally as benchmarks to evaluate our operating performance or compare our performance to that of our competitors.

Additionally, we present Restaurant-Level EBITDA because it excludes the impact of general and administrative expenses, which are not incurred at the restaurant level, and restaurant pre-opening costs, which are non-recurring at the restaurant level. The use of Restaurant-Level EBITDA thereby enables us and our investors to compare our operating performance between periods and to compare our operating performance to the performance of our competitors. The measure is also widely used within the restaurant industry to evaluate restaurant level productivity, efficiency and performance. The use of Restaurant-Level EBITDA and Adjusted EBITDA as performance measures permits a comparative assessment of our operating performance relative to our performance based on our GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. Companies within our industry exhibit significant variations with respect to capital structures and cost of capital (which affect interest expense and tax rates) and differences in book depreciation of facilities and equipment (which affect relative depreciation expense), including significant differences in the depreciable lives of similar assets among various companies. Our management believes that Restaurant-Level EBITDA and Adjusted EBITDA facilitate company-to-company comparisons within our industry by eliminating some of the foregoing variations.

Restaurant-Level EBITDA and Adjusted EBITDA are not determined in accordance with GAAP and should not be considered in isolation or as an alternative to net income, income from operations, net cash provided by operating, investing or financing activities or other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with GAAP. Neither Restaurant-Level EBITDA nor Adjusted EBITDA should be considered as a measure of discretionary cash available to us to invest in the growth of our business. Restaurant-Level EBITDA and Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies and our presentation of Restaurant-Level EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual items.

Our management recognizes that Restaurant-Level EBITDA and Adjusted EBITDA have limitations as analytical financial measures, including the following

- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect our current capital expenditures or future requirements for capital expenditures;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, associated with our indebtedness;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, nor do Restaurant-Level EBITDA and Adjusted EBITDA reflect any cash requirements for such replacements;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect disposals or other non-recurring income and expenses;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect changes in fair value of derivative instruments;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect restaurant pre-opening costs; and
- Restaurant-Level EBITDA does not reflect general and administrative expenses.

Adjusted EBITDA margin and Restaurant-Level EBITDA margin is defined as the ratio of Adjusted EBITDA and Restaurant-Level EBITDA to revenue. We present Adjusted EBITDA margin and Restaurant-Level EBITDA margin because it is used by management as a performance measurement to judge the level of Adjusted EBITDA and Restaurant-Level EBITDA generated from revenue and we believe its inclusion is appropriate to provide additional information to investors.

A reconciliation of EBITDA, Adjusted EBITDA, and Restaurant-Level EBITDA to our net income is provided below:

	December 30, 2012	December 25, 2011	December 26, 2010
Net income	**$ 275,139**	**$ 1,996,031**	**$ 116,962**
Income tax provision (benefit)	(167)	586,086	(125,826)
Change in fair value of derivative instruments	43,361	246,818	367,181
Interest expense	1,282,991	1,137,725	1,322,502
Other income (expense), net	(20,081)	(366,497)	(74,456)
Loss on disposal of property and equipment	36,833	31,465	20,965
Depreciation and amortization	4,587,310	3,479,360	2,689,584
EBITDA	**$ 6,205,386**	**$ 7,110,988**	**$ 4,316,912**
Pre-opening	1,792,168	714,330	654,764
Non recurring expense	513,500	-	-
Adjusted EBITDA	**$ 8,511,054**	**$ 7,825,318**	**$ 4,971,676**
Adjusted EBITDA margin %	11.0%	12.9%	11.0%
General and administrative	6,472,408	5,023,212	3,463,831
Restaurant-Level EBITDA	**$ 14,983,462**	**$ 12,848,530**	**$ 8,435,507**
Restaurant-Level EBITDA margin %	19.3%	21.2%	18.6%

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and the other information contained in this prospectus before you decide to invest in our common stock. If any of the following risks actually occur, our business, financial condition, and operating results could be adversely affected. As a result, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business and Industry

Our Financial Results Depend Significantly Upon the Success of Our Existing and New Restaurants

Future growth in our revenue and profits will depend on our ability to maintain or grow sales and efficiently manage costs in our existing and new restaurants. As of the date of this prospectus, we have 11 corporate-owned and one franchised Bagger Dave's locations and 33 DRH-owned BWW restaurants. The results achieved by our current restaurants may not be indicative of longer-term performance or the potential market acceptance of our restaurant concepts in other locations. Additionally, the success of one restaurant concept may not be indicative or predictive of the success of the other.

The success of our restaurants depends principally upon generating and maintaining guest traffic and loyalty and achieving positive margins. Significant factors that might adversely affect guest traffic and loyalty and profit margins include:

- economic conditions, including housing market downturns, rising unemployment rates, lower disposable income, credit conditions, fuel prices and consumer confidence and other events or factors that adversely affect consumer spending in the markets we serve;
- competition in the restaurant industry, particularly in the casual and fast-casual dining segments;
- changes in consumer preferences;
- our guests' failure to accept menu price increases that we may make to offset increases in certain operating costs;
- our reputation and consumer perception of our concepts' offerings in terms of quality, price, value, ambience and service; and
- our guests' actual experiences from dining in our restaurants.

Our restaurants are also susceptible to increases in certain key operating expenses that are either wholly or partially beyond our control, including:

- food and other raw materials costs, many of which we cannot effectively hedge;
- compensation costs, including wage, workers' compensation, health care and other benefits expenses;
- rent expenses and construction, remodeling, maintenance and other costs under leases for our new and existing restaurants;
- compliance costs as a result of changes in regulatory or industry standards;
- energy, water and other utility costs;
- costs for insurance (including health, liability and workers' compensation);
- information technology and other logistical costs; and
- expenses due to litigation against us.

We May Not Be Able to Manage Our Growth

Our expansion strategy will depend upon our ability to open and operate additional restaurants profitably. The opening of new restaurants will depend on a number of factors, many of which are beyond our control. These factors include, among others, the availability of management, restaurant staff, and other personnel, the cost and availability of suitable restaurant locations, cost-effective and timely planning, design and build out of restaurants, acceptable leasing terms, acceptable financing, and securing required governmental permits. Although we have formulated our business plans and expansion strategies based on certain estimates and assumptions we believe are reasonable, we anticipate that we will be subject to changing conditions that will cause certain of these estimates and assumptions to be incorrect. For example, our restaurants may not open at the planned time due to factors beyond our control, including, among other factors, site selection, BWLD's approval with respect to new BWW openings, negotiations with landlords, and construction or permitting delays.

We expect that the Bagger Dave's concept will be primarily responsible for future growth. As a result, the past success of the BWW concept may not be indicative of our future performance as a whole.

We May Not Be Successful When Entering New Markets

When expanding the BWW and our Bagger Dave's concepts, we will enter new markets in which we may have limited or no operating experience. There can be no assurance that we will be able to achieve success and/or profitability in our new markets or in our new restaurants. The success of these new restaurants will be affected by the different competitive conditions, consumer tastes, and discretionary spending patterns within the new markets, as well as by our ability to generate market awareness of the Bagger Dave's and BWW brands. New restaurants typically require several months of operation before achieving normal levels of profitability. When we enter highly competitive new markets or territories in which we have not yet established a market presence, the realization of our revenue targets and desired profit margins may be more susceptible to volatility and/or more prolonged than anticipated.

Competition in the Restaurant Industry May Affect Our Ability to Compete Effectively

The restaurant industry is intensely competitive. We believe we compete primarily with regional and local sports bars, burger establishments, casual dining concepts, and fast-casual establishments. Competition from "better burger" establishments has recently been particularly intense. Many of our direct and indirect competitors are well-established national, regional, or local chains with a greater market presence than us. Further, some competitors have substantially greater financial, marketing, and other resources than us. In addition, independent owners of local or regional establishments may enter the wing-based or burger-based restaurant businesses without significant barriers to entry and such establishments may provide price competition for our restaurants. Competition in the casual dining, fast-casual, and quick-service segments of the restaurant industry is expected to remain intense with respect to price, service, location, concept, and the type and quality of food. We also face intense competition for real estate sites, qualified management personnel, and hourly restaurant staff.

New Restaurants Added to Our Existing Markets May Take Sales From Existing Restaurants

New restaurants added to our existing markets, whether by us or others, may take sales away from our existing restaurants. Because we intend to open restaurants in our existing markets, and others may intend the same, this may impact revenue earned by our existing restaurants.

Higher-Than-Anticipated Costs Associated With the Opening of New Restaurants or With the Closing, Relocating, or Remodeling of Existing Restaurants May Adversely Affect Our Results of Operations

Our revenue and expenses may be significantly impacted by the location, number, and timing of the opening of new restaurants and the closing, relocating, and remodeling of existing restaurants. We incur substantial pre-opening expenses each time we open a new restaurant and will incur other expenses if we close, relocate or remodel existing restaurants. These expenses are generally higher when we open restaurants in new markets, but the costs of opening, closing, relocating, or remodeling any of our restaurants may be higher than anticipated. An increase in such expenses could have an adverse effect on our results of operations.

Future Acquisitions May Have Unanticipated Consequences That Could Harm Our Business and Our Financial Condition

We may seek to selectively acquire existing BWW restaurants. To do so, we would need to identify suitable acquisition candidates, negotiate acceptable acquisition terms, and obtain appropriate financing as needed. Any acquisitions we pursue, whether successfully completed or not, may involve risks, including:

- material adverse effects on our operating results, particularly in the fiscal quarters immediately following the acquisition as the acquired restaurants are integrated into our operations;
- customary closing and indemnification risks associated with any acquisition;
- funds used pursuing acquisitions we are ultimately unable to consummate because the transaction is subject to a right of first refusal in favor of our franchisor, BWLD; and
- diversion of management's attention from other business concerns.

Future acquisitions of existing restaurants, which may be accomplished through a cash purchase transaction, the issuance of our equity securities, or a combination of both, could result in potentially dilutive issuances of our equity securities, the incurrence of debt and contingent liabilities, and impairment charges related to intangible assets, any of which could harm our business and financial condition.

We May Suffer Negative Consequences if New Restaurants Do Not Open in a Timely Manner

If we are unable to successfully open new restaurants in a timely manner, our revenue growth rate and profits may be adversely affected. We must open restaurants in a timely and profitable manner to successfully expand our business. In the past we have experienced delays in restaurant openings and we may face similar delays in the future. These delays may trigger material financial penalties assessed against us by BWLD as provided in our area development agreement. These delays may also not meet market expectations, which may negatively affect our stock price. Our ability to expand successfully and in a timely manner will depend on a number of factors, many of which are beyond our control. A few of the factors are listed below:

- Locating and securing quality locations in new and existing markets;
- Negotiating acceptable leases or purchase agreements;
- Securing acceptable financing for new locations;
- Cost-effective and timely planning, design, and build-out of restaurants;
- Attracting, recruiting, training, and retaining qualified team members;
- Hiring reputable and satisfactory construction contractors;
- Competition in new and existing markets;
- Obtaining and maintaining required local, state, and federal government approvals and permits related to the construction of sites and the sale of food and alcoholic beverages;
- Creating brand awareness in new markets; and
- General economic conditions.

The Loss of Key Executives Could Affect Our Performance

Our success depends substantially on the contributions and abilities of key executives and other team members. The loss of any of our executive officers could jeopardize our ability to meet our financial targets. In particular, we are highly dependent upon the services of T. Michael Ansley, David G. Burke, and Jason T. Curtis. We do not have employment agreements with such individuals or any of our other team members. Our inability to retain the full-time services of any of these people or to attract other qualified executives could have an adverse effect on us, and there would likely be a difficult transition period in finding suitable replacements for any of them.

We May Not Be Able to Attract and Retain Qualified Team Members to Operate and Manage Our Restaurants

The success of our restaurants depends on our ability to attract, motivate, develop, and retain a sufficient number of qualified restaurant team members, including managers and hourly team members. The inability to recruit, develop, and retain these individuals may delay the planned openings of new restaurants or result in high team member turnover in existing restaurants, thus increasing the cost to efficiently operate our restaurants. This could inhibit our expansion strategy and business performance and negatively impact our operating results.

Fluctuations in the Cost of Food Could Impact Operating Results

Our primary food products are fresh bone-in chicken wings, ground beef, and potatoes. Our food, beverage, and packaging costs could be significantly affected by increases in the cost of fresh chicken wings and ground beef, which can result from a number of factors, including but not limited to, seasonality, cost of corn and grain, animal disease, drought and other weather phenomena, increase in demand domestically and internationally, and other factors that may affect availability. Additionally, if there is a significant rise in the price of chicken wings or ground beef, and we are unable to successfully adjust menu prices or menu mix or otherwise make operational adjustments to account for the higher wing prices, our operating results could be adversely affected. We also depend on our franchisor, BWLD, as it relates to chicken wings, to negotiate prices and deliver product to us at a reasonable cost. Chicken wing prices per pound averaged $1.97 in 2012, $0.76 higher than the average of $1.21 in 2011. BWLD currently purchases and secures for its franchisees chicken wings at market price. The market price for traditional wings reached its lowest price in several years during April 2011; since then, the market price has trended higher.

Shortages or Interruptions in the Availability and Delivery of Food and Other Supplies May Increase Costs or Reduce Revenue

Possible shortages or interruptions in the supply of food items and other supplies to our restaurants caused by inclement weather, terrorist attacks, natural disasters such as floods, drought, and hurricanes, pandemics, the inability of our vendors to obtain credit in a tightened credit market, food safety warnings or advisories, or the prospect of such pronouncements, or other conditions beyond our control, could adversely affect the availability, quality, and cost of items we buy and the operations of our restaurants. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products critical to our restaurant operations.

Our Success Depends Substantially on the Value of Our Brands and Unfavorable Publicity Could Harm Our Business

Multi-unit restaurant businesses such as ours can be adversely affected by publicity resulting from complaints, litigation, or general publicity regarding poor food quality, food-borne illness, personal injury, food tampering, adverse health effects of consumption of various food products, or high-calorie foods (including obesity), or other concerns. Negative publicity from traditional media or online social network postings may also result from actual or alleged incidents or events taking place in our restaurants.

There has been a marked increase in the use of social media platforms and similar devices, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Consumers value readily available information concerning goods and services that they have or plan to purchase, and may act on such information without further investigation or authentication. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our Company may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects, or business. The harm may be immediate without affording us an opportunity for redress or correction. Such platforms also could be used for dissemination of trade secret information, compromising valuable company assets. In sum, the dissemination of information online could harm our business, prospects, financial condition, and results of operations, regardless of the information’s accuracy.

Regardless of whether any public allegations or complaints are valid, unfavorable publicity relating to a number of our restaurants, or only to a single restaurant, could adversely affect public perception of the entire brand. Adverse publicity and its effect on overall consumer perceptions of food safety, or our failure to respond effectively to adverse publicity, could have a material adverse effect on our business. We must protect and grow the value of our brands to continue to be successful in the future. Any incident that erodes consumer trust in or affinity for our brands could significantly reduce their value. If consumers perceive or experience a reduction in food quality, service, ambiance, or in any way believe we failed to deliver a consistently positive experience, the value of our brands could suffer.

Increases in Our Compensation Costs, Including as a Result of Changes in Government Regulation, Could Slow Our Growth or Harm Our Business

We are subject to a wide range of compensation costs. Because our compensation costs are, as a percentage of revenue, higher than other industries, we may be significantly harmed by compensation cost increases. Unfavorable fluctuations in market conditions, availability of such insurance, or changes in state and/or federal regulations could significantly increase our insurance premiums. In addition, we are subject to the risk of employment-related litigation at both the state and federal levels, including claims styled as class action lawsuits, which are more costly to defend. Also, some employment-related claims in the area of wage and hour disputes are not insurable risks.

Significant increases in health care costs may also continue to occur, and we can provide no assurance that we will be able to effectively contain those costs. Further, we are continuing to assess the impact of recently-adopted federal health care legislation on our health care benefit costs, and significant increases in such costs could adversely impact our operating results.

In addition, many of our restaurant personnel are hourly team members subject to various minimum wage requirements or changes to existing tip credit laws. Mandated increases in minimum wage levels and changes to the tip credit laws, which dictate the amounts an employer is permitted to assume an team member receives in tips when calculating the team member’s hourly wage for minimum wage compliance purposes, have recently been and continue to be proposed and implemented at both federal and state government levels. Continued minimum wage increases or changes to allowable tip credits may further increase our compensation costs or effective tax rate.

Various states in which we operate are considering or have already adopted new immigration laws, and the U.S. Congress and Department of Homeland Security from time to time consider or implement changes to federal immigration laws, regulations, or enforcement programs as well. Some of these changes may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential team members. Although we require all team members to provide us with government-specified documentation evidencing their employment eligibility, some of our team members may, without our knowledge, be unauthorized team members. Unauthorized team members are subject to deportation and may subject us to fines or penalties, and if any of our team members are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and keep qualified team members. Termination of a significant number of team members that, unbeknownst to us, were unauthorized team members may disrupt our operations, cause temporary increases in our compensation costs as we train new team members and result in additional adverse publicity. Our financial performance could be materially harmed as a result of any of these factors.

Changes in Public Health Concerns and Legislation and Regulations Requiring the Provision of Nutritional Information May Impact Our Performance

Government regulation and consumer eating habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the health effects of consuming our menu offerings. These changes have resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of our menu offerings, or laws and regulations requiring us to disclose the nutritional content of our food offerings. For example, a number of states, counties, and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information available to guests, or have enacted legislation restricting the use of certain types of ingredients in restaurants. In addition, the Patient Protection and Affordability Act of 2010 (the "PPACA"), enacted in March 2010, requires chain restaurants with 20 or more locations in the U.S. to comply with federal nutritional disclosure requirements. The U.S. Food and Drug Administration indicated that it intends to issue final regulations by April 2013. Although the federal legislation is intended to preempt conflicting state or local laws on nutrition labeling, until we are required to comply with the federal law, we will be subject to a patchwork of state and local laws and regulations regarding nutritional content disclosure requirements. Many of these requirements are inconsistent or are interpreted differently from one jurisdiction to another. The effect of such labeling requirements on consumer choices, if any, is unclear at this time. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general.

Multiple jurisdictions in which we operate could adopt recently enacted new requirements that require us to adopt and implement a Hazard Analysis and Critical Control Points ("HACCP") system for managing food safety and quality. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement, and handling, to manufacturing, distribution, and consumption of the finished product. We expect to incur certain costs to comply with these regulations and these costs may be more than we anticipate. If we fail to comply with these laws or regulations, our business could experience a material adverse effect.

Further, growing movements to change laws relating to alcohol may result in a decline in alcohol consumption at our restaurants or increase the number of dram shop claims made against us, either of which may negatively impact operations or result in the loss of liquor licenses.

Changes in Consumer Preferences or Discretionary Consumer Spending Could Harm Our Performance

Our success depends, in part, upon the continued popularity of our chicken and boneless wings, hamburgers and turkey burgers, other food and beverage items, and the appeal of our restaurant concepts. We also depend on trends toward consumers eating away from home. Shifts in these consumer preferences could negatively affect our future profitability. Such shifts could be based on health concerns related to the cholesterol, carbohydrate, fat, calorie, or salt content of certain food items, including items featured on our menu. Negative publicity over the health aspects of such food items may adversely affect consumer demand for our menu items and could result in a decrease in guest traffic to our restaurants, which could materially harm our business. In addition, our success depends, to a significant extent, on numerous factors affecting discretionary consumer spending, general economic conditions (including the continuing effects of the recent recession), disposable consumer income, and consumer confidence. The recent recession, coupled with high unemployment rates, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies, rising fuel prices, and reduced access to credit and reduced consumer confidence has impacted consumers' ability and willingness to spend discretionary dollars. Economic conditions may remain volatile and may continue to repress consumer confidence and discretionary spending for the near term. If the weak economy continues for a prolonged period of time or worsens, guest traffic could be adversely impacted if our guests choose to dine out less frequently or reduce the amount they spend on meals while dining out. A decline in consumer spending or in economic conditions could reduce guest traffic or impose practical limits on pricing, either of which could harm our business, financial condition, operating results, or cash flow.

Actions by Our Franchisor Could Negatively Affect Our Business and Operating Results

Our DRH-owned BWW restaurant operations depend, in part, on decisions made by our franchisor, BWLD, including changes of distributors, food menu items and prices, policies and procedures, and advertising programs. Business decisions made by our franchisor could adversely impact our operating performance and profitability. Under our area development agreement, BWLD has the right to immediately terminate the area development agreement if, among other things, we are unable to comply with the development schedule or if one of the Franchise Agreements entered into pursuant to the area development agreement is terminated. Termination of the area development agreement could adversely affect our growth strategy and, in turn, our financial condition. Additionally, the area development agreement and the individual Franchise Agreements provide BWLD with the authority to approve the location selected for our future BWLD franchises, as well as approve the design of the individual restaurant. BWLD must give its consent prior to the opening of a new BWW restaurant and, once the restaurant is open, we are subject to various operational requirements, including the use of specific suppliers and products. Delays in the approval of our locations or pre-opening approval, as well as changes to the operational requirements, may impact our operating performance.

Our Operating Results May Fluctuate Due to the Timing of Special Events

Our operating results depend, in part, on special events, such as the Super Bowl® and other sporting events viewed by our guests in our restaurants, including those sponsored by the National Football League, Major League Baseball, National Basketball Association, National Hockey League, and National Collegiate Athletic Association. Interruptions in the viewing of these professional sporting league events due to strikes, lockouts, or labor/compensation disputes may impact our business and operating results. Additionally, our results are subject to fluctuations based on the dates of sporting events and their availability for viewing through broadcast, satellite, and cable networks. Historically, sales in most of our restaurants have been higher during fall and winter months based on the relative popularity and extent of national, regional, and local sporting and other events in the geographic regions in which we currently operate.

Our Inability to Renew Existing Leases or Enter Into New Leases For New or Relocated Restaurants on Favorable Terms May Adversely Affect Our Results of Operations

As of the date of this prospectus, 41 of our 44 corporate-owned restaurants are located on leased premises and are subject to varying lease-specific arrangements. For example, some of the leases require base rent that is subject to increase based on market factors, and other leases include base rent with specified periodic increases. Some leases are subject to renewals which could involve substantial increases. Additionally, a few leases require contingent rent based on a percentage of gross sales. Should we have any leases that expire in the future, we will evaluate the desirability of renewing such leases. While we currently expect to pursue all renewal options, no guarantee can be given that such leases will be renewed or, if renewed, that rents will not increase substantially. The success of our restaurants depends in large part on their leased locations. As demographic and economic patterns change, current leased locations may or may not continue to be attractive or profitable. Possible declines in trade areas where our restaurants are located or adverse economic conditions in surrounding areas could result in reduced revenue in those locations. In addition, desirable lease locations for new restaurant openings or for the relocation of existing restaurants may not be available at an acceptable cost when we identify a particular opportunity for a new restaurant or relocation.

Economic Conditions Could Have a Material Adverse Impact on Our Landlords in Retail Centers in Which We Are Located

Our landlords may be unable to obtain financing or remain in good standing under their existing financing arrangements, resulting in failures to pay required construction contributions or satisfy other lease covenants to us. If our landlords fail to satisfy required co-tenancies, such failures may result in us terminating leases or delaying openings in these locations. Also, decreases in total tenant occupancy in retail centers in which we are located may affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our operations.

A Decline in Visitors to Any of the Business Districts Near the Locations of Our Restaurants Could Negatively Affect Our Restaurant Sales

Some of our restaurants are located near high-activity areas such as retail centers, big-box shopping centers, and entertainment centers. We depend on high visitor rates at these businesses to attract guests to our restaurants. If visitors to these centers decline due to economic conditions, closure of big-box retailers, road construction, changes in consumer preferences or shopping patterns, changes in discretionary consumer spending or otherwise, our restaurant sales in these areas could decline significantly and adversely affect the results of our operations.

Because Many of Our Restaurants are Concentrated in Local or Regional Areas, We are Susceptible to Economic and Other Trends and Developments, Including Adverse Weather Conditions, in These Areas

Our financial performance is currently highly dependent on restaurants located in Florida, Illinois, Indiana, and Michigan. As a result, adverse economic conditions in any of these areas could have a material adverse effect on our overall results of operations. In recent years, certain of these states have been more negatively impacted by the housing decline, high unemployment rates, and the overall economic crisis than other geographic areas. In addition, other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, adverse weather conditions, hurricanes, droughts, or other natural or man-made disasters. In particular, adverse weather conditions can impact guest traffic at our restaurants, cause the temporary underutilization of certain seating areas, and, in more severe cases, cause temporary restaurant closures, sometimes for prolonged periods. As of the date of this prospectus, approximately 77.0% of our total restaurants are located in Illinois, Indiana and Michigan, which are particularly susceptible to snowfall, and approximately 23.0% of our total restaurants are located in Florida, which is particularly susceptible to hurricanes.

Legal Actions Could Have an Adverse Effect on Us

We could face legal action from government agencies, team members, guests, or other parties. Many state and federal laws govern our industry, and if we fail to comply with these laws, we could be liable for damages or penalties. Further, we may face litigation from guests alleging that we were responsible for an illness or injury they suffered at or after a visit to our restaurants, or alleging that we are not complying with regulations governing our food quality or operations. We may also face employment-related litigation, including claims of age discrimination, sexual harassment, gender discrimination, immigration violations, or other local, state, and federal labor law violations.

We May Not Be Able to Obtain and Maintain Licenses and Permits Necessary to Operate Our Restaurants

The restaurant industry is subject to various federal, state, and local government licensure and permitting requirements, including those relating to the sale of food and alcoholic beverages. The failure to obtain and maintain these licenses, permits, and approvals, including food and liquor licenses, could adversely affect our operating results. Difficulties or failure to obtain any required licenses, permits, or other government approvals could delay or result in our decision to cancel the opening of new restaurants. Local authorities may revoke, suspend, or deny renewal of our food and liquor licenses if they determine that our conduct violates applicable regulations.

The Sale of Alcoholic Beverages at Our Restaurants Subjects Us to Additional Regulations and Potential Liability

For fiscal year 2012, approximately 20.2% of our consolidated restaurant sales were attributable to the sale of alcoholic beverages. Because our restaurants sell alcoholic beverages, we are required to comply with the alcohol licensing requirements of the federal government, states, and municipalities where our restaurants are located. Alcoholic beverage control regulations require applications to state authorities and, in certain locations, county and municipal authorities for a license and permit to sell alcoholic beverages on the premises and to provide service for extended hours and on Sundays. Typically, the licenses are renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the restaurants, including minimum age of guests and team members, hours of operation, advertising, wholesale purchasing, inventory control and handling, storage, and dispensing of alcoholic beverages. If we fail to comply with federal, state, or local regulations, our licenses may be revoked and we may be forced to terminate the sale of alcoholic beverages at one or more of our restaurants.

In certain states, we are subject to “ dram shop ” statutes, which generally allow a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Some dram shop litigation against restaurant companies has resulted in significant judgments, including punitive damages.

We May Not Be Able to Protect Our Trademarks, Service Marks, and Trade Secrets

We place considerable value on our trademarks, service marks, and trade secrets. We intend to actively enforce and defend our intellectual property, although we may not always be successful. We attempt to protect our recipes as trade secrets by, among other things, requiring confidentiality agreements with our suppliers and executive officers. However, we cannot be sure that we will be able to successfully enforce our rights under our marks or prevent competitors from misappropriating our recipes, nor can we be sure that out methods of safeguarding our information are adequate and effective. We also cannot be sure that our marks are valuable; that using our marks does not, or will not, violate others' marks; that the registrations of our marks would be upheld if challenged; or that we would not be prevented from using our marks in areas of the country where others might have already established rights to them. Any of these uncertainties could have an adverse effect on us and our expansion strategy.

We Are Dependent on Information Technology and Any Material Failure of That Technology Could Impair Our Ability to Efficiently Operate Our Business

We rely on information systems across our operations, including, for example, point-of-sale processing in our restaurants, management of our supply chain, collection of cash, payment of obligations, and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrading or transitioning to replacement systems, or a breach in security of these systems could cause delays in guest service and reduce efficiency in our operations. Significant capital investments might be required to remediate any problems.

Our Ability to Raise Capital in the Future May Be Limited, Which Could Adversely Impact Our Business

Changes in our restaurant operations, lower than anticipated restaurant sales, increased food or compensation costs, increased property expenses, acceleration of our expansion plans, or other events, including those described in this prospectus, may cause us to seek additional debt or equity financing on an accelerated basis. Financing may not be available to us on acceptable terms, and our failure to raise capital when needed could negatively impact our restaurant growth plans as well as our financial condition and the results of operations. Additional equity financing, if available, may be dilutive to the holders of our common stock. Debt financing may involve significant cash payment obligations, covenants, and financial ratios that may restrict our ability to operate and grow our business.

There Can Be No Assurances That, in the Future, We Will Be in Compliance With All Covenants of Our Current or Future Debt Agreements or That Our Lenders Will Waive Any Violations of Such Covenants

Non-compliance with our debt covenants could have a material adverse effect on our business, results of operations, and financial condition. Non-compliance may result in us being in default under our debt agreements, which could cause a substantial financial burden by requiring us to repay our debt earlier than otherwise anticipated.

Our Current Insurance May Not Provide Adequate Levels of Coverage Against Claims

We currently maintain insurance that is customary and required in our franchise agreements and leases. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure against, such as losses due to natural disasters. Such damages could have a material adverse effect on our business and the results of operations. Additionally, there is no assurance that we will be able to maintain our current coverage at acceptable premium rates or that any coverage will be available to us in the future.

An Impairment in the Carrying Value of Our Fixed Assets and or Intangible Assets Could Adversely Affect Our Financial Condition and Consolidated Results of Operations

We evaluate the useful lives of our fixed assets and intangible assets to determine if they are definite- or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of intangible assets become impaired, there could be an adverse effect on our financial condition and consolidated results of operations. In connection with the acquisition of the Indiana and Illinois Entities, an amount was recorded as goodwill, which will be tested for impairment on a periodic basis. We cannot accurately predict the likelihood or amount and timing of any potential impairment of this goodwill. An impairment of goodwill of the Indiana and Illinois Entities could adversely affect our results of operations.

We May Incur Costs Resulting From Security Risks We Face in Connection With Our Electronic Processing and Transmission of Confidential Guest Information

We accept electronic payment cards from our guests in our restaurants. For the fiscal year ended December 30, 2012, approximately 65.0% of our sales were attributable to credit/debit card transactions, and credit/debit card usage could continue to increase. A number of restaurant operators and retailers have experienced actual or potential security breaches in which credit/debit card information may have been stolen. While we have taken reasonable steps to prevent the occurrence of security breaches in this respect, we may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit/debit card information, and we may also be subject to lawsuits or other proceedings in the future relating to these types of incidents. Proceedings related to theft of credit/debit card information may be brought by payment card providers, banks, and credit unions that issue cards, cardholders (either individually or as part of a class action lawsuit), and federal and state regulators. Any such proceedings could distract our management team members from running our business and cause us to incur significant unplanned losses and expenses.

We also receive and maintain certain personal information about our guests and team members. The use of this information by us is regulated at the federal and state levels. If our security and information systems are compromised or our team members fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, as well as the results of operations, and could result in litigation against us or the imposition of penalties. In addition, our ability to accept credit/debit cards as payment in our restaurants and online depends on us maintaining our compliance status with standards set by the PCI Security Standards Council. These standards, set by a consortium of the major credit card companies, require certain levels of system security and procedures to protect our guests' credit/debit card information as well as other personal information. Privacy and information security laws and regulations change over time, and compliance with those changes may result in cost increases due to necessary system and process changes.

Failure to Establish and Maintain Our Internal Control Over Financial Reporting Could Harm Our Business and Financial Results

Our management team members are responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our stock.

Risks Related to an Investment in Our Stock

There Can Be No Assurance That an Active Trading Market for Shares of Our Common Stock Will Develop

Our common stock is currently traded on the OTCQB and there has historically been a minimal, relatively inactive public market for our common stock. In connection with this offering, we have applied to have our common stock approved for listing on the NASDAQ Capital Market. We cannot be certain that a more active public market for our common stock will develop or, if developed, the extent to which investor interest in our common stock will sustain active trading or how liquid such a market might be in the future. It is possible that an active trading market, if established, will not continue, and there can be no assurance as to the price at which our common stock will trade.

If Securities or Industry Analysts Do Not Publish Research or Publish Inaccurate or Unfavorable Research About Our Business, Our Stock Price and Trading Volume Could Decline

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts may publish about us or our business. We are not currently the subject of any research analyst coverage. The absence of research analyst coverage can adversely affect the market value and liquidity of an equity security, and if no securities or industry analysts cover our company in the future, the trading price for our common stock could be negatively impacted. Additionally, if we do receive research analyst coverage, the coverage could be negative. In particular, if one or more of the analysts who covered us downgraded our common stock or published inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceased coverage of us or failed to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

Anti-Takeover Provisions in Our Charter Documents Could Make an Acquisition of Us More Difficult and Limit Attempts by Our Stockholders to Replace or Remove Our Current Directors Management, Which May Result in a Decrease in the Market Price of Our Common Stock

Provisions in our Articles of Incorporation (the "Articles") and Amended and Restated Bylaws (the "Bylaws") may have the effect of delaying or preventing a change of control or changes in our management. Our Articles and Bylaws contain provisions that:

- provide that the authorized number of directors may be changed only by resolution of the Board;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- authorize the Board, acting by majority vote, to amend portions of the Bylaws adopted by the stockholders, except to the extent the stockholders have specified portions of the Bylaws that cannot be amended by the Board;
- provide that special meetings of our stockholders may be called only by the chairman of the Board, our CEO, the Board pursuant to a resolution adopted by a majority of the total number of authorized directors or holders of shares entitled to cast not less than 25.0% of the votes at the meeting; and
- authorize our Board to issue, without further action by the stockholders, up to 10,000,000 shares of preferred stock and to determine the preferences, rights, and powers of such shares.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace our Board, which is responsible for appointing the members of management.

The Price of Our Common Stock May Be Volatile and You Could Lose All or Part of Your Investment

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The stock market in general has been highly volatile, particularly over the past five years. As a result, the market price of our common stock is likely to be similarly volatile. You may experience a decrease, which could be substantial, in the value of your stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of your investment. The price of our common stock also could be subject to wide fluctuations in response to a number of factors specific to our business, including those described in this section and elsewhere in this prospectus.

Future Sales of Our Common Stock by Our Existing Stockholders Could Cause Our Stock Price to Decline

If our stockholders sell substantial amounts of our common stock in the public market, the market price of our common stock could decrease significantly. The perception in the public market that our stockholders might sell shares of our common stock could also depress the market price of our common stock. Stockholders holding an aggregate of 14,669,114 shares prior to this offering are subject to lock-up agreements that restrict their ability to transfer their shares of our common stock. The market price of shares of our common stock may decrease significantly when the restrictions on resale lapse for certain of our existing stockholders. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities, and may also cause you to lose part or all of your investment in our shares of common stock.

You Will Suffer Immediate and Substantial Dilution

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the book value of your stock, because the price that you pay will be substantially greater than the net tangible book value per share of the shares you acquire. You will experience additional dilution upon the exercise of options and warrants to purchase our common stock, including those options currently outstanding and possibly those granted in the future, and the issuance of restricted stock or other equity awards under our stock incentive plans. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial additional dilution. For more information, please see the section of this prospectus entitled “Dilution.”

Our Current Principal Stockholder Owns a Large Percentage of Our Voting Stock, Which Allows Him to Control Substantially All Matters Requiring Stockholder Approval

T. Michael Ansley, our President, CEO, Chairman and founder, is currently the beneficial owner of approximately 69.8% of our outstanding common stock. Upon completion of this offering, Mr. Ansley is expected to be the beneficial owner of approximately 55.3% of our outstanding common stock, or 53.6% if the underwriters’ overallotment option is fully exercised. Mr. Ansley’s beneficial ownership includes 11,113,600 shares owned directly, 9,000 shares owned indirectly as custodian for his children’s UGMA accounts, options exercisable within 60 days of March 27, 2013 to purchase 50,000 shares, 37,500 shares of restricted stock and 2,104,000 shares over which he has sole voting power but does not have record ownership. In order to consolidate voting authority among family members and for voting expediency, Thomas Ansley and Mark Ansley, father and brother of T. Michael Ansley, respectively, entered into an Amended and Restated Voting Agreement granting T. Michael Ansley proxy authority to vote their shares, in his sole discretion. For more information, please see the section of this prospectus entitled “Description of Capital Stock – Voting Agreement.” As result, T. Michael Ansley will be able to exert significant voting influence over fundamental and significant corporate matters and transactions. He may have significant influence over a decision to enter into any corporate transaction and has the ability to prevent any transaction that requires the approval of stockholders, regardless of whether or not our other stockholders believe that such transaction is in their own best interests. Such concentration of voting power could have the effect of delaying, deterring, or preventing a change of control or other business combination, which could, in turn, have an adverse effect on the market price of our common stock or prevent our stockholders from realizing a premium over the then-prevailing market price for their shares of common stock.

Since We Do Not Expect to Pay Any Dividends For the Foreseeable Future, Holders of Our Common Stock May Be Forced to Sell Their Stock in Order to Obtain a Return on Their Investment

We do not anticipate that we will pay any dividends to holders of our common stock in the foreseeable future. Instead, we plan to reinvest any earnings to finance our restaurant operations and growth plans. Accordingly, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only likely way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase our common stock.

Possible Issuance of Additional Shares Without Stockholder Approval Could Dilute Stockholders

As of March 27, 2013, we have an aggregate of 19,019,525 shares of common stock outstanding and 80,980,475 shares of common stock authorized but unissued. We also have 10,000,000 shares of authorized, but unissued, preferred stock. Our Board has the authority to issue any or all of the shares of preferred stock, including the authority to establish one or more series, and to fix the powers, preferences, rights, and limitations of such class or series, without seeking stockholder approval. If any such shares are issued in the future, they would further dilute the percentage ownership of our common stock held by our stockholders.

Our Initial Application to List Our Common Stock on the NASDAQ Stock Market May Not Be Approved and Even if it is Approved, There is No Guarantee That We Will Be Able to Maintain Our Listing on NASDAQ

Our common stock is currently traded on the OTCQB, but we have applied to have our common stock listed on the NASDAQ Capital Market. There is no guarantee that NASDAQ will approve our initial listing application or that we will be able to remedy any problems identified by NASDAQ that would prevent our listing. Additionally, even if we are listed on the NASDAQ Capital Market, we will be required to comply with certain quantitative and qualitative continued listing requirements, including a minimum bid price and corporate governance requirements. If we fail to meet these continued listing requirements, we may receive notification from NASDAQ of such failure, which must be publicly filed, and we could eventually be delisted from the NASDAQ Capital Market.

We Incur Significant Costs as a Result of Operating as a Public Company, and Our Management is Required to Devote Substantial Time to Compliance Initiatives

As a public company, we incur significant legal, accounting, and other expenses. In addition, the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission (“SEC”) and NASDAQ, have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Our team members devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations result in increased legal and financial compliance costs and make some activities more time consuming and costly. If we fail to comply, the market price of our stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC, or other regulatory authorities, which would entail expenditure of additional financial and management resources.

If Our Involvement in a December 2012 Crain’s Detroit Business Article Were Held to Be in Violation of the Securities Act of 1933, We Could Be Required to Repurchase Securities Sold in This Offering; You Should Rely Only on Statements Made in This Prospectus in Determining Whether to Purchase Our Shares

Information about us has been published in a magazine article appearing in the December 4, 2012 issue of Crain’s Detroit Business. This article contains information derived from an interview of our President, CEO, and Chairman of the Board, T. Michael Ansley, conducted prior to this public offering. While some of the factual statements about us in the article are disclosed in this prospectus, the article includes quotations from Mr. Ansley and presents certain statements about the Company in isolation and does not disclose many of the related risks and uncertainties described in this prospectus. As a result, the article should not be considered in isolation and you should decide whether to purchase our shares only after reading this entire prospectus carefully.

We have in the past received, and may continue to receive, various degrees of media coverage, including coverage that is not directly attributable to statements made by our officers and team members. You should rely only on the information contained in this prospectus in making your investment decision.

In order to reduce the risk of investors' possible reliance on the Crain's Detroit Business magazine article, we delayed the filing of our registration statement and allowed a "cooling off" period so that the effect of this article would be dissipated. We have determined that there is no material risk of republication of this article by Crain's.

We do not believe our involvement in the Crain's Detroit Business magazine article constitutes "gun jumping" in violation of Section 5 of the Securities Act of 1933, as amended (the "Securities Act"). However, if our involvement were held by a court to be in violation of the Securities Act, we could be required to repurchase the shares sold to purchasers in our public offering at the original purchase price, plus statutory interest from the date of purchase, for a period of one year following the date of the violation. We would vigorously contest any claim that a violation of the Securities Act occurred.

Investors should be aware of the following modifications and updates to the article's content:

- The article reported that we are the largest franchisee of BWLD. We are one of the largest, not the largest, franchisee of BWLD.

- The article reported that we will relocate our headquarters to the third floor of the Odd Fellows building in downtown Detroit. We are potentially relocating our headquarters to downtown Detroit, but have not made a final determination regarding the relocation.

- The article reported a revenue increase of $6.7 million or 15.0% over the prior year. Our 2012 sales results show that our revenue increase for fiscal year 2012 over fiscal year 2011 was $16.7 million or 27.6%, reflecting a substantial increase in our restaurant count due to growth and acquisitions.

- The article reported same-store sales growth of 9.4% for Bagger Dave's restaurants and 6.7% for BWW restaurants for 2012. Our 2012 sales results show that same store sales were up 7.6% for the Company's comparable restaurants.

- The article reported that we employ about 2,500 people. We currently employ approximately 2,200 people as disclosed in the section of this prospectus entitled "Business – Employees."

- The article reported that we self-underwrote our initial public offering in 2006. Our initial public offering commenced in March of 2008, as disclosed in the section of this prospectus entitled "Business – Business Overview."

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in the sections entitled “Summary,” “Risk Factors,” “Business,” and statements made elsewhere in this prospectus may constitute forward-looking statements. These statements reflect the current views of our senior management team with respect to future events, including our financial performance, business, and industry in general. Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “forecast,” “estimate,” “may,” “should,” “anticipate” and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- the success of our existing and new restaurants;
- our ability to identify appropriate sites and develop and expand our operations;
- changes in economic conditions, including continuing effects from the recent recession;
- damage to our reputation or lack of acceptance of our brands in existing or new markets;
- economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located;
- the impact of negative economic factors, including the availability of credit, on our landlords and surrounding tenants;
- changes in food availability and costs;
- labor shortages and increases in our compensation costs, including, as a result, changes in government regulation;
- increased competition in the restaurant industry and the segments in which we compete;
- the impact of legislation and regulations regarding nutritional information, new information or attitudes regarding diet and health, or adverse opinions about the health of consuming our menu offerings;
- the impact of federal, state, and local beer, liquor, and food service regulations;
- the success of our marketing programs;
- the loss of key members of our management team;
- strain on our infrastructure and resources caused by our growth;
- the impact of litigation;
- the adequacy of our insurance coverage and fluctuating insurance requirements and costs;
- the impact of our indebtedness on our ability to invest in the ongoing needs of our business;
- our ability to obtain debt or other financing on favorable terms, or at all;
- the impact of a potential requirement to record asset impairment charges in the future;
- the impact of any security breaches of confidential guest information in connection with our electronic processing of credit/debit card transactions;
- our ability to protect our intellectual property;

- the impact of any failure of our information technology system or any breach of our network security;
- the impact of federal, state, and local taxes;
- volatility in the price of our common stock;
- the impact of future sales of our common stock in the public market, the exercise of stock options, and any additional capital raised by us through the sale of our common stock; and
- the effect of changes in accounting principles applicable to us.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this prospectus. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Any forward-looking statements you read in this prospectus reflect our views as of the date of this prospectus with respect to future events and are subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. Before making a decision to purchase our common stock, you should carefully consider all of the factors identified in this prospectus that could cause actual results to differ.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares by us in this offering will be approximately $24,218,750, after deducting underwriting discounts and commissions and estimated expenses, based upon an assumed public offering price of $5.25 per share, which is the midpoint of the price range set forth on the cover of this prospectus. If the underwriters fully exercise the overallotment option, the total net proceeds from the sale of the shares would be approximately $ 27,900,313. A $1.00 increase (decrease) in the assumed public offering price of $5.25 per share would increase (decrease) the net proceeds to us of this offering by $4,675,000.

We intend to use the net proceeds received by us from this offering as follows:

- to fund the development of future restaurant locations;
- we may or may not, depending on interest rates and other borrowing considerations, use up to $10 million of the net proceeds to retire outstanding senior debt. The debt currently anticipated to be retired bears interest at a rate of LIBOR plus an applicable margin, which ranges from 2.5% to 3.7%, depending on the lease adjusted leverage ratio defined in the terms of the loan agreement, and matures on September 25, 2017 (See "Description of Indebtedness"); and
- the remainder for working capital and other general corporate purposes.

The amounts and timing of our actual expenditures will depend on numerous factors, including the status of our expansion efforts, sales and marketing activities, and competition. Accordingly, our management team will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management team regarding the actual application of the proceeds from this offering.

DIVIDEND POLICY

We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board and will depend on our financial condition, operating results, capital requirements, and such other factors as our Board deems relevant. In addition, our September 2012 Credit Facility restricts our ability to pay dividends (for more information, please see the section entitled “Description of Indebtedness”).

MARKET PRICE OF COMMON STOCK

Market Information

The Company's common stock is traded on the OTCQB under the symbol "DFRH". Our stock was granted a trading symbol on October 6, 2008. We have applied to have our shares of common stock approved for listing on the NASDAQ Capital Market under the symbol "BAGR".

The following table sets forth the high and low bid quotations for our common stock for the fiscal years ended December 30, 2012 and December 25, 2011 as reported by the OTCQB:

	2012		2011	
	High	**Low**	**High**	**Low**
First Quarter	$ 4.90	$ 3.00	$ 5.25	$ 4.00
Second Quarter	5.00	3.10	5.25	0.40
Third Quarter	5.00	3.75	5.00	1.10
Fourth Quarter	5.00	3.50	4.90	3.35

Trading during the above periods was very limited and sporadic. These bid prices reflect inter-dealer prices, without retail mark ups or mark downs or commissions and may not represent actual transactions.

Holders

As of March 27, 2013, there were approximately 382 record holders of 19,019,525 shares of the Company's common stock, excluding shareholders whose stock is held either in nominee name and/or street name brokerage accounts. Based on the information we obtained from our transfer agent, Fidelity Transfer Company, 8915 S. 700 E, Suite 102, Sandy, Utah, 84070, there were approximately 83 holders of our common stock whose stock is held either in nominee name and/or street name brokerage accounts as of March 27, 2013.

CAPITALIZATION

The following table sets forth our capitalization as of December 30, 2012:

- on an actual historical basis; and
- on an as adjusted (pro forma) basis to give effect to the sale of shares of common stock in this offering at an assumed public offering price of $5.25 per share, which is the midpoint of the range set forth on the cover of this prospectus, and after deducting underwriting discounts and commissions and estimated fees and expenses payable by us and the application of the net proceeds of this offering as described under “Use of Proceeds,” as if the events had occurred on December 30, 2012.

You should read this information in conjunction with the information provided in the sections entitled “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and related notes included elsewhere in this prospectus and incorporated herein by reference.

AS OF DECEMBER 30, 2012

	ACTUAL HISTORICAL	AS ADJUSTED (3)
Cash and cash equivalents	$ 2,700,328	$ 21,919,078
Total Debt(1)	$ 44,647,285	$ 39,647,285 (4)
Stockholders' Equity		
Common stock	1,888	2,388
Paid-in capital	2,991,526	27,209,776
Total stockholders' equity(2)	1,503,904	25,722,654
Total Capitalization	$ 46,151,189	$ 65,369,939

(1) Any reductions or increases in the net proceeds received as a result of a decrease or increase in the public offering price will decrease or increase the amount of long term debt we repay accordingly.
(2) A $1 increase (decrease) in the assumed public offering price $5.25 per share, which is the midpoint of the range set forth on the cover of this prospectus, would increase (decrease) total stockholders’ equity by $4,675,000, assuming in each case the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) If the over allotment is exercised in full:

- an additional 750,000 shares would be issued and we receive $3.7 million in additional net proceeds;
- total shareholders' equity would increase to $29,404,217; and
- total capitalization would increase to $69,051,502.

(4) We have assumed use of proceeds of $5 million to repay outstanding senior debt. We may or may not, depending on interest rates and other borrowing considerations, use up to $10 million of the net proceeds to retire outstanding senior debt. See the section entitled "Use of Proceeds."

DILUTION

If you invest in our common stock, your ownership interest will be immediately diluted to the extent of the difference between the offering price per share in this offering and as adjusted net tangible book value per share after this offering. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the as adjusted net tangible book value per share of our common stock immediately after the consummation of this offering.

Our historical net tangible book value as of December 30, 2012 was approximately $(8.7) million, or $(0.46) per share. After giving effect to the sale by us of the 5,000,000 shares of our common stock in this offering at an assumed public offering price of $5.25 per share, which is the midpoint of the range set forth on the cover of this prospectus, less underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of December 30, 2012 would have been approximately $15.5 million, or approximately $0.65 per share. This represents an immediate increase in net tangible book value of $1.11 per share to existing stockholders and an immediate dilution in net tangible book value of $4.60 per share to new investors of common stock in this offering. The following table illustrates this per share dilution:

Public offering price per share			$	5.25
Historical net tangible book value per share as of December 30, 2012	$	(0.46)		
Increase in net tangible book value per share attributable to this offering	$	1.11		
As adjusted, net tangible book value per share after this offering			$	0.65
Dilution per share to new investors			$	4.60

The discussion and table above assumes 18,951,700 shares of common stock outstanding as of December 30, 2012 and excludes, as of December 30, 2012:

- shares of common stock issuable upon the exercise of options outstanding to purchase 354,000 shares of common stock at a weighted average exercise price of $2.50 per share; and

- shares of common stock reserved for future issuance under our equity plans.

Because the exercise prices of the outstanding options to purchase shares of our common stock are significantly below the offering price of $5.25 per share, investors purchasing common stock in this offering will suffer additional dilution when and if these options are exercised. Assuming the exercise in full of the 354,000 outstanding options, net tangible book value before this offering at December 30, 2012 would be $(0.41) per share, representing an immediate increase of $0.05 per share to our existing stockholders, and after giving effect to the sale of 5,000,000 shares of common stock in this offering, there would be an immediate dilution of $4.58 per share to new investors in this offering.

If the underwriters exercise in full their overallotment option to purchase additional shares of our common stock in this offering at the assumed initial public offering price of $5.25 per share, which is the midpoint of the range set forth on the cover page of this prospectus, the percentage of common stock held by existing stockholders will be reduced to 79.2% of the aggregate number of shares of common stock outstanding after this offering, the percentage of common stock held by new investors will be increased to 20.8% of the aggregate number of shares of common stock outstanding after this offering, the increase per share attributable to new investors would be $1.24, the net tangible book value per share after this offering would be $0.78, and the dilution per share to new investors would be $4.47.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition should be read in conjunction with "Selected Historical Consolidated Financial and Operating Data" and our consolidated financial statements and the related notes to those statements included elsewhere in this prospectus. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" and elsewhere in this prospectus.

Overview

Diversified Restaurant Holdings, Inc. ("DRH" or the "Company" or "we") is a fast-growing, multi-concept restaurant company operating two complementary concepts: Bagger Dave's Legendary Burger Tavern® ("Bagger Dave's") and Buffalo Wild Wings® ("BWW"). As the developer, operator and franchisor of Bagger Dave's and one of the largest franchisees of BWW, we provide a unique guest experience in a casual and inviting environment. We are committed to providing value to our guests through offering generous portions of flavorful food in an upbeat and entertaining atmosphere. We believe Bagger Dave's and BWW are uniquely positioned restaurant brands designed to maximize guest appeal. Both restaurant concepts offer competitive price points and a family-friendly atmosphere, which we believe enables strong performance through economic cycles. We were incorporated in 2006 and are headquartered in the Detroit metropolitan area. As of the date of this prospectus, we have 45 locations in Florida, Illinois, Indiana, Michigan, and Missouri. Of those restaurants, 44 are corporate owned and one is franchised by a third party.

Our Growth Strategies and Outlook

Our growth strategy is comprised of the following key components:

- pursue disciplined restaurant growth;
- deliver consistent comparable restaurant sales growth through providing high quality food and service; and
- leverage our infrastructure to enhance our profitability

We have an established growth pipeline and a disciplined strategy for opening new restaurants that includes aggressive new unit development for Bagger Dave's and the fulfillment of our current franchise agreement with BWLD by opening an additional 14 restaurants in our current markets. We believe our greatest growth opportunity is in the development of the Bagger Dave's footprint throughout the Midwest and our priority will be to open corporate-owned locations in markets where we have existing infrastructure. We opened eight corporate-owned Bagger Dave's and DRH-owned BWW restaurants and a franchisee opened one franchised Bagger Dave's location in 2012. We also acquired eight existing BWW locations in 2012. Over the next five years, we expect to open 35 to 45 new corporate-owned Bagger Dave's restaurants and 14 new DRH-owned BWW restaurants (for additional discussion of our growth strategies and outlook, see the section entitled "Business - Growth Strategy").

Performance Indicators

We use several metrics to evaluate and improve each restaurant's performance that include: sales growth, ticket times, guest satisfaction, hourly compensation costs, and food, beverage, and packaging costs.

We also use the following key performance indicators in evaluating the performance of our restaurants:

- *Comparable Restaurant Sales* . We consider a restaurant to be comparable following the eighteenth month of operation. Changes in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time. Changes in comparable sales can also reflect changes in guest count trends and changes in average check.

- *Restaurant-Level EBITDA Margin.* Restaurant-level EBITDA margin is restaurant-level income from operations before depreciation, amortization, interest, taxes and non-recurring acquisition related expenses as a percentage of our revenues. By monitoring and controlling our restaurant-level EBITDA margins, we can gauge the overall profitability of our Company. We also use this to help measure the effectiveness of our restaurant management teams. Primary components controllable by our restaurant team members are food, beverage, and packaging cost variances (waste), hourly compensation costs, and other controllable operating expenses, such as kitchen and cleaning supplies.

Restaurant Openings

The following table outlines the restaurant unit information for the end of each fiscal year from 2007 through 2012. "Total company-owned restaurants" reflects the number of restaurants owned and operated by DRH for each year. From our inception in 2006, we managed, but did not own, nine BWW restaurants that we subsequently acquired in February 2010. Comparative results for 2009, 2008, and 2007 are a consolidation of owned and managed restaurants based on the accounting for an acquisition of entities under common control.

	2012	2011	2010	2009	2008	2007
Beginning of year - corporate owned	28	22	9	8	2	-
Beginning of year - acquisitions / affiliate restaurants under common control	-	-	9	9	9	9
Summary of restaurants open at the beginning of year	**28**	**22**	**18**	**17**	**11**	**9**
Openings	8	6	4	1	6	2
Acquisitions	8	-	-	-	-	-
Closures	-	-	-	-	-	-
Total company owned restaurants	**44**	**28**	**22**	**18**	**17**	**11**
Franchised restaurants	1	-	-	-	-	-
Total number of restaurants	**45**	**28**	**22**	**18**	**17**	**11**

Our Fiscal Year

We operate on a 52- or 53-week fiscal year that ends on the last Sunday of the calendar year. Each quarterly period has 13 weeks, except for a 53-week year, when the fourth quarter has 14 weeks. Our 2011 fiscal year consisted of 52 weeks. The 2012 fiscal year consisted of 53 weeks.

Key Financial Definitions

Revenue. Revenue primarily consists of food and beverage sales, merchandise sales, such as the BWW sauce, and franchise royalties and fees. Revenue is presented net of discounts, such as management and team member meals, associated with each sale. Revenue in a given period is directly influenced by the number of operating weeks in such period, the number of restaurants we operate, and comparable restaurant sales growth.

Food, Beverage, and Packaging Costs. Food, beverage, and packaging costs consist primarily of food, beverage, packaging, and merchandise-related costs. The components of food, beverage, and packaging costs are variable in nature, change with sales volume, and are subject to increases or decreases based on fluctuations in commodity costs.

Compensation Costs. Compensation costs include restaurant management salaries, front- and back-of-house hourly wages, and restaurant-level manager bonuses, team member benefits, and payroll taxes.

Occupancy Costs. Occupancy costs include rent charges, both fixed and variable, as well as common area maintenance costs, property insurance and taxes, the amortization of tenant allowances, and the adjustment to straight-line rent. These expenses are generally fixed, but a portion may vary with an increase in sales if the lease contains a percentage rent provision.

Other Operating Costs. Other operating costs consist primarily of restaurant-related operating costs, such as supplies, utilities, repairs and maintenance, travel cost, insurance, credit card fees, recruiting, and security. These costs generally increase with sales volume but decline as a percentage of revenue. For DRH-owned BWW restaurants, this expense category also includes franchise royalty and national advertising fund expense.

General and Administrative Expenses. General and administrative expenses include costs associated with corporate and administrative functions that support our operations, including senior and supervisory management and staff compensation costs (including stock-based compensation) and benefits, marketing and advertising expenses, travel, legal and professional fees, information systems, corporate office rent, and other related corporate costs. As a public company, we expect our stock-based compensation expense to increase.

Restaurant Pre-Opening Expenses. Restaurant pre-opening expenses consist of expenses incurred before opening a restaurant, including manager salaries, relocation costs, supplies, recruiting expenses, initial new market public relations costs, pre-opening activities, team member payroll, and related training costs for new team members. Restaurant pre-opening expenses also include rent recorded during the period between date of possession and the restaurant opening date.

Depreciation and Amortization . Depreciation and amortization principally include depreciation on fixed assets, including equipment and leasehold improvements, and amortization of certain intangible assets for restaurants.

Interest Expense . Interest expense consists primarily of interest on our outstanding indebtedness and the amortization of our debt issuance costs, reduced by capitalized interest.

RESULTS OF OPERATIONS

The following table presents the consolidated statements of operations for the fiscal year ended December 30, 2012 and December 25, 2011, with each line item in dollars and as a percentage of revenue.

	Year over Year Results				Results as % of Revenue		
	Year Ended December 30 2012	Year Ended December 25 2011	Difference $	Difference %	Year Ended December 30 2012	Year Ended December 25 2011	Difference %
Food and beverage sales	$ 77,435,684	$ 60,657,475	$ 16,778,209	27.7%	100.0%	99.9%	0.1%
Franchise royalties and fees	11,524	50,000	(38,476)	-77.0%	0.0%	0.1%	-0.1%
Total revenue	77,447,208	60,707,475	16,739,733	27.6%	100.0%	100.0%	0.0%
Operating expenses							
Food, beverage, and packaging costs	24,117,399	17,486,880	6,630,519	37.9%	31.1%	28.8%	2.3%
Compensation costs	19,448,210	15,226,145	4,222,065	27.7%	25.1%	25.1%	0.0%
Occupancy	4,289,966	3,291,339	998,627	30.3%	5.5%	5.4%	0.1%
Other operating costs	15,008,171	11,854,581	3,153,590	26.6%	19.4%	19.5%	-0.1%
General and administrative expenses	6,585,908	5,023,212	1,562,696	31.1%	8.5%	8.3%	0.2%
Pre-opening costs	1,792,168	714,330	1,077,838	150.9%	2.3%	1.2%	1.1%
Depreciation and amortization	4,587,310	3,479,360	1,107,950	31.8%	5.9%	5.7%	0.2%
Loss on disposal of property and equipment	36,833	31,465	5,368	17.1%	0.0%	0.1%	0.0%
Total operating expenses	75,865,965	57,107,312	18,758,653	32.8%	98.0%	94.1%	3.9%
Operating profit	1,581,243	3,600,163	(2,018,920)	-56.1%	2.0%	5.9%	-3.9%
Change in fair value of derivative instruments	(43,361)	(246,818)	203,457	-82.4%	-0.1%	-0.4%	0.4%
Interest expense	(1,282,991)	(1,137,725)	(145,266)	12.8%	-1.7%	-1.9%	0.2%
Other income, net	20,081	366,497	(346,416)	-94.5%	0.0%	0.6%	-0.6%
Income before income taxes	274,972	2,582,117	(2,307,145)	-89.4%	0.4%	4.3%	-3.9%
Income tax provision (benefit)	(167)	586,086	(586,253)	-100.0%	0.0%	1.0%	-1.0%
Net income	275,139	1,996,031	(1,702,892)	-86.2%	0.4%	3.3%	-2.9%
Less: (Income) attributable to noncontrolling interest	(95,040)	(153,845)	58,805	-38.2%	-0.1%	-0.3%	0.1%
Net income attributable to DRH	$ 180,099	$ 1,842,186	$ (1,662,087)	-90.2%	0.2%	3.0%	-2.8%

FISCAL YEAR 2012 COMPARED WITH FISCAL YEAR 2011

Revenue

Total revenue for fiscal year 2012 was $77.4 million, an increase of $16.7 million, or 27.6%, over revenue generated during fiscal year 2011. The increase was attributable to $6.7 million from newer stores not meeting the criteria for same-store-sales, eight of which opened in 2012 (five Bagger Dave's restaurants and three BWW restaurants), $4.1 million in sales from the acquisition of eight BWW locations in late September, and $5.9 million from same-store-sales growth (including the additional week). Excluding the additional week for comparison, same-store-sales were up 7.6% for fiscal year 2012. Same-store-sales are defined as the year-over-year change in restaurant sales and are only applicable for restaurants that have operated for at least eighteen months.

Operating Expenses

Food, beverage, and packaging costs increased by $6.6 million, or 37.9%, to $24.1 million in fiscal year 2012 from $17.5 million in fiscal year 2011 as a result of the increase in the number of restaurants and inflationary factors. Food, beverage, and packaging cost as a percentage of sales increased to 31.1% in fiscal year 2012 from 28.8% in fiscal year 2011 primarily due to higher bone-in chicken wing costs and a lower wing-per-pound yield. Average cost per pound for bone-in chicken wings increased 62.8% to $1.97 in fiscal year 2012 from $1.21 in fiscal year 2011.

Compensation costs increased by $4.2 million, or 27.7%, to $19.4 million in fiscal year 2012 from $15.2 million in fiscal year 2011. The increase was primarily due to the increase in staffing required for the 16 new restaurants. Compensation costs as a percentage of sales have stayed consistent at 25.1% for fiscal year 2012 and fiscal year 2011 primarily due to the strong regulation of hours and labor cost at the store level.

Occupancy cost increased by $1.0 million, or 30.3%, to $4.3 million in fiscal year 2012 from $3.3 million in fiscal year 2011 primarily due to the increase in the number of restaurants. Occupancy cost as a percentage of sales increased slightly to 5.6% in fiscal year 2012 from 5.4% in fiscal year 2011.

Other operating costs increased by $3.2 million, or 26.6%, to $15.0 million in fiscal year 2012 from $11.9 million in fiscal year 2011 primarily due to the increase in the number of restaurants. Other operating costs as a percentage of sales decreased slightly to 19.4% in fiscal year 2012 from 19.5% in fiscal year 2011. Excluding non-recurring acquisition-related costs, other operating costs as a percentage of sales was approximately 18.9%.

General and administrative expenses increased by $1.6 million, up 31.1%, to $6.6 million in fiscal year 2012 from $5.0 million in fiscal year 2011 due to increased marketing and advertising costs demanded by the increase in the number of new restaurants, enhancements to the corporate staff to support the Company's growth plans, and non-recurring costs, most of which are related to the acquisition of eight BWW restaurants in September of 2012. General and administrative cost as a percentage of sales increased to 8.5% in fiscal year 2012 from 8.3% in fiscal year 2011. Excluding non-recurring costs, general and administrative cost as a percentage of sales was approximately 8.4% in fiscal year 2012.

Pre-opening costs increased by $1.1 million, or 150.9%, to $1.8 million in fiscal year 2012 from $0.7 million in fiscal year 2011. The increase in pre-opening costs was due to the timing and costs to open new restaurants during fiscal year 2012. The Company had eight new store openings in fiscal year 2012 versus six store openings in fiscal year 2011. As a percentage of sales, pre-opening costs increased to 2.3% in fiscal year 2012 from 1.2% in fiscal year 2011. The increase in percent of sales is a consequence of the increased number of new restaurant openings and an increased average pre-opening cost per restaurant primarily due to our Detroit, Michigan BWW location which, at 13,500 square-feet, is currently the nation's largest BWW.

Depreciation and amortization increased by $1.1 million, or 31.8%, to $4.6 million in fiscal year 2012 from $3.5 million in fiscal year 2011 primarily due to the increase in the number of restaurants. Depreciation and amortization as a percentage of sales increased slightly to 5.9% in fiscal year 2012 from 5.7% in fiscal year 2011.

Loss on disposal of property and equipment increased by $5,368, or 17.1%, to $36,833 in fiscal year 2012 from $31,465 in fiscal year 2011. The increase was primarily due to the fiscal year 2012 voluntary renovations, which resulted in the disposal of assets that were not yet fully depreciated. Loss on disposal of property and equipment as a percentage of sales remained consistent in fiscal year 2012 compared to fiscal year 2011.

Interest and Taxes

Interest expense was $1.3 million and $1.1 million during the years ended December 30, 2012 and December 25, 2011, respectively. In conjunction with our term loan from RBS in April 2012 and in September 2012, we paid off substantially all existing debt by refinancing it at a lower interest rate. Interest expense increased due to an increase in debt, offset by the refinancing of our existing debt at a lower rate.

In fiscal year 2012, we booked an income tax benefit of $167 compared with fiscal year 2011, when we booked an income tax provision of $586,086. The decrease in the provision was primarily due to the decrease in our pretax income and the generation of tax credits without regard to income.

Net Income

As a result of the above-mentioned factors, net income attributable to DRH decreased by $1.6 million, or 90.2%, to $180,099 from $1.8 million.

LIQUIDITY

Our principal sources of cash are net cash provided by operations and our $48.0 million credit facility entered into on September 25, 2012. We funded up to 80.0% of the construction and start-up costs of new Bagger Dave's and DRH-owned BWW restaurants with our development line of credit in 2012. We met all remaining capital requirements from operational cash flow. We believe that the cash flow from operations and the proceeds from this offering will be sufficient to meet our operational funding, development, and obligations for at least the next 12 months. To provide additional certainty that our liquidity requirements will be met, we have secured a $1.0 million working capital line of credit for working capital with RBS.

On September 25, 2012, we entered into a new senior secured credit facility which consists of a $37.0 million term loan, a $10.0 million development line of credit, and a $1.0 million revolving line of credit (the "September 2012 Credit Facility"). The term loan is for a term of five years. Payments of principal shall be based upon an 84-month straight-line amortization schedule, and the interest rate is one-month LIBOR plus an applicable margin, which ranges from 2.5% to 3.7% depending on the lease adjusted leverage ratio defined in the terms of the loan agreement. We used approximately $14.7 million of the term loan to complete the acquisition of the Indiana and Illinois Entities, approximately $2.5 million to purchase the Ansley Group, LLC membership interests, and approximately $15.2 million to repay our previous term loan and used approximately $3.3 million to refinance and term out the outstanding balance of the existing development line of credit loan between the Company and RBS. We used the remaining balance of the term loan to pay the fees and expenses associated with the above acquisitions and the September 2012 Credit Facility. Our September 2012 Credit Facility has debt covenants that have to be met on a quarterly basis.

We are currently in the process of negotiating an amended and expanded credit facility with a syndicate of banks led by RBS. If successfully completed this would increase our total credit availability to $63 million, comprised of up to $46 million in a term loan, up to $15 million in a development line of credit and up to $2 million in a revolving line of credit. There can be no assurances, however, that this new credit facility will be successfully completed.

CAPITAL RESOURCES

Long-Term Capital Requirements

Our capital requirements are primarily dependent upon the pace of our new restaurant growth plan. Our new restaurant growth plan is primarily dependent upon economic conditions, the real estate market, and resources to both develop and operate new restaurants. In addition to new restaurants, our capital expenditure outlays are also dependent on costs for maintenance, facility upgrades, capacity enhancements, information technology, and other general corporate capital expenditures.

Capital required to open a new restaurant is dependent on whether we build-out an existing leased space or build from the ground up. Our preference is to find leased space for new restaurant locations but depending on the real estate market in specific markets, we will take advantage of alternative strategies which may include land purchases, land leases, and ground up construction of a building to house our restaurant operation. Excluding land and building, we expect that the build-out of a new Bagger Dave's restaurant will, on average, require a total cash investment (including pre-opening expenses) of $950,000 to $1.2 million. Similarly, we expect that the build-out of a new DRH-owned BWW restaurant will require an estimated cash investment (including pre-opening expenses) of $1.3 million to $1.6 million. We expect to spend approximately $150,000 to $200,000 per restaurant for pre-opening expenses. Depending on individual lease negotiations, we may receive cash tenant incentives of up to $400,000. The projected cash investment per restaurant is based on recent opening costs and future projections and may fluctuate based on construction needs specific to new restaurant locations.

We target a cash on cash return on our initial total capital investment, excluding real estate investment (which includes land and building), of less than four years. Our current restaurant return ranges between two and a half and four years for our Bagger Dave's and DRH-owned BWW restaurants. The expected payback is primarily subject to how quickly we reach our target sales volume and the cost of construction. Real estate purchases and building costs are excluded from our expected return since the majority of our restaurants are leased and purchased real estate is not a part of our core operations. We separate the analysis and decisions on real estate projects from new restaurant projects, despite the fact that we have no plans for real estate projects without an associated new restaurant opening.

Total capital expenditures for fiscal year 2012 were approximately $15.7 million, of which $14.5 million was for new construction, $700,000 was for real estate, and $500,000 was for upgrades to existing restaurants.

For 2013, we estimate capital expenditures to range between $22.5 million and $26.0 million, net of agreed-upon tenant incentives and including approximately $1.8 million to $2.1 million of restaurant pre-opening expenses. Estimated allocations of these capital expenditure projections are $8.0 million to $9.5 million for the opening of seven to eight new Bagger Dave's, $5.5 million to $6.5 million for the opening of three to four new DRH-owned BWW, $3.0 million to $3.5 million for real estate (including the purchase of land and construction of buildings) associated with new restaurant openings and $4.2 million to $4.4 million for restaurant remodels, upgrades, relocations, and general corporate purposes.

Opening new restaurants, including real estate investments, is our primary use of capital, and is estimated to be over 80.0% of our capital expenditures in 2013. Our 2013 new restaurant development plan currently includes the following locations, where we have either entered into a lease agreement or purchased real estate. Some of these locations are currently under construction.

- Sault Ste. Marie, Michigan (DRH-owned BWW) – scheduled to open in Q2 2013
- Lapeer, Michigan (DRH-owned BWW) – scheduled to open in Q2 2013
- Grand Rapids, Michigan (Bagger Dave's) – scheduled to open in Q2 2013
- Avon, Indiana (Bagger Dave's) – scheduled to open in Q2 2013
- Detroit, Michigan (Bagger Dave's) – scheduled to open in Q3 2013

In addition to the five locations listed above, we plan to open at least five new Bagger Dave's and DRH-owned BWW locations in Michigan and Indiana in 2013.

Short-Term Capital Requirements

Our operations have not required significant working capital and, like many restaurant companies, we operate with negative working capital. Restaurant sales are primarily paid for in cash or by credit card, and restaurant operations do not require significant inventories or receivables. We have secured a $1.0 million working capital line of credit with RBS to cover any working capital constraints.

Mandatory Upgrades

There were no mandatory remodels for our DRH-owned BWW locations in fiscal year 2012. We have one mandatory remodel of an existing DRH-owned BWW restaurant in 2013 which we intend to fund with cash from operations.

Discretionary Upgrades

In fiscal year 2012, we invested additional capital to provide minor upgrades to a number of its existing locations. These improvements primarily consisted of audio/visual equipment upgrades, patio upgrades, and point-of-sale system upgrades. As a part of our overall strategy, we will continue to invest in discretionary upgrades in our restaurants in 2013. These upgrades, in 2013, are comprised of audio/visual equipment upgrades, new signage, kitchen equipment upgrades, and general corporate needs including technology upgrades and a potential corporate office relocation. In addition, we may choose to leverage lease expirations to relocate current restaurants to new locations which we believe would increase guest traffic and promote additional sales growth.

OFF-BALANCE SHEET ARRANGEMENTS

We assumed, from a related entity, an area development agreement with BWLD to open 23 BWW restaurants by October 1, 2016 within the designated "development territory," as defined by the agreement. Failure to develop restaurants in accordance with the schedule detailed in the agreement could lead to potential penalties of $50,000 for each undeveloped restaurant and loss of rights to the development territory. On December 10, 2008, DRH, through its wholly-owned subsidiary, AMC Wings, Inc., entered into an amendment to the area development agreement with BWLD. The amended area development agreement expanded our exclusive franchise territory in Michigan and extended, by one year, the time frame for completion of our obligations under the initial terms of the area development agreement. The amended area development agreement included the right to develop an additional nine BWW restaurants, which increased the total number of BWW restaurants we have a right to develop, per the amended area development agreement, to 32. We have until November 1, 2017 to complete our development obligations under the amended area development agreement. As of December 30, 2012, 19 of these restaurants had been opened for business under the amended area development agreement and 13 have yet to be developed. Assuming that we fulfill our obligations under the amended area development agreement to open these 13 restaurants, we expect our total BWW restaurant count to be 47 by 2017, consisting of six restaurants opened prior to the area development agreement; nine restaurants acquired in September 2012 (which included eight existing restaurants and the right to develop a ninth); and 32 restaurants developed under the area development agreement as amended.

Inflation

Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the costs of key operating resources, including food and other raw materials, labor, energy, and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our restaurant guests. The impact of inflation on food, labor, energy, and occupancy costs can significantly affect the profitability of our restaurant operations.

All of our restaurant staff members are paid hourly rates related to the federal minimum wage. In fiscal 2007, Congress enacted an increase in the federal minimum wage implemented in two phases, beginning in fiscal 2007 and concluding in fiscal 2009. In addition, numerous state and local governments increased the minimum wage within their jurisdictions, with further state minimum wage increases going into effect in fiscal 2010. Certain operating costs, such as taxes, insurance, and other outside services continue to increase with the general level of inflation or higher and may also be subject to other cost and supply fluctuations outside of our control.

While we have been able to partially offset inflation and other changes in the costs of key operating resources by gradually increasing prices for our menu items, more efficient purchasing practices, productivity improvements, and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our menu pricing flexibility. In addition, macroeconomic conditions could make additional menu price increases imprudent. There can be no assurance that all future cost increases can be offset by increased menu prices or that increased menu prices will be fully absorbed by our restaurant guests without any resulting changes in their visit frequencies or purchasing patterns. A majority of the leases for our restaurants provide for contingent rent obligations based on a percentage of revenue. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

Critical Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of DRH and our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

We consolidate all variable interest entities ("VIE") where we are the primary beneficiary. For VIE, we assess whether we are the primary beneficiary as prescribed by the accounting guidance on the consolidation of VIE. The primary beneficiary of a VIE is the party that has the power to direct the activities that most significantly impact the performance of the entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. Prior to our acquisition of 100.0% of its membership interests on September 25, 2012, we consolidated Ansley Group, LLC because we leased and maintained substantially all of its assets to operate our Clinton Township, Michigan BWW restaurant and we guaranteed all of its debt. See Note 2 to the accompanying notes to the consolidated financial statements for more details.

Property and Equipment

Property and equipment are recorded at cost. Major improvements and renewals are capitalized. Land is not depreciated. Buildings are depreciated using the straight-line method over the estimated useful life, which is typically 39 years. Equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the term of the lease, with consideration of renewal options if renewals are reasonably assured because failure to renew would result in an economic penalty, or the estimated useful lives of the assets, which is typically 5 to 15 years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

Restaurant construction in progress is not amortized or depreciated until the related assets are placed into service. We capitalize, as restaurant construction in progress, costs incurred in connection with the design, build out, and furnishing of its restaurants. Such costs consist principally of leasehold improvements, directly related costs such as architectural and design fees, construction period interest (when applicable), and equipment, furniture and fixtures not yet placed in service.

We review property and equipment, along with other long-lived assets, subject to amortization, for impairment whenever events or changes in circumstances indicate that a potential impairment has occurred. During the years ended December 30, 2012 and December 25, 2011, there were no impairments recorded.

Intangible Assets

Amortizable intangible assets consist of franchise fees, trademarks, non-compete agreements, favorable and unfavorable leases, and loan fees and are amortized to operating expense on a straight-line basis over the term of the related underlying agreements or to approximate the effective interest method based on the following:

Franchise fees	10 - 20 years
Trademarks	15 years
Non-compete agreements	3 years
Favorable and unfavorable leases	lease term (7 - 16 years)
Loan fees	loan term (5 – 7 years)

Liquor licenses, also a component of intangible assets, are deemed to have an indefinite life and, accordingly, are not amortized. Management reviews liquor license assets on an annual basis (at year end) to determine whether carrying values have been impaired. During the periods ended December 30, 2012 and December 25, 2011, respectively, no impairments relating to intangible assets were recognized.

Goodwill

Goodwill represents expected synergies from the merger of operations and intangibles assets that do not qualify for separate recognition. Goodwill is not amortized and represents the excess of cost over the fair value of identified net assets of businesses acquired. Measurement of goodwill at initial recognition is described in Note 2 to the consolidated financial statements. Goodwill is subject to an annual impairment analysis, where it is subsequently measured at cost less accumulated impairment losses.

The impairment analysis of goodwill consists first of a review of various qualitative factors of the identified reporting units to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, including goodwill. This review includes, but is not limited to, an evaluation of the macroeconomic, industry, or market, and cost factors relevant to the reporting unit as well as financial performance and entity or reporting unit events that may affect the value of the reporting unit. If this review leads to the determination that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, further impairment testing is not required. However, if this review cannot support a conclusion that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, or at our discretion, quantitative impairment steps are performed.

The quantitative portion of the impairment test consists of a two-step process, if necessary. The first step is to compare the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of goodwill with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. All goodwill was considered recoverable as of December 30, 2012 based on our qualitative analysis.

Interest Rate Swap Agreements

We utilize interest rate swap agreements with a bank to fix interest rates on a portion of our portfolio of variable rate debt, which reduces exposure to interest rate fluctuations. We do not use any other types of derivative financial instruments to hedge such exposures, nor does it use derivatives for speculative purposes.

Prior to the debt restructure on April 2, 2012, our interest rate swap agreements did not qualify for hedge accounting. As such, we recorded the change in the fair value of the swap agreements in change in fair value of derivative instruments on the consolidated statements of operations. The interest rate swap agreements in effect at December 30, 2012 do qualify for hedge accounting. For interest rate swap agreements that qualify for hedge accounting, we record the change in the fair value of the swap agreement as a component of accumulated other comprehensive income (loss), net of tax. We record the fair value of our interest rate swaps on the balance sheet in other assets or other liabilities depending on the fair value of the swaps.

BUSINESS

Business Overview

DRH is a fast-growing restaurant company operating two complementary concepts: Bagger Dave's Legendary Burger Tavern® ("Bagger Dave's") and Buffalo Wild Wings® ("BWW"). As the creator, developer, and operator of Bagger Dave's and as one of the largest franchisees of BWW, we provide a unique guest experience in a casual and inviting environment. We are committed to providing value to our guests through offering generous portions of flavorful food in an upbeat and entertaining atmosphere. We believe Bagger Dave's and DRH-owned BWW are uniquely-positioned restaurant brands designed to maximize appeal to our guests. Both restaurant concepts offer competitive price points and a family-friendly atmosphere, which we believe enables consistent performance through economic cycles. We were incorporated in 2006 and are headquartered in the Detroit metropolitan area. As of the date of this prospectus, we had 45 locations in Florida, Illinois, Indiana, Michigan, and Missouri. Of those restaurants, 44 are corporate owned and one is franchised by a third party.

Our roots can be traced to 1999, when our founder, President, CEO, and Chairman T. Michael Ansley opened his first BWW restaurant in Sterling Heights, Michigan. By late 2004, Mr. Ansley and his business partners owned and operated seven BWW franchised restaurants and formed AMC Group, LLC as an operating center for those locations. In 2006, DRH was formed and several entities, including AMC Group, LLC, were reorganized to provide the framework and financial flexibility to grow as a franchisee of BWW and to develop and grow our Bagger Dave's concept. In 2008, we became public by completing a self-underwritten initial public offering for approximately $735,000 and 140,000 shares.

Mr. Ansley has received various awards from BWLD, including awards for highest annual restaurant sales and operator of the year. In September 2007, Mr. Ansley was awarded Franchisee of the Year by the International Franchise Association ("IFA"). The IFA's membership consists of over 12,000 franchisee members and over 1,000 franchisor members.

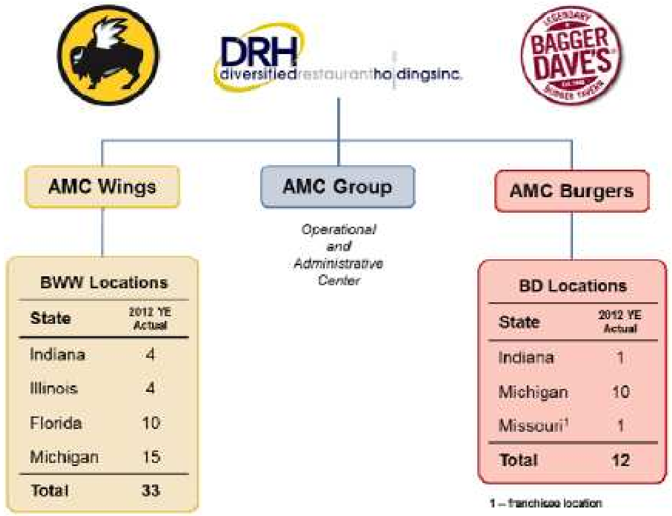
Today, DRH and its wholly-owned subsidiaries, including AMC Group, Inc. ("AMC"), AMC Wings, Inc. ("WINGS"), and AMC Burgers, Inc. ("BURGERS"), develop, own, and operate Bagger Dave's and DRH-owned BWW restaurants located throughout Florida, Illinois, Indiana, Michigan, and Missouri.

DRH originated the Bagger Dave's® concept with our first restaurant opening in January 2008 in Berkley, Michigan. Currently, there are 10 corporate-owned Bagger Dave's in Michigan, one corporate-owned Bagger Dave's in Indiana, and one franchised location in Missouri. The Company plans to operate approximately 50 Bagger Dave's corporate-owned locations by the end of 2017.

DRH is also one of the largest BWW franchisees and currently operates 33 DRH-owned BWW restaurants (15 in Michigan, 10 in Florida, four in Illinois, and four in Indiana), including the nation's largest BWW, based on square footage, in downtown Detroit, Michigan. T. Michael Ansley, our President, CEO, and Chairman of the Board, is the recipient of various franchise awards, including BWW awards for the highest annual restaurant sales in 2006, 2005, and 2004. We remain on track to fulfill our area development agreement with BWLD. We also recently purchased the rights to develop another location in Indiana. Per the area development agreement with BWLD, we expect to operate 47 DRH-owned BWW by the end of 2017.

The following organizational chart outlines the corporate structure of DRH. A brief textual description of the entities follows the organizational chart. DRH is incorporated in Nevada.

Diversified Restaurant Holdings, Inc. & Subsidiaries Corporate Structure



AMC was formed on March 28, 2007 and serves as our operational and administrative center. AMC renders management, operational support, and advertising services to WINGS and its subsidiaries and BURGERS and its subsidiaries. Services rendered by AMC include marketing, restaurant operations, restaurant management consultation, hiring and training of management and staff, and other management services reasonably required in the ordinary course of restaurant operations.

WINGS was formed on March 12, 2007 and serves as a holding company for our DRH-owned BWW restaurants. We are economically dependent on retaining our franchise rights with BWLD. The franchise agreements have specific initial term expiration dates ranging from January 29, 2014 through December 18, 2032, depending on the date each was executed and the duration of its initial term. The franchise agreements are renewable at the option of the franchisor and are generally renewable if the franchisee has complied with the franchise agreement. When factoring in any applicable renewals, the franchise agreements have specific expiration dates ranging from January 29, 2019 through December 15, 2047. We believe we are currently in compliance with the terms of these agreements.

BURGERS was formed on March 12, 2007 and serves as a holding company for our Bagger Dave's restaurants. Bagger Dave's Franchising Corporation, a subsidiary of BURGERS, was formed to act as the franchisor for the Bagger Dave's concept and has rights to franchise in Illinois, Indiana, Kentucky, Michigan, Missouri, Ohio, and Wisconsin. We do not intend to pursue significant franchisee development at this time.

Our headquarters are located at 27680 Franklin Road, Southfield, Michigan 48034. Our telephone number is (248) 223-9160.   We can also be found on the internet at www.diversifiedrestaurantholdings.com and www.baggerdaves.com .

Background

Restaurant Concepts

Bagger Dave's Legendary Burger Tavern®

Bagger Dave's is our first initiative to diversify our operations outside of the BWW concept by developing our own unique, full-service, ultra-casual restaurant and bar concept, which was launched in January 2008. We have worked to create a concept with a warm, inviting, and entertaining atmosphere through friendly and memorable guest service.

Bagger Dave's offers a full-service, family-friendly, ultra-casual restaurant and bar with a comfortable, cozy, local "corner tavern" atmosphere. The menu features freshly-made, never frozen burgers, accompanied by more than 30 toppings from which to choose, fresh-cut fries, hand-dipped milkshakes, and a selection of craft beer and wine. Signature items include Sloppy Dave's BBQ®, Train Wreck Burger®, and Bagger Dave's Amazingly Delicious Turkey Black Bean Chili®. The concept focuses on local flair with the interior showcasing historic photos of the city in which the restaurant resides. It also features an electric train that runs above the dining room and bar areas.

The guiding principle of the Bagger Dave's brand is to delight guests. The burgers are made from a USDA, fresh premium ground beef blend with no trimmings or from Michigan fresh ground turkey. The burgers come in "Regular" (two patties) or "Small" (one patty) versions on fresh buns. Guests can choose from burger "Legends" including the Train Wreck Burger®, the Blues Burger®, and Sloppy Dave's BBQ®. Guests also have the freedom to "Create Your Own Legend" which allows them to totally customize their burger by choosing from a variety of buns and more than 30 toppings, including custom, house-made sauces presenting bold and exciting new flavors. Burger toppings include various cheeses, bacon, egg, guacamole, and a variety of complementary toppings: sautéed mushrooms and onions, barbecue sauce, steak sauce, and other standard condiments.

Beyond legendary burgers, Bagger Dave's offers Amazingly Delicious Turkey Black Bean Chili®, a Veggie Black Bean burger, a grilled cheese sandwich, a BLT sandwich, salads, and fresh-cut fries. The fries are cut in-house from domestic Northeastern potatoes and cooked in cottonseed soy bean specialty oil, using a seven-step Belgian-style process producing a fry reminiscent of those served at community fairs. The Company also offers Dave's Sweet Potato Chips®, a Bagger Dave's specialty using fresh-cut premium sweet potatoes from North Carolina. Guests can choose from our own signature dipping sauces of honey/cinnamon/sea salt mix or honey mustard. Bagger Dave's also offers hand-dipped ice cream and milkshakes with a variety of free mix-ins.

To reinforce the Bagger Dave's name and brand, our burgers, sandwiches, and fries/chips are wrapped in natural, brown bags decorated with our logo and served in a cake tin.

Currently, there are 10 corporate-owned restaurants in Michigan, one corporate-owned restaurant in Indiana, and one franchised location in Missouri.

Buffalo Wild Wings

With 33 DRH-owned BWW restaurants, we are one of the largest franchisees for BWLD, which, as of December 30, 2012, reported more than 891 BWW restaurants in North America that were either directly owned or franchised. The restaurants feature a variety of boldly-flavored, craveable menu items in a welcoming neighborhood atmosphere with an extensive multi-media social environment, a full bar, and an open layout designed to create a distinctive dining experience for sports fans and families alike. We believe the restaurants are differentiated by the social environment we create and the connection the restaurants make with our team members, guests, and the local community. The inviting and energetic environment of the restaurants is complemented by furnishings that can easily be rearranged to accommodate parties of various sizes. Guests have the option of watching various sporting events on projection screens or approximately 50 additional televisions, competing in Buzztime Trivia, or playing video games.

BWW restaurants have won dozens of "Best Wings" and "Best Sports Bar" awards across the country. We believe the BWW menu is competitively priced between the quick-casual and casual dining segments, featuring traditional chicken wings, boneless wings, and other items including chicken tenders, Wild Flatbreads™, popcorn shrimp, specialty hamburgers and sandwiches, wraps, Buffalito® soft tacos, appetizers, and salads. The made-to-order menu items are enhanced by the bold flavor profile of 16 signature sauces and five signature seasonings, which range in flavor from Sweet BBQ® to Blazin'®. The restaurants offer approximately 12 to 24 domestic and imported beers on tap, including several local or regional micro-brews and a wide selection of bottled beer, wine, and liquor. We believe the award-winning food and memorable experience drives guest visits and loyalty. For fiscal year 2012, our average DRH-owned BWW restaurant derived approximately 78.9% of its revenue from food and 21.1% of its revenue from alcohol sales, primarily draft beer.

Currently, we have 33 DRH-owned BWW restaurants (15 in Michigan, 10 in Florida, four in Illinois, and four in Indiana), including the nation's largest BWW, based on square footage, in downtown Detroit, Michigan.

Significant Transactions

Recent Acquisitions

On September 25, 2012, we completed the acquisition of substantially all of the assets of Crown Wings, Inc., Brewsters, Inc., Valpo Wings, Inc., Buffaloville Wings, Inc., and Hammond Wings, Inc., each an Indiana corporation, and Homewood Wings, Inc., Cal City Wings, Inc., Lansing Wings, Inc., and Lincoln Park Wings, Inc., each an Illinois corporation (collectively, the "Indiana and Illinois Entities"). The acquired assets consist of four BWW restaurants operating in Indiana and four operating in Illinois along with the right to develop a fifth BWW restaurant in Indiana.

We believe that this acquisition expands the scope of our operations, adds a number of new markets to our existing footprint, and strategically positions us for future expansion throughout the Midwest. Our near-term focus will be to integrate the acquired restaurants and realize the opportunities to improve their operating and financial performance. Longer term, we look to leverage this acquisition by expanding our Bagger Dave's concept within the same footprint. We commenced this effort by opening our first Bagger Dave's restaurant in Indiana on December 9, 2012.

On September 25, 2012, we also acquired 100.0% of the membership interests in the Ansley Group for approximately $2.5 million. The Ansley Group is the owner of a parcel of real estate located at 15745 15 Mile Road, Clinton Township, Michigan 48035, where our Clinton Township DRH-owned BWW restaurant is located (the "Clinton Township Property"). As a result of this acquisition, we have acquired full ownership rights in the Clinton Township Property. The Ansley Group was owned by T. Michael Ansley and Thomas D. Ansley. T. Michael Ansley is the President, CEO, and Chairman of the Board and a principal stockholder of the Company. See "Related Party Transactions."

On February 1, 2010, we, through our WINGS subsidiary, acquired nine affiliated BWW restaurants we previously managed ("Affiliates Acquisition"). We paid the purchase price for each of the affiliated restaurants to certain principal stockholders by issuing an unsecured promissory note for the pro-rata value of the equity interest in the affiliated restaurants. The promissory notes bear interest at 6.0% per year, mature on February 1, 2016, and are payable in quarterly installments, with principal and interest fully amortized over six years. Effective April 2, 2012, as a result of a senior secured credit facility with RBS executed by us, this debt was paid off in its entirety. Please see also the section entitled "Related Party Transactions."

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805-50, Business Combinations: Transactions Between Entities Under Common Control, we accounted for the Affiliates Acquisition, a transaction between entities under common control, as if the transaction had occurred at the beginning of the period (*i.e* ., December 28, 2009) using the historical cost basis of the acquired affiliates. Further, fiscal year 2009 financial results have been retrospectively adjusted to furnish comparative information while the entities were under common control.

Senior Secured Credit Facility

On September 25, 2012, we entered into a senior secured credit facility with RBS (the "September 2012 Credit Facility"). The September 2012 Credit Facility consists of a $37.0 million term loan ("Term Loan"), a $10.0 million development line of credit, and a $1.0 million revolving line of credit.

We immediately used approximately $15.2 million of the Term Loan to refinance existing outstanding debt with RBS and used approximately $3.3 million of the Term Loan to refinance and term out the outstanding balance of the existing development line of credit loan between us and RBS. Additionally, on September 25, 2012 we used approximately $14.7 million of the Term Loan to complete the acquisition of the Indiana and Illinois Entities and approximately $2.5 million of the Term Loan to purchase 100.0% of the membership interests in the Ansley Group. We used the remaining balance of the Term Loan, approximately $1.3 million, to pay the fees and expenses associated with the above acquisitions and the September 2012 Credit Facility.

The Term Loan is for a term of five years. Payments of principal shall be based upon an 84-month, straight-line amortization schedule, with monthly principal payments of $440,476 plus accrued interest. The interest rate for the Term Loan is LIBOR plus an applicable margin, which ranges from 2.5% to 3.7%, depending on the lease adjusted leverage ratio defined in the terms of the loan agreement. The entire remaining outstanding principal and accrued interest on the Term Loan is due and payable on the Term Loan maturity date of September 25, 2017.

Growth Strategy

One of our guiding principles is that a happy team member translates into a happy guest. A happy guest drives repeat sales and word-of-mouth referrals – two key factors that we believe are fundamental to our sales growth strategy. We believe that our core areas of expertise include site selection, development, management, quality guest service, and operations. We plan to grow by increasing the number of restaurants in each of the two concepts we currently offer. We target opening a minimum of 10 new restaurants per year. We expect that our new restaurant growth will be weighted towards Bagger Dave's locations in the foreseeable future.

We closed our fiscal year 2010 with three Bagger Dave's restaurants. By the end of fiscal year 2011, we doubled our Bagger Dave's restaurants to six locations, which grew to 11 corporate-owned locations and one franchised location by the end of 2012. As we believe our Bagger Dave's concept has proven to be successful thus far, we plan to grow throughout the Midwest and, ultimately, nationally. We believe that, with 11 corporate locations currently operating and one franchised location today, we are well positioned to grow throughout the Midwest and ultimately nationally. We expect to open additional restaurants if suitable locations are found and appropriate financing can be secured. We plan to operate approximately 50 Bagger Dave's corporate locations by the end of 2017.

We currently operate 33 DRH-owned BWW restaurants: 15 in Michigan, 10 in Florida, four in Illinois, and four in Indiana. We have opened 19 DRH-owned BWW restaurants in fulfillment of our 32-store area development agreement with franchisor BWLD. Building out the remaining 13 restaurants under the area development agreement agreement and the additional location in Indiana, which was acquired in conjunction with the eight BWW restaurant acquisition in September 2012, will result in us operating 47 DRH-owned BWW restaurants by 2017.

A center point in our expansion plan was opening the largest BWW, by square-footage, in downtown Detroit, Michigan, on December 23, 2012, to take advantage of the energy and positivity surrounding the revitalization and rebuilding of downtown Detroit. It occupies two stories in the Odd Fellow Building and is within walking distance of Ford Field, Comerica Park, and Joe Louis Arena.   According to a recent New York Times article, in the last 10 years, Downtown Detroit has experienced a 59.0% increase in the number of college-educated residents under the age of 35, creating a culture of trendy bars and restaurants. Also driving the revitalization efforts is Detroit's "15 by 15" initiative, a program focused on getting 15,000 young and talented households to move Downtown by 2015.

Site Selection

We conduct extensive analysis to determine the location of each new restaurant. Proximity to businesses (office buildings, movie theaters, manufacturing plants, hospitals, etc.) and leveraging high-traffic venues are a key success criteria for our business.

For our restaurants, we prefer a strong end-cap position, which is a premier, highly visible corner positioning in a strip center, in a well-anchored shopping center or lifestyle entertainment center. Movie theaters are also a major traffic driver for both of our brands. Six of our DRH-owned BWW locations are directly beside or in front of a movie theater. However, we do not rule out freestanding locations if the opportunity meets certain economic criteria. Currently, we operate 13 restaurants located in stand-alone buildings.

Restaurant Operations

We believe that retaining high quality restaurant managers, valuing our team members, and providing fast, friendly service to our guests are key to our continued success. In order to retain our unique culture as we grow, we devote substantial resources to identifying, selecting, and training our restaurant-level team members. We typically have six in-store trainers at each existing location who provide both front- and back-of- house training on site. We also have a seven-week training program for all of our restaurant managers, which consists of an average of four weeks of restaurant training and three weeks of cultural training, and in which managers observe our established restaurants' operations and guest interactions. We believe our focus on guest-centric training is a core aspect of our Company and reinforces our mission to delight our guests.

Management and Staffing

The core values that define our corporate culture are cleanliness, service, and organization. Our restaurants are generally staffed with one managing partner and up to four assistant managers depending on the sales volume of the restaurant. The managing partner is responsible for day-to-day operations and for maintaining the standards of quality and performance that define our corporate culture. We utilize regional managing partners to oversee our managing partners and supervise the operation of our restaurants, including the continuing development of each restaurant's management team. Through regular visits to the restaurants and constant communication with the management team, the regional managing partners ensure adherence to all aspects of our concept, strategy, and standards of quality. We also have secret shoppers that visit our restaurants on a monthly basis and provide guest satisfaction scores for the criteria we define.

Training, Development, and Recruiting

We believe that successful restaurant operations, guest satisfaction, quality, and cleanliness begin with the team member - a key component of our strategy. We pride ourselves on facilitating a well-organized, thorough, hands-on training program. Our team members undergo classroom training followed by job shadowing in order to prepare them for their role.

We offer a competitive incentive program which we believe is unparalleled in the restaurant industry. Aside from competitive base salaries and benefits, management is incentivized with a performance-based bonus program. We also provide group health, dental, and vision insurance, a company-sponsored 401(k) plan with a matching contribution feature, a tuition reimbursement program, a referral bonus program, and opportunities for career advancement.

We emphasize growth from within the organization as much as possible, giving our team members the opportunity to develop and advance. We believe this philosophy helps build a strong, loyal management team with above-industry-standard team member retention rates, giving us a competitive advantage over our competitors. We strive for a balance of internal promotion and external hiring.

Restaurants

Our Bagger Dave's restaurants range in size from 3,800 to 4,900 square feet, with a historic square foot average of 4,300. We anticipate that future restaurants will be approximately 4,500 to 4,900 square feet in size with an outside seating area where feasible. We anticipate an average cash investment per restaurant of approximately $950,000 to $1.2 million, including pre-opening expenses. From time to time, our restaurants may be smaller or larger or cost more or less than our targeted range, depending on the particular circumstances of the selected site. Also, from time to time, we may elect to purchase either the building or the land and building for certain restaurants, which would require additional capital. We plan to continue development of this concept in the Detroit metropolitan market, Grand Rapids market, and Indianapolis market and then expand it throughout the Midwest.

Our DRH-owned BWW restaurants range in size from 5,300 to 13,500 square feet, with a historical square foot average of 6,400. We anticipate that future restaurants will range in size from 5,500 to 6,500 square feet with an average cash investment per restaurant of approximately $1.3 million to $1.6 million, including pre-opening expenses. From time to time, our restaurants may be smaller or larger or cost more or less than our targeted range, depending on the particular circumstances of the selected site. Also, from time to time, we may elect to purchase either the building or the land and building for certain restaurants, which would require additional capital. We have a continuous capital improvement plan for our restaurants and plan major renovations every five years. Twenty-five of our 33 DRH-owned BWW restaurants are current with Generation 4.1 design criteria, BWLD's most recent design criteria. For a more detailed discussion of our capital improvement plans, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and specifically, the subsections entitled "Liquidity" and "Capital Resources".

Quality Control and Purchasing

We strive to maintain high quality standards, protecting our food supply at all times.

Our purchasing operations for DRH-owned BWW restaurants are primarily through channels established by BWLD corporate operations. We do, however, negotiate directly with most of these channels as to price and delivery terms. Where we purchase directly, we seek to obtain the highest quality ingredients, products, and supplies from reliable sources at competitive prices. For Bagger Dave's, we believe that we have been able to leverage our DRH-owned BWW purchasing power to develop supply sources at a more reasonable cost than would be expected for a smaller restaurant concept.

To maximize our purchasing efficiencies, our centralized purchasing staff negotiates, when available, fixed-price contracts (usually for a one-year period) or, where appropriate, commodity-price contracts.

Marketing and Advertising

In fiscal year 2012 and fiscal year 2011, we spent approximately 2.0% of all restaurant sales on marketing efforts. In addition, charitable donations and local community sponsorships help us develop local public relations and are a major component of our marketing efforts. We support programs that build traffic at the grass roots level. We also participate in numerous local restaurant marketing events for both DRH-owned BWW and Bagger Dave's throughout the communities we serve.

Bagger Dave's

The advertising and marketing plan for developing the Bagger Dave's brand relies on local media, menu specials, promotions, and community events. We are also building our marketing reach with our current guests by enhancing our social media presence. We attribute a large part of our Bagger Dave's growth through word-of-mouth.

BWW

We pay a marketing fee to BWLD equal to 3.0% of revenue, which is supported by national advertising designed to build brand awareness. Some examples include television commercials on ESPN and CBS during key periods, such as football season and the March Madness NCAA basketball tournaments. In addition, we invest in our own marketing initiatives, including 0.5% of DRH-owned BWW revenue which is allocated to a regional cooperative of BWW franchisees in the Detroit metropolitan area (for those DRH-owned BWW restaurants in the Detroit metropolitan area). We established the DRH-owned BWW restaurants in the Florida and Michigan markets through coordinated local restaurant marketing efforts and operating strengths that focus on the guest experience.

Information Technology

We believe that technology can help provide a competitive advantage and enable our strategy for growth through efficient restaurant operations, information analysis, and ease and speed of guest service. We have a standard point-of-sale system in all of our restaurants that is integrated to our corporate office. The systems are designed to improve operating efficiencies, enable rapid analysis of marketing and financial information, and reduce administrative time. Recently, we launched online ordering for our Bagger Dave's restaurants.

Competition

The restaurant industry is highly competitive. We believe we compete primarily with local and regional sports bars and national casual dining and quick-casual establishments. Competition is expected to remain intense with respect to price, service, location, concept, and type and quality of food. There is also competition for real estate sites, qualified management personnel, and hourly restaurant staff. Many of our competitors have been in existence longer than we have and may be better established in markets where we are currently located or may, in the future, be located. Accordingly, we strive to continually improve our restaurants, maintain high quality standards, and treat our guests in a manner that encourages them to return. We believe our pricing communicates value to the guest in a comfortable, welcoming atmosphere that provides full service to the guest.

Employees

As of the date of this prospectus, we have approximately 2,200 total team members, of which approximately 960 are full-time team members. We strive to internally promote our personnel and provide highly competitive wages and benefits. We value our team members and their input and believe this philosophy contributes to a low turnover ratio, even at the hourly-wage level, relative to industry standards.

Trademarks, Service Marks, and Trade Secrets

The BWW registered service mark is owned by BWLD.

Our domestically-registered trademarks and service marks include Bagger Dave's Legendary Burger Tavern®, Bagger Dave's Legendary Burgers & Fries®, Bagger Dave's®, Make a Fresh Start Here®, Dave's Sloppy BBQ®, Sloppy Dave's BBQ®, Railhouse Burger Sauce®, The Blues Burger®, Train Wreck Burger®, Dave's Sweet Potato Chips®, Meaningless Free Toppings®, Sloppy Dave's Fries®, and Amazingly Delicious Turkey Black Bean Chili®. We place considerable value on our trademarks, service marks, trade secrets, and other proprietary rights and believe they are important to our brand-building efforts and the marketing of our Bagger Dave's® restaurant concept. We intend to actively enforce and defend our intellectual property, however, we cannot predict whether the steps taken by us to protect our proprietary rights will be adequate to prevent misappropriation of these rights or the use by others of restaurant features based upon or similar to our concepts. Although we believe we have sufficient protections concerning our trademarks and service marks, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand.

Government Regulations

The restaurant industry is subject to numerous federal, state, and local governmental regulations, including those relating to the preparation and sale of food and alcoholic beverages, sanitation, public health, fire codes, zoning, and building requirements and to periodic review by state and municipal authorities for areas in which the restaurants are located. Each restaurant requires appropriate licenses from regulatory authorities allowing it to sell beer, wine, and liquor and each restaurant requires food service licenses from local health authorities. Our licenses to sell alcoholic beverages must be renewed annually and may be suspended or revoked at any time for cause, including violation by us or our team members of any law or regulation pertaining to alcoholic beverage control, such as those regulating the minimum age of team members or patrons who may serve or be served alcoholic beverages, the serving of alcoholic beverages to visibly intoxicated patrons, advertising, wholesale purchasing, and inventory control. In order to reduce this risk, restaurant team members are trained in standardized operating procedures designed to assure compliance with all applicable codes and regulations. We have not encountered any material problems relating to alcoholic beverage licenses or permits to date.

We are also subject to laws governing our relationship with team members. Our failure to comply with federal, state, and local employment laws and regulations may subject us to losses and harm our brands. The laws and regulations govern such matters as wage and hour requirements; workers' compensation insurance; unemployment and other taxes; working and safety conditions; overtime; and citizenship and immigration status. Significant additional government-imposed regulations under the Fair Labor Standards Act and similar laws related to minimum wages, overtime, rest breaks, paid leaves of absence, and mandated health benefits may also impact the performance of our operations. In addition, team member claims based on, among other things, discrimination, harassment, wrongful termination, wage, hour requirements, and payments to team members who receive gratuities, may divert financial and management resources and adversely affect operations. The losses that may be incurred as a result of any violation of such governmental regulations by the Company are difficult to quantify. To our knowledge, we are in compliance in all material respects with all applicable federal, state, and local laws affecting our business.

Compliance with these laws and regulations may lead to increased costs and operational complexity and may increase our exposure to governmental investigations or litigation. We may also be subject, in certain states, to “dram-shop” statutes, which generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. We carry liquor liability coverage as part of our existing comprehensive general liability insurance which we believe is consistent with coverage carried by other companies in the restaurant industry of similar size and scope of operations. Even though we carry liquor liability insurance, a judgment against us under a “dram shop” statute in excess of our liability coverage could have a material adverse effect on our operations.

PROPERTIES

Our main office is located at 27680 Franklin Road, Southfield, Michigan 48034 and our telephone number is (248) 223-9160. Our main office has approximately 5,340 square feet of office space. We occupy this facility under a lease that terminates on May 31, 2014, with two options to extend the lease for a period of two years each. As of March 27, 2013, we operated 44 Company-owned restaurants, 41 of which are leased properties. The majority of our leases are for 10- and 15-year terms, generally including options to extend the terms. Most of our leases include "exclusive use" provisions prohibiting our landlords from leasing space to other restaurants that fall within certain specified criteria and incorporate incremental increases based on time passage and payment of certain occupancy-related expenses.

We own the underlying land for our Brandon, Florida BWW restaurant, our Clinton Township, Michigan BWW restaurant, and our Cascade Township (Grand Rapids, Michigan) Bagger Dave’s restaurant. Our Berkley, Michigan Bagger Dave's restaurant is rented from a related party as is the property we intend to use for our Detroit Bagger Dave’s restaurant. We own all of the equipment, furnishings, and fixtures in our restaurants. The Company also owns a significant amount of leasehold improvements in the leased facilities.

As of the date of this prospectus, we operate restaurant properties for 25 locations in Michigan, 10 locations in Florida, five locations in Indiana, and four locations in Illinois. Our BWW restaurants range in size from 5,300 square feet to 13,500 square feet and our Bagger Dave’s restaurants range in size from 3,800 square feet to 4,900 square feet. The majority of our restaurants are located in end cap positions in strip malls, with a few being inline; 13 of our restaurants are situated in a stand-alone building.

LEGAL PROCEEDINGS

Occasionally we are a party to various legal actions arising in the ordinary course of our business including claims resulting from "slip and fall" accidents, employment related claims and claims from guests or team members alleging illness, injury or other food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us, and as of the date of this prospectus, we are not a party to any material pending legal proceedings and are not aware of any claims that could have a materially adverse effect on our financial position, results of operations or cash flows.

MANAGEMENT

The following table sets forth certain information about our directors and executive officers as of the date of this prospectus:

Company Directors and Officers

Name	Position	Age	Has Served As Director/Officer Since
T. Michael Ansley	Director, President, CEO, and Chairman of the Board	42	2006/2006
David G. Burke	Director, Chief Financial Officer, and Treasurer	41	2006/2010
Jason T. Curtis	Chief Operating Officer	32	2006
Ioana M. Ben-Ezra	Chief Compliance Officer, Corporate Controller, and Secretary	36	2010
Jay A. Dusenberry	Director	41	2006
Philip Friedman	Director	66	2011
David Ligotti	Director	55	2006
Joseph M. Nowicki	Director	51	2010
Gregory J. Stevens	Director	42	2006

There are no family relationships among any of our directors and executive officers.

Our Board generally appoints our executive officers each year at the annual meeting of our Board. Their terms of office are at the discretion of our Board and we do not have employment agreements with any of our executive officers.

The factual information below for each director and executive officer has been provided by that person. The particular experience, qualifications, attributes, or skills that led our Board to conclude that each should serve on our Board, in light of our business and structure, was determined by our Board.

T. Michael Ansley has served as our President, CEO, and Chairman of the Board since our inception in 2006. Mr. Ansley serves in similar roles for our wholly-owned subsidiaries AMC Group, Inc., AMC Wings, Inc., and AMC Burgers, Inc. The Company's roots can be traced back to 1999 when Mr. Ansley opened his first BWW franchise in Sterling Heights, Michigan. Mr. Ansley received a Bachelor of Science degree in business administration from the University of Dayton and currently serves on the Board of Directors of the Michigan Restaurant Association and Children's Leukemia Foundation of Michigan.

Mr. Ansley is qualified to serve as a director of the Company due to his extensive experience in restaurant management, operations, and development as well as his demonstrated business leadership abilities and long history with the Company as its founder.

David G. Burke has served as Chief Financial Officer and Treasurer of the Company since March 22, 2010, and has been a Member of the Board since our inception. Mr. Burke previously served as Secretary, a member of the Audit Committee, and as Audit Committee Chairman. Prior to joining the Company, Mr. Burke was employed by Federal-Mogul Corporation, a leading global supplier of powertrain and safety technologies serving the world's foremost original equipment manufacturers and the worldwide aftermarket, where he held roles of increasing responsibility in finance, marketing, and corporate development. Mr. Burke earned a Bachelor of Science degree in mechanical engineering from the University of Dayton and a Master of Business Administration, with a concentration in finance, from the University of Michigan - Ross School of Business.

Mr. Burke is qualified to serve as a director due to his strong leadership, business acumen, and analytical skills, including a unique proficiency with regard to financial modeling and market analysis. Mr. Burke honed his skill set through eight years of experience with a $7.0 billion global public corporation, while handling special projects for executive management, such as business development through acquisition, labor cost-reduction initiatives, strategic planning and supply chain management.

Jay A. Dusenberry has been a member of the Board since our inception. Mr. Dusenberry served as the Treasurer from our inception to March 22, 2010, at which time he relinquished the role of Treasurer. Mr. Dusenberry has also been a member of the Audit Committee since its inception in 2007. He received a Bachelor of Science degree in finance from the University of Dayton and a Master of Business Administration degree from the University of Detroit Mercy.

Mr. Dusenberry is qualified to serve as a director due to his 17 years of experience in business leadership positions, including experience as a financial analyst for a health care system and senior administrative roles as a plant manager, director, and vice president in the automotive manufacturing industry.

Philip Friedman was appointed to the Board on March 10, 2011. Mr. Friedman served as Chairman, Chief Executive Officer, and President of McAlister's Corporation, a quick-casual restaurant concept, from 1999 through July of 2010. Currently, Mr. Friedman is CEO of Salsarita's Fresh Cantina restaurant chain and is a Founding Member of Il 'Pioppo, LLC, importers of organic Italian wines. Mr. Friedman is also President of Friedman & Associates, a strategic planning and management consulting company he founded in 1986. Mr. Friedman serves on the Boards of the National Restaurant Association and the Mississippi Restaurant Association. He is a member of the Culinary Institute of America's Society of Fellows and the National Association of Corporate Directors.

Mr. Friedman is qualified to serve as a director because of his extensive franchise and chain restaurant expertise. This expertise is particularly relevant to our business as a franchisee of BWW and an owner, operator, and franchisor of Bagger Dave's.

David Ligotti has been a member of the Board since our inception. Mr. Ligotti owns and operates Oakwood Business Services, LLC ("Oakwood"), an accounting, tax, and consulting firm located in Ann Arbor, Michigan. Mr. Ligotti received a Bachelor of Arts degree in political science from Kalamazoo College, a Masters of Business Administration degree, with a major in accounting, from the University of Michigan, and a Master of Science in Taxation degree from Walsh College.

Mr. Ligotti is qualified to serve as a director, as he has been a CPA for nearly 30 years and has 25 years of experience in restaurant finance, technology, operation, administration, and accounting.

Joseph M. Nowicki was elected to the Board at the 2010 annual meeting of stockholders.   Mr. Nowicki is the Executive Vice President and Chief Financial Officer of Beacon Roofing Supply (BECN), a NASDAQ-listed company, a position he assumed on March 25, 2013. At BECN, Mr. Nowicki is responsible for the oversight of Finance, Information Technology and Investor Relations. Mr. Nowicki served as the Chief Financial Officer of Spartan Motors, Inc. (SPAR), a NASDAQ-listed specialty vehicle manufacturer based in Charlotte, Michigan from June 30, 2009 to March 22, 2013.   Previously, Mr. Nowicki spent approximately 17 years with the Michigan-based furniture manufacturer, Herman Miller, Inc., where he served as Treasurer and as a member of Herman Miller's key leadership team, managing all treasury activities for the company including establishing the overall capital and debt structure, overseeing the pension and investment strategy, and leading investor relations activities. Before joining Herman Miller, he held several operations and finance positions, including working for IBM and General Motors and spending several years in public accounting. Mr. Nowicki received a Master of Business Administration from the University of Michigan - Ross School of Business.

Mr. Nowicki is qualified to serve as a director of the Company due to his extensive public company experience and specialized accounting, finance and capital markets expertise.

Gregory J. Stevens has been a member of the Board since our inception. Mr. Stevens has been a Strategic Engineer and partner of Cold Heading Company, an automotive supplier of fasteners, located in Warren, Michigan, since 1992. Mr. Stevens is currently a member of Desert Rock Enterprises, LLC, an investment company, located in Las Vegas, Nevada, an owner and director of Beachlawn, Inc., an industry-leading tier-one automotive supplier, and a director of Ajax Metal Processing, Inc., a leading industrial steel parts heat treating and plating company, located in Warren, Michigan. Mr. Stevens received a Bachelor of Science degree in engineering from the University of Dayton.

Mr. Stevens is qualified to serve as a director because of his analytical engineering background, ownership of multiple successful businesses, diverse background in operating all facets of a business, and his prior experience with cash flow management.

Jason Curtis is our Chief Operating Officer ("COO"), a position he assumed at our inception in 2006. Beginning in 2000, Mr. Curtis worked in positions of increasing responsibility in the restaurant industry, starting at the ground level in the kitchen of a BWW restaurant that is now owned by the Company. In 2002, he became COO of AMC Group, LLC, the predecessor to AMC Group, Inc. AMC Group, Inc. is now a wholly-owned subsidiary of DRH. Mr. Curtis plays an integral role in identifying and developing unit-level management and multi-unit supervisors to address our expansion plans. Mr. Curtis serves on the BWW National Leadership Council, a position he was elected to by fellow franchisees within the BWW system and is a member of the Executive Board of the Children's Leukemia Foundation of Michigan.

Ioana Ben-Ezra is our Chief Compliance Officer and Corporate Controller and is responsible for providing accurate public reporting to the SEC. Prior to joining DRH, Ms. Ben-Ezra was responsible for leading large public and non-public audit engagements during her 7-year tenure at Deloitte LLP, where she managed a diverse portfolio of clients, including clients in the manufacturing, retail, automotive, and telecommunications industries. She has experience in all aspects of financial forecasting/budgeting, accounting, and internal controls. Ms. Ben-Ezra holds a Bachelor of Science degree in Accounting from Walsh College, located in Troy, Michigan.

CORPORATE GOVERNANCE

Director Independence

In connection with this offering, we are applying for listing on the NASDAQ Capital Market. As such, we employ the NASDAQ Stock Market's standards for determining the independence of directors. Under these standards, an independent director means a person other than an executive officer or one of our team members or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

For purposes of the NASDAQ Stock Market's independence standards, the term "family member" means a person's spouse, parents, children, and siblings, whether by blood, marriage, or adoption, or anyone residing in such person's home.

The Board has assessed the independence of each non-employee director under the NASDAQ Stock Market's independence standards set forth above and believes that Messrs. Jay Alan Dusenberry, Philip Friedman, Joseph M. Nowicki, and Gregory J. Stevens qualify as independent directors. In making this determination, our Board has concluded that none of the independent directors has a relationship that, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The other directors would not qualify as independent due to their employment by us or due to their receipt of certain fees or compensation from us.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership information of our shares of common stock as of March 7, 2013 for:

- each person known to us to be the beneficial owner of more than 5.0% of our shares of common stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

The table also sets forth such persons' beneficial ownership of common stock immediately after this offering.

Unless otherwise noted below, the address of the persons and entities listed on the table is care of Diversified Restaurant Holdings, Inc., 27680 Franklin Rd., Southfield, MI 48034. We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock reflected as beneficially owned, subject to applicable community property laws.

Beneficial ownership and percentage of beneficial ownership is based on 19,019,525 shares of our common stock outstanding at March 27, 2013, after giving effect to 24,019,525 shares of common stock to be outstanding after the completion of this offering. Shares of common stock subject to options currently exercisable or exercisable within 60 days of March 27, 2013 are deemed to be outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage of beneficial ownership of that person and any group of which that person is a member, but are not deemed outstanding for the purpose of computing the percentage of beneficial ownership for any other person. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Beneficial ownership representing less than 1.0% is denoted with an asterisk (*).

NAME OF BENEFICIAL OWNER	BENEFICIAL OWNERSHIP PRIOR TO THIS OFFERING		SHARES BENEFICIALLY OWNED AFTER THE OFFERING IF OVERALLOTMENT OPTION IS NOT EXERCISED		SHARES BENEFICIALLY OWNED AFTER THE OFFERING IF OVERALLOTMENT OPTION IS EXERCISED IN FULL	
	NUMBER	PERCENT(1)	NUMBER	PERCENT(1)	NUMBER	PERCENT (1)
Greater than 5.0% stockholders						
T. Michael Ansley	13,314,600(2)	69.8%	13,314,600(2)	55.3%	13,314,600(2)	53.6%
Thomas D. Ansley	1,356,500(3)	7.1%	1,356,500(3)	5.7%	1,356,500(3)	5.5%
Directors and Named Executive Officers						
T. Michael Ansley	13,314,600(2)	69.8%	13,314,500(2)	55.3%	13,314,500(2)	53.6%
David G. Burke	87,510(4)	*	87,510(4)	*	87,510(4)	*
Jason T. Curtis	912,500(5)	4.8%	912,500(5)	3.8%	912,500(5)	3.7%
Ioana M. Ben-Ezra	25,575(6)	*	25,575(6)	*	25,575(6)	*
Jay Alan Dusenberry	50,000(7)	*	50,000(7)	*	50,000(7)	*
Philip Friedman	20,000(8)	*	20,000(8)	*	20,000(8)	*
David Ligotti	250,000(9)	1.3%	250,000(9)	1.0%	250,000(9)	1.0%
Joseph M. Nowicki	20,000(10)	*	20,000(10)	*	20,000(10)	*
Gregory J. Stevens	272,929(11)	1.4%	272,929(11)	1.1%	272,929(11)	1.1%
All Directors and Executive Officers as a group (9 persons)	14,953,114(12)	77.5%	14,953,114(12)	61.5%	14,953,114(12)	59.68%

(1) The percentages shown are based on the 19,019,525 shares of common stock outstanding as of March 27, 2013, plus the number of shares that the named person or group has the right to acquire within 60 days of March 27, 2013. For purposes of computing the percentage of outstanding shares of common stock held by each person or group, any shares that the person or group has the right to acquire within 60 days after March 27, 2013 are deemed to be outstanding with respect to such person or group but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person or group.

(2) This includes 11,113,600 shares currently owned directly by Mr. Ansley, 9,000 shares indirectly owned as custodian for his children's UGMA accounts (the beneficial ownership of which he disclaims), options exercisable within 60 days of March 27, 2013 to purchase 50,000 shares at an exercise price of $2.50 per share, 37,500 shares of restricted stock and 2,104,500 shares which Mr. Ansley has discretion to vote pursuant to the Amended and Restated Voting Agreement with Thomas D. Ansley and Mark Ansley.

(3) Pursuant to the Amended and Restated Voting Agreement, Mr. Ansley has granted T. Michael Ansley an irrevocable proxy to vote all of these shares, in his sole discretion.

(4) This includes 10 shares currently directly owned by Mr. Burke, 37,500 shares of restricted stock, and options exercisable within 60 days of March 27, 2013 to purchase 50,000 shares at an exercise price of $2.50 per share.

(5) This includes 900,000 shares currently directly owned by Mr. Curtis and 12,500 shares of restricted stock.

(6)This includes 13,200 shares currently owned directly by Ms. Ben-Ezra, 500 shares indirectly owned as custodian for her children's UGMA accounts, and 11,875 shares of restricted stock currently owned.

(7) This includes 6,000 shares currently owned directly by Mr. Dusenberry and options exercisable within 60 days of March 27, 2013 to purchase 44,000 shares at an exercise price of $2.50 per share.

(8) This includes options exercisable by Mr. Friedman within 60 days of March 27, 2013 to purchase 20,000 shares at an exercise price of $2.50 per share.

(9) This includes 200,000 shares currently owned directly by Mr. Ligotti and options exercisable within 60 days of March 27, 2013 to purchase 50,000 shares at an exercise price of $2.50 per share.

(10) This includes options exercisable by Mr. Nowicki within 60 days of March 27, 2013 to purchase 20,000 shares at an exercise price of $2.50 per share.

(11) This includes 222,929 shares currently owned directly by Mr. Stevens and options exercisable within 60 days of March 27, 2013 to purchase 50,000 shares at an exercise price of $2.50 per share.

(12) This includes 284,000 shares that such persons have the right to acquire within 60 days of March 27, 2013 pursuant to stock options.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Table

The following table summarizes compensation earned by or paid to our principal executive officer and our other executive officers for our last two completed fiscal years. No other executive officer received total annual salary and bonus equal to or in excess of $100,000 during those periods.

Summary Compensation Table*

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Total ($)
T. Michael Ansley	2012	185,000	35,000	-	220,000
President and CEO	2011	180,000	30,000	-	210,000
David G. Burke	2012	175,000	30,000	-	205,000
Chief Financial Officer	2011	170,000	25,000	125,000	320,000
Jason T. Curtis	2012	160,000	25,000	-	185,000
Chief Operating Officer	2011	120,000	20,000	-	140,000

* Refer to Note 7 in the Notes to Consolidated Financial Statements section for fiscal year 2012 for details on the assumptions used in the valuation of stock and option awards.

Base Salary and Bonus

Consistent with our objective of attracting and retaining highly qualified and experienced employees, we establish base salary ranges for our executive officers that are intended to be competitive for comparable positions. Base salary data for comparable industry positions are reviewed annually from survey data obtained from the Chain Restaurant Executive Compensation Report prepared by HVS Executive Search and Nation’s Restaurant News and other pertinent sources. Annual salary increases are tied to objective performance-based criteria established by the Compensation Committee.

The following table sets forth certain information for our executive officers concerning unexercised options, stock that has not vested, and equity incentive plan awards as of December 30, 2012.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable [(1)]	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
	30,000	0		7/30/13		
T. Michael Ansley	20,000	10,000	2.50	7/30/16	0	0
	30,000	0		7/30/13		
David G. Burke	20,000	10,000	2.50	7/30/16	16,667	81,668

* Refer to Note 7 in the Notes to Consolidated Financial Statements section for fiscal year 2012 for details on the assumptions used in the valuation of stock and option awards.

(1) Each of the options vest at a rate of 10,000 shares per year, on the anniversary of the grant date, over a three-year period.

Directors and Compensation*

The table below provides information regarding the compensation of our directors for our fiscal year ending December 30, 2012.

Name [(1)] [(2)]	Fees Earned or Paid in Cash ($)	Total ($)
Jay Alan Dusenberry	0	0
Philip Friedman	18,000	18,000
David Ligotti	0	0
Joseph M. Nowicki	18,000	18,000
Gregory J. Stevens	0	0

* Refer to Note 7 in the Notes to Consolidated Financial Statements section for fiscal year 2012 for details on the assumptions used in the valuation of stock and option awards.

(1) Compensation information for T. Michael Ansley, President and CEO, and David G. Burke, Chief Financial Officer, is fully reflected in the Summary Compensation Table above and, as such, is not repeated here.

(2) At December 30, 2012, Messrs. Ansley, Burke, Ligotti, and Stevens had outstanding options to purchase 60,000 shares of the Company's common stock, Mr. Dusenberry had outstanding options to purchase 54,000 shares of the Company's common stock, and Messrs. Nowicki and Friedman each had outstanding options to purchase 30,000 shares of the Company's common stock.

Long-Term Incentive Plans and Awards

During the 2011 fiscal year, the Company established the Stock Incentive Plan of 2011 ("Stock Incentive Plan") to attract and retain directors, consultants, and employees and to more fully align their interests with the interests of the Company's shareholders through the opportunity for increased stock ownership. The plan permits the grant and award of 750,000 shares of common stock by way of stock options and/or restricted stock. Stock options must be awarded at exercise prices at least equal to or greater than 100.0% of the fair market value of the shares on the date of grant. The options will expire no later than 10 years from the date of grant, with vesting terms to be defined at grant date, ranging from a vesting schedule based on performance to a vesting schedule that extends over a period of time as selected by the Compensation Committee of the Board or other committee as determined by the Board. The Compensation Committee also determines the grant, issuance, retention, and vesting timing and conditions of awards of restricted stock. The Committee may place limitations, such as continued employment, passage of time, and/or performance measures, on restricted stock. Awards of restricted stock may not provide for vesting or settlement in full of restricted stock over a period of less than one year from the date the award is made. The Stock Incentive Plan was approved by our shareholders on May 26, 2011.

On July 18, 2011, the Compensation Committee awarded Chief Financial Officer David G. Burke 25,000 shares of restricted stock under the Stock Incentive Plan. The shares vest in equal annual installments over a three year period and will be fully vested after July 18, 2014. The shares are subject to additional restrictions on transferability and conditions of forfeiture in accordance with the Stock Incentive Plan.

On March 19, 2013, the Compensation Committee awarded to T. Michael Ansley, David G. Burke, and Jason T. Curtis 37,500, 12,500, and 12,500, respectively, shares of restricted stock under the Stock Incentive Plan. The shares cliff vest on March 19, 2016. The shares are subject to additional restrictions on transferability and conditions of forfeiture in accordance with the Stock Incentive Plan.

Compensation of Directors

On July 31, 2010, each member of the Board then serving was granted options to purchase up to 30,000 shares of our common stock in return for their services as directors. Under the terms of the stock option agreements, they received the option to purchase 10,000 shares in each of the first three years of their terms as directors. If they resign their position during that period, their options will not vest. Once vested, the options will allow the directors to purchase our common stock for $2.50 per share. The options will expire six years from the date of grant.

On March 10, 2011, in connection with his appointment to the Board, Philip Friedman was granted options to purchase 30,000 shares on the same terms as the options issued in July 2010.

Effective March 1, 2011, the Company entered into a consulting agreement with P. Friedman & Associates, Inc., a business consultancy of which Mr. Philip Friedman, a member of the Company's Board, is President and an equity owner. The consulting agreement was for a term of one year and provided that P. Friedman & Associates would provide specialized consulting services to the Company in the areas of retail restaurant management, operation, and development. The Company compensated P. Friedman and Associates $18,000 per annum, payable in 12 equal monthly installments, for its services during the term of the agreement. Following expiration of the consulting agreement on March 1, 2012, the Board approved the payment of cash compensation to Mr. Friedman in consideration for his Board service in the amount of $1,500 per month.

Effective July1, 2011, the Board approved the payment of cash compensation to Joseph M. Nowicki in consideration for his service as Audit Committee Chair in the amount of $1,500 per month.

Performance Bonus Plan and Short-Term Bonus Plan

On March 7, 2013, the Board approved a Performance Bonus Plan (the "Bonus Plan") which will be administered by the Compensation Committee (the "Committee"). The Bonus Plan is designed to provide an incentive in the form of a cash bonus award to certain key executives of the Company. Under the terms of the Bonus Plan, each calendar year the Committee (or its designees) will determine within 90 days of January 1 the employees who will participate in the Bonus Plan and the performance goals that those employees must satisfy to earn the target award established by the Committee.

Performance goals are to be selected by the Committee based upon one or more of the following performance criteria: (i) financial results for the Company as a whole or as a business unit, such as net earnings or net income (before or after taxes), earnings per share, net revenues, gross revenues, net operating profit (before or after taxes), and earnings before or after taxes, interest, depreciation and/or amortization (EBITDA); and (ii) criteria related to restaurant growth (either in the aggregate or by type of restaurant). The Committee may also establish individual goals for an employee relating to his or her individual performance.

Target awards payable under the Bonus Plan are expressed as either a percentage of base salary or a fixed dollar amount. The Committee must establish in writing a formula for determining the percentage of the target award that may be payable based upon the level of attainment of the performance goals for the year. In establishing the formula, the Committee may assign different weights to the various performance criteria, and such weights may also differ from employee to employee.

On March 7, 2013, the Board also adopted a Short-Term Incentive Program for its 2013 fiscal year (the "Short-Term Plan"). The Short-Term Plan is designed to pay an annual cash bonus to members of the Company's executive team, with such bonus to be based upon a combination of corporate financial goals (EBITDA and same store sales) and strategic/individual goals. Four named executive officers will participate in the Short-Term Plan: Michael Ansley, Chairman, President, and Chief Executive Officer; David Burke, Chief Financial Officer and Treasurer; Jason Curtis, Chief Operating Officer; and Ioana Ben-Ezra, Chief Compliance Officer and Controller. The 2013 target bonus for each of these named executive officers is $129,000, $80,000, $74,000, and $36,000, respectively.

Employment Contracts, Termination of Employment, Change-in-Control Arrangements

There are no employment or other contracts or arrangements with officers. There are no compensation plans or arrangements, including payments to be made by the Company with respect to the officers, directors, employees or consultants of the Company that would result from the resignation, retirement or any other termination of such directors, officers, employees or consultants with the Company. There are no arrangements for directors, officers, employees or consultants that would result from a change in control of the Company.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions that occurred on or were in effect after December 27, 2010: (i) to which we have been a party; (ii) in which the amount involved exceeded $120,000; and (iii) in which any of our executive officers, directors or beneficial holders of more than 5.0% of our capital stock had or will have a direct or indirect material interest.

Accounting Services

David Ligotti is a member of our Board and the owner and operator of Oakwood, a provider of accounting and consulting services. Oakwood provides accounting and business services to us and we paid Oakwood $ $357,404 for fiscal year 2012. Fees paid during the years ended December 25, 2011 and December 26, 2010, respectively, were $326,077 and $211,631. Oakwood has provided these services since our inception. We believe this relationship is on terms at least as favorable to us as could be obtained from an unrelated third party.

Repayment of Promissory Notes Related to Acquisition of Affiliated Restaurants

We issued promissory notes to T. Michael Ansley totaling $1.3 million for the purchase of his equity in the restaurants acquired by us in fiscal year 2010 in the Affiliates Acquisition. During fiscal year 2011, we made principal payments totaling $198,955 and interest payments totaling $66,984 on these notes. Effective April 2, 2012, as a result of a senior secured credit facility with RBS executed by the Company, this debt was paid off in its entirety.

Lease of and Acquisition of Restaurant Locations from Related Party

We lease the location for our Berkley Bagger Dave's restaurant from TM Apple Company, LLC. TM Apple is owned 51.0% by T. Michael Ansley, 39.0% by Steve Menker, and 10.0% by Jason T. Curtis. The lease commenced on January 13, 2008 and runs for a term of fifteen years, with renewal options for three additional five-year terms. T. Michael Ansley is the President, CEO, and Chairman of the Board of Directors and a principal stockholder of DRH. Jason T. Curtis is the COO and a principal stockholder of DRH. Steven A. Menker is a stockholder of DRH. The rental rate under the lease averages to $6,921 per month and total rent payments for fiscal year 2012 were $83,046. We believe this lease is on terms at least as favorable to us as could be obtained from an unrelated third party.

In December 2012, we entered into a lease with DMM Group, LLC for the lease of the Detroit metropolitan Bagger Dave's restaurant. DMM Group is 100.0% owned by T. Michael Ansley. The lease commenced on November 29, 2012 and the restaurant is scheduled to open in 2013.

On September 25, 2012, we also acquired 100.0% of the membership interests in the Ansley Group for approximately $2.5 million. As a result of this acquisition, we have acquired full ownership rights in the Clinton Township Property. The Ansley Group was owned by T. Michael Ansley and Thomas D. Ansley. T. Michael Ansley is the President, CEO, and Chairman of the Board of DRH and a principal stockholder of the Company. Thomas D. Ansley is the father of T. Michael Ansley and a principal stockholder of DRH. The disinterested members of the Board concluded that the acquisition of the Ansley Group was completed on terms at least as favorable to the Company as could have been obtained through an arm's-length transaction.

Guarantee of 2012 Credit Facility

T. Michael Ansley, our CEO, President, and Chairman, has personally guaranteed the September 2012 Credit Facility.

Indemnification Agreements

We expect to enter into indemnification agreements with each of our directors and executive officers. Each indemnification agreement will provide that, subject to limited exceptions, and among other things, we will indemnify the director or executive officer to the fullest extent permitted by law for claims arising in his or her capacity as our director or officer.

Procedure for Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee of the Board is responsible for evaluating the appropriateness of all related-party transactions.

The Audit Committee has adopted written policies and procedures for the Audit Committee to review and approve or ratify related-party transactions with the Company. These transactions include transactions that must be disclosed under the SEC rules in filings with the SEC.

Transactions that are deemed immaterial under SEC disclosure requirements are excluded from the review process.

Criteria for Audit Committee approval or ratification of related-party transactions include:

- whether the transactions are on terms no less favorable to the Company than terms generally available from an unrelated third party;
- the extent of the related party's interest in the transaction;
- whether the transaction would interfere with the performance of the officers' or directors' duties to the Company;
- in the case of a transaction involving a non-employee director, whether the transaction would disqualify the director from being deemed independent under the NASDAQ Stock Market listing requirements; and
- such other factors that the Audit Committee deems appropriate under the circumstances.

DESCRIPTION OF CAPITAL STOCK

The following discussion is a summary of the terms of our capital stock, our Articles and Bylaws and certain applicable provisions of Nevada law. Copies of our Articles and Bylaws are exhibits to the registration statement of which this prospectus is a part.

General

We are authorized to issue 110,000,000 shares of capital stock consisting of 100,000,000 shares of $0.0001 par value common stock and 10,000,000 shares of $0.0001 par value preferred stock.

Common Stock

General . We have 100,000,000 authorized shares of common stock, par value $0.0001 per share, 19,019,525 of which are issued and outstanding as of March 27, 2013. All shares of common stock currently outstanding are validly issued, fully paid and non-assessable, and all shares which are the subject of this prospectus, when issued and paid for pursuant to this offering, will be validly issued, fully paid and non-assessable.

Voting Rights . Each share of our common stock entitles the holder thereof to one vote, either in person or by proxy, at meetings of stockholders. Our Board is elected annually at each annual meeting of the stockholders. See "Principal Stockholders" and "Risk Factors."

Dividend Policy . All shares of common stock are entitled to participate ratably in dividends when, as and if declared by our Board out of the funds legally available therefor. Any such dividends may be paid in cash, property or additional shares of common stock. We have not paid any dividends since our inception and presently anticipate that all earnings, if any, will be retained for development of our business and that no dividends on the shares of common stock will be declared in the foreseeable future. Any future dividends will be subject to the discretion of our Board and will depend upon, among other things, future earnings, our operating and financial condition, our capital requirements, general business conditions and other pertinent facts. There can be no assurance that any dividends on the common stock will ever be paid. In addition, our September 2012 Credit Facility restricts our ability to pay dividends.

Miscellaneous Rights and Provisions . Holders of common stock have no preemptive or other subscriptions rights, conversion rights, redemption or sinking fund provisions. In the event of the liquidation or dissolution, whether voluntary or involuntary, of DRH, each share of common stock is entitled to share ratably in any assets available for distribution to holders of our equity after satisfaction of all liabilities.

Preferred Stock

Our Board is authorized under our Articles to provide for the issuance of 10,000,000 shares of preferred stock, par value $0.0001 per share, by resolution or resolutions for the issuance of such stock and, by filing a certificate of designations under Nevada law, to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof without any further vote or action by the stockholders. Any shares of preferred stock so issued are likely to have priority over our common stock with respect to dividend or liquidation rights. No preferred shares are issued or outstanding as of the date of this prospectus. The authority of the Board with respect to the preferred stock shall include, but not be limited to, setting or changing the following:

1. the annual dividend rate, if any, on shares of preferred stock, the times of payment and the date from which dividends shall be accumulated, if dividends are to be cumulative;

2. whether the shares of preferred stock shall be redeemable and, if so, the redemption price and the terms and conditions of such redemption;

3. the obligation, if any, of DRH to redeem shares of preferred stock pursuant to a sinking fund;

4. whether shares of preferred stock shall be convertible into, or exchangeable for, shares of stock of any other class or classes and, if so, the terms and conditions of such conversion or exchange, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

5. whether the shares of preferred stock shall have voting rights, in addition to the voting rights provided by law, and, if so, the extent of such voting rights;

6. the rights of the shares of preferred stock in the event of voluntary or involuntary liquidation, dissolution or winding-up of DRH; and

7. any other relative rights, powers, preferences, qualifications, limitations or restrictions thereof relating to the preferred stock.

The issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could be used to discourage an unsolicited acquisition proposal. For instance, the issuance of a series of preferred stock might impede a business combination by including class voting rights that would enable the holder to block such a transaction, or facilitate a business combination by including voting rights that would provide a required percentage vote of the stockholders. In addition, under certain circumstances, the issuance of preferred stock could adversely affect the voting power of the holders of the common stock. Although the Board is required to make any determination to issue such stock based on its judgment as to the best interests of our stockholders, the Board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then market price of such stock. The Board does not at present intend to seek stockholder approval prior to any issuance of currently authorized preferred stock, unless otherwise required by law.

Voting Agreement

Effective as of March 8, 2013, T. Michael Ansley, Mark Ansley and Thomas D. Ansley entered into an Amended and Restated Voting Agreement (the “Voting Agreement”), pursuant to which Mark Ansley and Thomas Ansley, the brother and father of Michael Ansley, respectively, granted Michael Ansley irrevocable proxy authority to vote in his sole discretion the shares of common stock of the Company that each of them holds. The irrevocable proxy authority will remain in effect until the Voting Agreement is terminated. The Voting Agreement will expire by its terms on March 8, 2020, or, if earlier, the completion of the dissolution and winding-up of the Company, and may only be amended by the written consent of all parties to the Voting Agreement.

The Voting Agreement does not restrict the ability of either Mark Ansley or Thomas Ansley to transfer any shares owned by either of them, and any third party transferee of shares from either Mark Ansley or Thomas Ansley will not be bound by the Voting Agreement. The Voting Agreement replaces, in its entirety, a prior voting agreement, effective January 31, 2013, between T. Michael Ansley, Mark Ansley, Thomas D. Ansley, Jason Curtis, and Steven Menker. The Voting Agreement was amended and restated in order to consolidate voting authority and provide for voting expediency among family members only, allowing Jason Curtis and Steve Menker to be released from the agreement to vote their shares independently.

Limited Public Market for our Common Stock

There is presently a minimal, relatively inactive market for our common stock. We have applied for listing of our common stock on the NASDAQ Capital Market. However, we can provide no assurance that our shares will be traded on the NASDAQ Capital Market or, if traded, that a public market will materialize.

Stockholders of our Common Shares

As of March 27, 2013, we had 382 holders of record of our outstanding shares of common stock.

Expenses of Registration

We will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of our common stock.

Anti-takeover Provisions

Our Bylaws provide that we are not subject to Nevada Revised Statutes Sections 78.378 to 78.3793, which generally place certain limitations on acquisitions by or combinations with controlling stockholders.

Articles of Incorporation and Amended and Restated Bylaws Provisions

Provisions of our Articles and Bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our Articles and Bylaws:

- provide that the authorized number of directors may be changed only by resolution of the Board;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder’s notice;

- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);

- authorize the Board, acting by majority vote, to amend portions of the Bylaws adopted by the stockholders, except to the extent the stockholders have specified portions of the Bylaws that cannot be amended by the Board;

- provide that special meetings of our stockholders may be called only by the chairman of the Board, our CEO, the Board pursuant to a resolution adopted by a majority of the total number of authorized directors or holders of shares entitled to cast not less than 25.0% of the votes at the meeting; and

- authorize our Board to issue, without further action by the stockholders, up to 10,000,000 shares of preferred stock and to determine the preferences, rights, and powers of such shares.

Transfer agent and registrar

The transfer agent and registrar for our common stock is Fidelity Transfer Company, 8915 S. 700 E, Suite 102, Sandy, Utah.

Listing

We have applied to have our shares of common stock approved for listing on the NASDAQ Capital Market under the symbol “BAGR”. Our common stock is currently traded on the OTCQB under the symbol “DFRH”.

DESCRIPTION OF INDEBTEDNESS

On September 25, 2012, DRH, together with its wholly-owned subsidiaries, entered into the September 2012 Credit Facility. The September 2012 Credit Facility consists of a $37.0 million term loan (the “Term Loan”), a $10.0 million development line of credit, and a $1.0 million revolving line of credit.

We immediately used approximately $15.2 million of the Term Loan to refinance existing outstanding debt with RBS and used approximately $3.3 million of the Term Loan to refinance and term out the outstanding balance of the existing development line of credit loan between the Company and RBS. Additionally, on September 25, 2012 we used approximately $14.7 million of the Term Loan to complete the acquisition of the Indiana and Illinois Entities and approximately $2.5 million of the Term Loan to purchase 100.0% of the membership interests in the Ansley Group. We used the remaining balance of the Term Loan, approximately $1.3 million, to pay the fees, costs and expenses associated with the above acquisitions and the September 2012 Credit Facility.

Under the Term Loan, payments of principal are calculated based upon an 84-month straight-line amortization schedule, with monthly principal payments of $440,476 plus accrued interest. The interest rate for the Term Loan is LIBOR plus an applicable margin, which ranges from 2.5% to 3.7% depending on the lease adjusted leverage ratio defined in the terms of the loan agreement. The entire remaining outstanding principal and accrued interest on the Term Loan is due and payable on the Term Loan maturity date of September 25, 2017. In addition, our September 2012 Credit Facility restricts our ability to pay dividends.

We are currently in the process of negotiating an amended and expanded credit facility with a syndicate of banks led by RBS. If successfully completed this would increase our total credit availability to $63 million, comprised of up to $46 million in a term loan, up to $15 million in a development line of credit and up to $2 million in a revolving line of credit. There can be no assurances, however, that this new credit facility will be successfully completed.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there has been a limited and relatively inactive public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of contractual and legal restrictions on resale described below, sales of substantial amounts of shares of common stock in the public market after the restrictions lapse could adversely affect the prevailing market price for our shares of common stock as well as our ability to raise equity capital in the future.

Based on the number of shares of common stock outstanding as of March 27, 2013, upon completion of this offering, 24,019,525 shares of common stock will be outstanding, assuming no exercise of options. Of the total outstanding shares, 14,669,114 are subject to lock-up agreements and will be eligible for sale upon expiration of the lock-up agreements 181 days after the date of this prospectus, assuming no extension pursuant to the lock-up agreements.

Rule 144

In general, under Rule 144 as currently in effect, a person or persons who is an affiliate, or whose shares are aggregated and who owns shares that were acquired from the issuer or an affiliate at least six months ago, would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of (i) 1.0% of our then outstanding common shares, which would be approximately 240,000 common shares immediately after this offering, or (ii) an amount equal to the average weekly reported volume of trading in our common shares on all national securities exchanges and/or reported through the automated quotation system of registered securities associations during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC. Sales in reliance on Rule 144 are also subject to other requirements regarding the manner of sale, notice and availability of current public information about us.

A person or persons whose common shares are aggregated, and who is not deemed to have been one of our affiliates at any time during the 90 days immediately preceding the sale, may sell restricted securities in reliance on Rule 144(b)(1) without regard to the limitations described above, subject to our compliance with Exchange Act reporting obligations for at least three months before the sale, and provided that six months have expired since the date on which the same restricted securities were acquired from us or one of our affiliates, and provided further that such sales comply with the current public information provision of Rule 144 (until the securities have been held for one year). As defined in Rule 144, an “affiliate” of an issuer is a person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, that same issuer.

Rule 701

Subject to certain limitations on the aggregate offering price of a transaction and other conditions, Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our team members, executive officers or directors who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701.

Lock-Up Agreements

We, our directors and executive officers, and each of our shareholders holding at least 5.0% of our outstanding common stock as of the date of this prospectus have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which we and each of these persons or entities, with limited exceptions, for a period of 180 days after the date of this final prospectus, may not, without the prior written consent of the underwriters, (1) offer, pledge, announce the intention to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any of our common shares (including, without limitation, common shares which may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common shares or such other securities, in cash or otherwise. These lock-up restrictions may be extended in specified circumstances and are subject to exceptions specified in the lock-up agreements. For additional information, see the section entitled “Underwriting.”

Equity Incentive Plan

In 2011, we established the Stock Incentive Plan to attract and retain directors, consultants, and team members and to more fully align their interests with the interests of our stockholders through the opportunity for increased stock ownership. The plan permits the grant and award of 750,000 shares of common stock by way of stock options and/or restricted stock. Stock options must be awarded at exercise prices at least equal to or greater than 100.0% of the fair market value of the shares on the date of grant. The options will expire no later than 10 years from the date of grant, with vesting terms to be defined at grant date, ranging from a vesting schedule based on performance to a vesting schedule that extends over a period of time as selected by the Compensation Committee of the Board or other committee as determined by the Board (the “Committee”). The Committee also determines the grant, issuance, retention, and vesting timing and conditions of awards of restricted stock. The Committee may place limitations, such as continued employment, passage of time, and/or performance measures, on restricted stock. Awards of restricted stock may not provide for vesting or settlement in full of restricted stock over a period of less than one year from the date the award is made. The Stock Incentive Plan was approved by our stockholders on May 26, 2011.

During fiscal 2011 and fiscal 2012, restricted shares were issued to certain team members at a weighted-average grant date fair value of $5.00, $3.10 and $5.00, respectively. Stock-based compensation expense will be recognized over the expected vesting period in an amount equal to the fair market value of such award on the date of grant.
On March 19, 2013, our Compensation Committee granted a total of 78,125 shares of restricted stock to certain executive officers and employees of the Company. The shares cliff vest on March 19, 2016. The shares were issued at a weighted-average grant date fair value of $4.00. Stock-based compensation expense will be recognized over the expected vesting period in an amount equal to the fair market value of each such award on the date of grant.
The following table presents the restricted stock transactions as of December 30, 2012:

	Number of Restricted Stock Shares
Unvested, December 25, 2011	60,400
Granted	28,800
Vested	(20,800)
Expired/Forfeited	(13,500)
Unvested, December 30, 2012	**54,900**

The following table presents the restricted shares transactions as of December 25, 2011:

	Number of Restricted Stock Shares
Unvested, December 26, 2010	-
Granted	60,800
Vested	-
Expired/Forfeited	(400)
Unvested, December 25, 2011	**60,400**

Under the Stock Incentive Plan, there are 674,300 shares available for future awards at December 30, 2012.

On July 30, 2007, we granted options for the purchase of 150,000 shares of common stock to the members of the Board. These options vest ratably over a three-year period and will expire six years from issuance. At December 30, 2012, these options are fully vested and can be exercised at a price of $2.50 per share.

On July 31, 2010, prior to the adoption of the Stock Incentive Plan, DRH granted options for the purchase of 210,000 shares of common stock to the directors of the Company. On March 10, 2011, Bill McClintock resigned his position as a member of the Board to enable himself to dedicate his efforts to a position of full-time employment with the Company. At the time of his resignation, Mr. McClintock had been granted options to purchase 30,000 shares of the Company's common stock at an exercise price of $2.50 per share, with such options set to expire on July 31, 2016 and to vest according to a three-year schedule in equal installments of 10,000 shares on June 3, 2011, June 3, 2012, and June 3, 2013, respectively. These options were forfeited after Mr. McClintock's resignation. After Mr. McClintock's resignation, the Board voted on March 10, 2011 to appoint Philip Friedman to the Board to fill the vacancy created by Mr. McClintock's resignation. Upon appointing Mr. Friedman to the Board, the Board issued options to purchase 30,000 shares to Mr. Friedman with the intent of placing Mr. Friedman in the same financial position with respect to the options that Mr. McClintock had occupied. However, the Board inadvertently failed to formally reflect in the minutes of its proceedings such option grants and to have Mr. Friedman enter into the appropriate stock option agreement with the Company upon his receipt of the options. To correct and ratify its prior actions and intentions with regard to issuing the options to Mr. Friedman, and to place Mr. Friedman in the same position he would have been in had he entered into the appropriate stock option agreement with the Company on March 10, 2011, the Board passed a resolution on March 29, 2013 approving and ratifying all actions so far taken in furtherance of issuing options to Mr. Friedman in connection with his appointment to the Board and approved the appropriate stock option agreement between the Company and Mr. Friedman.
Stock-based compensation of $220,449 and $139,773 was recognized, during the fiscal year 2012 and fiscal year 2011, respectively, as restaurant compensation costs and general and administrative expenses in the consolidated statements of operations and as additional paid-in capital on the consolidated statement of stockholders' equity to reflect the fair value of shares vested. The fair value of stock options is estimated using the Black-Scholes model. The fair value of unvested shares is $43,963 as of December 30, 2012. The fair value of the unvested shares will be amortized ratably over the remaining vesting term. The valuation methodology used an assumed term based upon the stated term of three years and a risk-free rate of return represented by the U.S. 5-year Treasury Bond rate and volatility factor based on guidance as defined in FASB ASC 718, Compensation–Stock Compensation. A dividend yield of 0% was used because we have never paid a dividend and do not anticipate paying dividends in the reasonably foreseeable future.

In October 2009, one member of the Board exercised 6,000 vested options at a price of $2.50 per share. Consequently, at March 27, 2013, 354,000 shares of authorized common stock are reserved for issuance to provide for the exercise of the stock options.

UNDERWRITING

The underwriters named below have agreed to buy, subject to the terms of the purchase agreement, the number of shares listed opposite its name below. Dougherty & Company LLC is acting as representative of the underwriters and sole bookrunner. Feltl and Company, Inc. is acting as co-manager. The underwriters are committed to purchase and pay for all of the shares if any are purchased.

Underwriter	Number of Shares
Dougherty & Company LLC	
Feltl and Company, Inc.	
Total	5,000,000

The underwriters have advised us that they propose to offer the shares to the public at the price per share listed on the cover page of this prospectus. The underwriters propose to offer the shares to certain dealers at the same price less a concession of not more than $ per share. The underwriters may allow and the dealers may reallow a concession of not more than $ per share on sales to certain other brokers and dealers. After the offering, these figures may be changed by the underwriters.

We have granted to the underwriters an option to purchase up to an additional 750,000 shares of common stock from us at the same price to the public, and with the same underwriting discount, as set forth in the table below. The underwriters may exercise this option any time during the 45-day period after the date of this prospectus, but only to cover overallotments, if any.

The following table summarizes the underwriting discounts and commissions that we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the over-allotment option. In addition to the underwriting discount, we have agreed to reimburse the underwriters for their reasonable out-of-pocket accountable fees and expenses in connection with this offering, up to a maximum of $125,000. These fees and expenses are estimated to be $125,000. We also granted Dougherty & Company a right of first refusal to act, at a minimum, as co-managers and/or co-placement agent, with at least 30.0% of the gross economics for any and all future public or private equity or debt offerings whereby we utilize an investment banking firm. This right of first refusal will be effective only for the nine-month period following the effectiveness of this offering. The fees and expenses of the underwriters that we have agreed to reimburse are not included in the underwriting discounts set forth in the table below.

	Total with no over-allotment	Total, with over-allotment
Underwriting discount to be paid to the underwriters by us		

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be $325,000. These expenses are payable by us.

We have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

We and each of our directors and executive officers and our other shareholder beneficially owning more than 5% of our outstanding common stock have agreed to certain restrictions on our ability to sell additional shares of our common stock for a period of 180 days after the date of this prospectus. We have agreed not to directly or indirectly offer for sale, sell, contract to sell, grant any option for the sale of, or otherwise issue or dispose of, any shares of common stock, options or warrants to acquire shares of common stock, or any related security or instrument, without the prior written consent of Dougherty & Company LLC. The agreements provide exceptions for (i) sales to an underwriter pursuant to the purchase agreement, (ii) sales in connection with the exercise of options granted and (iii) certain other exceptions.

To facilitate the offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock during and after the offering. Specifically, the underwriters may over-allot or otherwise create a short position in the common stock for their own accounts by selling more shares of common stock than have been sold to them by us. The underwriters may elect to cover any such short position by purchasing shares of common stock in the open market or by exercising the overallotment option granted to the underwriters. In addition, the underwriters may stabilize or maintain the price of the common stock by bidding for or purchasing shares of common stock in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if shares of common stock previously distributed in the offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the common stock to the extent that it discourages resales of the common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on the NASDAQ Capital Market or otherwise and, if commenced, may be discontinued at any time.

In connection with this offering, the underwriters (and selling group members) may also engage in passive market making transactions in the common stock on the NASDAQ Capital Market. Passive market making consists of displaying bids on the NASDAQ Capital Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the SEC limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of the common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

The underwriters may facilitate the marketing of this offering online directly or through one of their affiliates. In those cases, prospective investors may view offering terms and a prospectus online and, depending upon the particular underwriter, place orders online or through their financial advisors.

Affiliations

The underwriters or their affiliates from time to time may in the future provide investment banking, commercial lending and financial advisory services to us and our affiliates in the ordinary course of business. The underwriters and their affiliates, as applicable, will receive customary compensation and reimbursement of expenses in connection with such services.

Determination of Offering Price

Prior to the offering, there has been a limited public market for our common stock on the OTCQB. The shares of common stock are being offered in anticipation of a more active secondary trading market. We have applied to have our common stock approved for listing on the NASDAQ Capital Market under the trading symbol "BAGR". Consequently, the public offering price for our common stock will be determined by negotiations between us and the underwriters. Among the factors to be considered in these negotiations will be prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development, and other factors deemed relevant.

We offer no assurances that the public offering price will correspond to the price at which the common stock will trade in the public market subsequent to the offering or that a more active trading market for the common stock will develop and continue after the offering.

Listing

We have applied to have our common stock approved for listing on the NASDAQ Capital Market under the trading symbol "BAGR." Our common stock is currently traded on the OTCQB under the symbol "DFRH".

LEGAL MATTERS

Dickinson Wright PLLC, Troy, Michigan, will pass upon the validity of our shares of common stock offered by this prospectus on behalf of the Company. Certain legal matters in connection with this offering will be passed upon for the underwriters by Fredrikson & Byron, P.A., Minneapolis, Minnesota.

EXPERTS

The consolidated financial statements included in this prospectus and registration statement as of and for the fiscal years ended December 30, 2012 and December 25, 2011 have been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report. Such financial statements have been included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are incorporating by reference certain documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Any information that we reference this way is considered part of this prospectus.

This prospectus incorporates by reference the documents listed below that we have filed with the SEC but have not been included or delivered with this document:

- Our Current Reports on Form 8-K filed with the SEC on September 25, 2012 and Form 8-K/A on December 10, 2012 .

Notwithstanding the foregoing, we are not incorporating any document or information deemed to have been furnished and not filed in accordance with SEC rules.

This prospectus may contain information that updates, modifies or is contrary to information in one or more of the documents incorporated by reference in this prospectus. You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus is accurate as of any date other than the date of this prospectus or the date of the documents incorporated by reference in this prospectus. Our filings are available on our website, www.diversifiedresturantholdings.com . Information contained in or linked to our website is not a part of this prospectus.

Upon your written or oral request, we will provide at no cost to you, a copy of any and all of the information that is incorporated by reference in this prospectus.

Requests for such documents should be directed to:

Diversified Restaurant Holdings, Inc.
27680 Franklin Rd.
Southfield, Michigan 48304
(248) 223-9160
ATTN: T. Michael Ansley
President and Chief Executive Officer

You may also access the documents incorporated by reference in this prospectus through our website www.diversifiedrestaurantholdings.com . Except for the specific incorporated documents listed above, no information available on or through our website shall be deemed to be incorporated in this prospectus or the registration statement of which it forms a part.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to our shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the shares of common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document are summaries of the material terms of this contract, agreement or other document. With respect to each of these contracts, agreements or other documents filed as an exhibit to the registration statement, reference is made to the exhibits for a more complete description of the matter involved. A copy of the registration statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, and copies of these materials may be obtained from those offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility. The SEC maintains a web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the SEC's website is www.sec.gov.

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended, and, therefore, we file periodic reports, proxy statements, and other information with the SEC.

We maintain an Internet website address at www.diversifiedrestaurantholdings.com. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as they are reasonably available after these materials are electronically filed with or furnished to the SEC. These materials are also accessible on the SEC's website at www.sec.gov.

Our website also features a hyperlink to a portion of the SEC's website where all of the reports we have filed with or furnished to the SEC may be accessed free of charge. None of the other information found on our website is incorporated into this prospectus or any other report we file with, or furnish to, the SEC. We assume no obligation to update or revise forward looking statements in this prospectus, whether as a result of new information, future events or otherwise, unless we are required to do so by law.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Diversified Restaurant Holdings, Inc. and Subsidiaries
Southfield, Michigan

We have audited the accompanying consolidated balance sheets of Diversified Restaurant Holdings, Inc. and Subsidiaries as of December 30, 2012 and December 25, 2011 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Diversified Restaurant Holdings, Inc. and Subsidiaries at December 30, 2012 and December 25, 2011, and the results of its operations and its cash flows for the years then ended **,** in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Troy, Michigan
April 1, 2013

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 30 2012	December 25 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,700,328	$ 1,537,497
Accounts receivable	248,403	20,497
Inventory	809,084	601,765
Prepaid assets	447,429	207,608
Total current assets	**4,205,244**	**2,367,367**
Deferred income taxes	846,746	272,332
Property and equipment, net - restricted assets of VIE	-	1,457,770
Property and equipment, net	40,286,490	22,064,544
Intangible assets, net	2,509,337	1,113,997
Goodwill	8,578,776	-
Other long-term assets	118,145	74,389
Total assets	**$ 56,544,738**	**$ 27,350,399**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,952,017	$ 1,682,462
Accrued compensation	1,647,075	760,548
Other accrued liabilities	1,013,369	649,784
Current portion of long-term debt (including VIE debt of $0 and $89,414, respectively)	6,095,684	2,967,135
Current portion of deferred rent	226,106	180,480
Total current liabilities	**12,934,251**	**6,240,409**
Deferred rent, less current portion	2,274,753	1,750,017
Unfavorable operating leases	849,478	-
Other liabilities - interest rate swaps	430,751	613,999
Long-term debt, less current portion (including VIE debt of $0 and $1,162,377, respectively)	38,551,601	16,841,355
Total liabilities	**$ 55,040,834**	**$ 25,445,780**
Commitments and contingencies (Notes 9 and 10)		
Stockholders' equity		
Common stock - $0.0001 par value; 100,000,000 shares authorized, 18,951,700 and 18,936,400 shares, respectively, issued and outstanding	1,888	1,888
Additional paid-in capital	2,991,526	2,771,077
Accumulated other comprehensive loss	(284,294)	-
Retained earnings (accumulated deficit)	(1,205,216)	(1,253,831)
Total DRH stockholders' equity	**1,503,904**	**1,519,134**
Noncontrolling interest in VIE	-	385,485
Total stockholders' equity	1,503,904	1,904,619
Total liabilities and stockholders' equity	**$ 56,544,738**	**$ 27,350,399**

See accompanying notes to consolidated financial statements.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Twelve Months Ended	
	December 30 2012	**December 25 2011**
Revenue		
Food and beverage sales	$ 77,435,684	$ 60,657,475
Franchise royalties and fees	11,524	50,000
Total revenue	**77,447,208**	**60,707,475**
Operating expenses		
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):		
Food, beverage, and packaging	24,117,399	17,486,880
Compensation costs	19,448,210	15,226,145
Occupancy	4,289,966	3,291,339
Other operating costs	15,008,171	11,854,581
General and administrative expenses	6,585,908	5,023,212
Pre-opening costs	1,792,168	714,330
Depreciation and amortization	4,587,310	3,479,360
Loss on disposal of property and equipment	36,833	31,465
Total operating expenses	**75,865,965**	**57,107,312**
Operating profit	**1,581,243**	**3,600,163**
Change in fair value of derivative instruments	(43,361)	(246,818)
Interest expense	(1,282,991)	(1,137,725)
Other income, net	20,081	366,497
Income before income taxes	**274,972**	**2,582,117**
Income tax provision (benefit)	(167)	586,086
Net income	**$ 275,139**	**$ 1,996,031**
Less: (Income) attributable to noncontrolling interest	$ (95,040)	$ (153,845)
Net income attributable to DRH	**$ 180,099**	**$ 1,842,186**
Basic earnings per share	$ 0.01	$ 0.10
Fully diluted earnings per share	$ 0.01	$ 0.10
Weighted-average number of common shares outstanding		
Basic	18,949,556	18,902,782
Diluted	19,091,849	19,055,500

See accompanying notes to consolidated financial statements.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Twelve Months Ended	
	December 30 2012	**December 25 2011**
Net income	**$ 275,139**	**$ 1,996,031**
Other comprehensive income (loss)		
Unrealized changes in fair value of interest rate swaps, net of tax of $146,457	(284,294)	-
Comprehensive income (loss)	**(9,155)**	**1,996,031**
Less: Comprehensive (income) attributable to noncontrolling interest	(95,040)	(153,845)
Comprehensive income (loss) attributable to DRH	**$ (104,195)**	**$ 1,842,186**

See accompanying notes to consolidated financial statements.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained Earnings (Accumulated	Noncontrolling	Total Stockholders'
	Shares	Amount	Capital	Loss	Deficit)	Interest	Equity (Deficit)
Balances - December 26, 2010	**18,876,000**	**$ 1,888**	**$ 2,631,304**	**$ -**	**$ (3,096,017)**	**$ 338,640**	**$ (124,185)**
Issuance of restricted shares	60,400	-	-	-	-	-	-
Share-based compensation	-	-	139,773	-	-	-	139,773
Net income	-	-	-	-	1,842,186	153,845	1,996,031
Distributions from noncontrolling interest	-	-	-	-	-	(107,000)	(107,000)
Balances - December 25, 2011	**18,936,400**	**1,888**	**2,771,077**	**-**	**(1,253,831)**	**385,485**	**1,904,619**
Issuance of restricted shares	28,800	-	-	-	-	-	-
Forfeitures of restricted shares	(13,500)	-	-	-	-	-	-
Share-based compensation	-	-	220,449	-	-	-	220,449
Other comprehensive loss	-	-	-	(284,294)	-	-	(284,294)
Net income	-	-	-	-	180,099	95,040	275,139
Distributions from noncontrolling interest	-	-	-	-	-	(40,000)	(40,000)
Elimination of noncontrolling interest	-	-	-	-	440,525	(440,525)	-
Cash paid in excess of book value of noncontrolling interest, net of taxes	-	-	-	-	(572,009)	-	(572,009)
Balances - December 30, 2012	**18,951,700**	**$ 1,888**	**$ 2,991,526**	**$ (284,294)**	**$ (1,205,216)**	**$ -**	**$ 1,503,904**

See accompanying notes to consolidated financial statements.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended	
	December 30 2012	**December 25 2011**
Cash flows from operating activities		
Net income	$ 275,139	$ 1,996,031
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,587,310	3,479,360
Write off of loan fees	141,329	-
Loss on disposal of property and equipment	36,833	31,465
Share-based compensation	220,449	139,773
Change in fair value of derivative instruments	43,361	246,818
Deferred income taxes	(133,287)	335,412
Changes in operating assets and liabilities that provided (used) cash		
Accounts receivable	(227,906)	(20,497)
Inventory	(141,547)	(262,706)
Prepaid assets	(210,434)	2,100
Other current assets	-	43,348
Intangible assets	(1,044,899)	(215,562)
Other long-term assets	(43,756)	5,710
Accounts payable	2,269,555	294,065
Accrued liabilities	1,250,112	321,220
Deferred rent	570,362	180,479
Net cash provided by operating activities	**7,592,621**	**6,577,016**
Cash flows from investing activities		
Purchases of property and equipment	(15,675,329)	(8,215,522)
Acquisition of business, net of cash acquired	(14,686,575)	-
Cash paid in excess of book value of noncontrolling interest	(866,681)	-
Net cash used in investing activities	**(31,228,585)**	**(8,215,522)**
Cash flows from financing activities		
Proceeds from issuance of long-term debt	63,521,824	4,181,373
Repayments of long-term debt	(38,683,029)	(2,256,751)
Distributions from non-controlling interest	(40,000)	(107,000)
Net cash provided by financing activities	**24,798,795**	**1,817,622**
Net increase in cash and cash equivalents	**1,162,831**	**179,116**
Cash and cash equivalents, beginning of period	1,537,497	1,358,381
Cash and cash equivalents, end of period	**$ 2,700,328**	**$ 1,537,497**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Diversified Restaurant Holdings, Inc. (“DRH” or the “Company”) is a fast-growing restaurant company operating two complementary concepts: Bagger Dave’s Legendary Burger Tavern® (“Bagger Dave’s”) and Buffalo Wild Wings® (“BWW”). As the creator, developer, and operator of Bagger Dave’s and as one of the largest franchisees of BWW, we provide a unique guest experience in a casual and inviting environment. We are committed to providing value to our guests through offering generous portions of flavorful food in an upbeat and entertaining atmosphere. We believe Bagger Dave’s and DRH-owned BWW are uniquely-positioned restaurant brands designed to maximize appeal to our guests. Both restaurant concepts offer competitive price points and a family-friendly atmosphere, which we believe enables consistent performance through economic cycles. We were incorporated in 2006 and are headquartered in the Detroit metropolitan area. As of December 30, 2012 we had 45 locations in Florida, Illinois, Indiana, Michigan, and Missouri. Of those restaurants, 44 are corporate owned and one is franchised by a third party.

Our Company’s roots can be traced to 1999, when our founder, President, CEO, and Chairman T. Michael Ansley opened his first BWW restaurant in Sterling Heights, Michigan. By late 2004, Mr. Ansley and his business partners owned and operated seven BWW franchised restaurants and formed AMC Group, LLC as an operating center for those locations. In 2006, DRH was formed and several entities, including AMC Group, LLC, were reorganized to provide the framework and financial flexibility to grow as a franchisee of BWW and to develop and grow our Bagger Dave’s concept. In 2008, DRH became public by completing a self-underwritten initial public offering for approximately $735,000 and 140,000 shares.

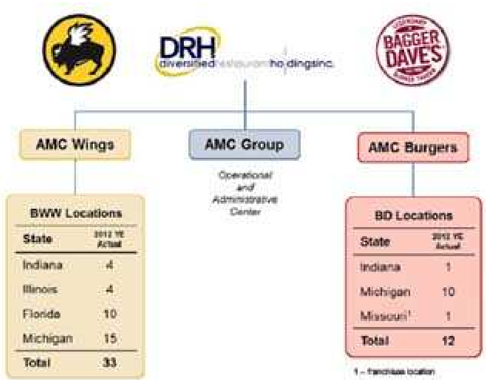
Mr. Ansley has received various awards from BWLD, including awards for highest annual restaurant sales and operator of the year. In September 2007, Mr. Ansley was awarded Franchisee of the Year by the International Franchise Association (“IFA”). The IFA’s membership consists of over 12,000 franchisee members and over 1,000 franchisor members.

Today, DRH and its wholly-owned subsidiaries, including AMC Group, Inc. (“AMC”), AMC Wings, Inc. (“WINGS”), and AMC Burgers, Inc. (“BURGERS”), develop, own, and operate Bagger Dave's and DRH-owned BWW restaurants located throughout Florida, Illinois, Indiana, Michigan, and Missouri.

DRH originated the Bagger Dave’s® concept with our first restaurant opening in January 2008 in Berkley, Michigan. Currently, there are 10 corporate-owned Bagger Dave’s in Michigan, one corporate-owned Bagger Dave’s in Indiana, and one franchised location in Missouri. The Company plans to operate approximately 50 Bagger Dave’s corporate-owned locations by the end of 2017.

DRH is also one of the largest BWW franchisees and currently operates 33 DRH-owned BWW restaurants (15 in Michigan, 10 in Florida, four in Illinois, and four in Indiana), including the nation’s largest BWW, based on square footage, in downtown Detroit, Michigan. T. Michael Ansley, our President, CEO, and Chairman of the Board, is the recipient of various franchise awards, including BWW awards for the highest annual restaurant sales in 2006, 2005, and 2004. We remain on track to fulfill our area development agreement with BWLD. The Company also recently purchased the rights to develop another location in Indiana. Per the area development agreement with BWLD, we expect to operate 47 DRH-owned BWW by the end of 2017.

The following organizational chart outlines the corporate structure of DRH. A brief textual description of the entities follows the organizational chart. DRH is incorporated in Nevada.



AMC was formed on March 28, 2007 and serves as our operational and administrative center. AMC renders management, operational support, and advertising services to WINGS and its subsidiaries and BURGERS and its subsidiaries. Services rendered by AMC include marketing, restaurant operations, restaurant management consultation, hiring and training of management and staff, and other management services reasonably required in the ordinary course of restaurant operations.

WINGS was formed on March 12, 2007 and serves as a holding company for our DRH-owned BWW restaurants. We are economically dependent on retaining our franchise rights with BWLD. The franchise agreements have specific initial term expiration dates ranging from January 29, 2014 through October 7, 2032, depending on the date each was executed and the duration of its initial term. The franchise agreements are renewable at the option of the franchisor and are generally renewable if the franchisee has complied with the franchise agreement. When factoring in any applicable renewals, the franchise agreements have specific expiration dates ranging from January 29, 2019 through October 7, 2047. We believe we are currently in compliance with the terms of these agreements.

BURGERS was formed on March 12, 2007 and serves as a holding company for our Bagger Dave's restaurants. Bagger Dave's Franchising Corporation, a subsidiary of BURGERS, was formed to act as the franchisor for the Bagger Dave's concept and has rights to franchise in Illinois, Indiana, Kentucky, Michigan, Missouri, Ohio, and Wisconsin. We do not intend to pursue significant franchisee development at this time

We follow accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that we follow to ensure we consistently report our financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("Codification" or "ASC").

Principles of Consolidation

The consolidated financial statements include the accounts of DRH and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated upon consolidation.

We consolidate all variable interest entities ("VIE") where we are the primary beneficiary. For VIE, we assess whether we are the primary beneficiary as prescribed by the accounting guidance on the consolidation of VIE. The primary beneficiary of a VIE is the party that has the power to direct the activities that most significantly impact the performance of the entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. Prior to our acquisition of 100.0% of its membership interests on September 25, 2012, we consolidated Ansley Group, LLC because we leased and maintained substantially all of its assets to operate our Clinton Township, Michigan BWW restaurant and we guaranteed all of its debt. See Note 2 for details.

Fiscal Year

The Company utilizes a 52- or 53-week accounting period that ends on the last Sunday in December. Consequently, fiscal year 2012 ended on December 30, 2012, comprising 53 weeks. Fiscal year 2011 ended on December 25, 2011, comprising 52 weeks.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company, at times throughout the year, may, in the ordinary course of business, maintain cash balances in excess of federally-insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits.

Revenue Recognition

Revenues from food and beverage sales are recognized and generally collected at the point of sale. All sales taxes are presented on a net basis and are excluded from revenue.

The Company's existing Bagger Dave's franchise agreements have terms of 15 years. We provide the use of the Bagger Dave's trademarks, system, training, preopening assistance, and restaurant operating assistance in exchange for area development fees, franchise fees, and royalties of 5.0% of a restaurant's sales.

Franchise fee revenue from individual franchise sales is recognized upon the opening of the franchised restaurant when all material obligations and initial services to be provided by the Company have been performed. Area development fees are dependent upon the number of restaurants in the territory, as are our obligations under the area development agreement. Consequently, as obligations are met, area development fees are recognized proportionally with expenses incurred with the opening of each new restaurant and any royalty-free periods. Royalties are accrued as earned and are calculated each period based on restaurant sales.

Accounts Receivable

Accounts receivable were stated at the amount management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off with a corresponding charge to bad debt expense. Management does not believe any allowances for doubtful accounts were necessary at December 30, 2012.

Gift Cards

Buffalo Wild Wings
The Company records gift cards under a BWLD central-wide program. Gift cards sold are recorded as a gift card liability. When redeemed, the gift card liability account is offset by recording the transaction as revenue. At times, gift card redemptions can exceed amounts due to BWLD for gift card purchases resulting in an asset balance. Under this centralized system, any breakage would be recorded by Blazin Wings, Inc., a subsidiary of BWLD, and is subject to the breakage laws in the state of Minnesota, where Blazin Wings, Inc. is located.

Bagger Dave's
The Company records Bagger Dave's gift card sales as a gift card liability when sold. When redeemed, the gift card liability account is offset by recording the transaction as revenue. Michigan law states that gift cards cannot expire and any post-sale fees cannot be assessed until five years after the date of gift card purchase by the consumer. There is no breakage attributable to Bagger Dave's restaurants for the Company to record as of December 30, 2012 and December 25, 2011.

The Company's gift card asset/liability was an asset of $78,818 and a liability of $146,898 at December 30, 2012 and December 25, 2011, respectively, and is included in other accrued liabilities on the consolidated balance sheets.

Inventory

Inventory, which consists mainly of food and beverage products, is accounted for at the lower of cost or market using the first in, first out method of inventory valuation.

Prepaids and Other Assets

Prepaid assets consist principally of prepaid insurance and are recognized ratably as operating expense over the period covered by the unexpired premium. Other assets consist primarily of security deposits on our operating leases.

Intangible Assets

Amortizable intangible assets consist of franchise fees, trademarks, non-compete agreements, favorable and unfavorable operating leases, and loan fees and are amortized to operating expense on a straight-line basis over the term of the related underlying agreements or to approximate the effective interest method based on the following:

Franchise fees (years)	10 - 20
Trademarks (years)	15
Non-compete agreements (years)	3
Favorable and unfavorable leases (years)	lease term (7 - 16)
Loan fees (years)	loan term (5 - 7)

Liquor licenses, also a component of intangible assets, are deemed to have an indefinite life and, accordingly, are not amortized. Management reviews liquor license assets on an annual basis (at year end) to determine whether carrying values have been impaired. We identify potential impairments for liquor licenses by comparing the fair value with its carrying amount. If the fair value exceeds the carrying amount, the liquor licenses are not impaired. If the carrying amount exceeds the fair value, an impairment loss is recorded for the difference. If the fair value of the asset is less than the carrying amount, an impairment is recorded.

During the periods ended December 30, 2012 and December 25, 2011, respectively, no impairments relating to intangible assets were recognized.

Property and Equipment

Property and equipment are recorded at cost. Major improvements and renewals are capitalized. Land is not depreciated. Buildings are depreciated using the straight-line method over the estimated useful life, which is typically 39 years. Equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the term of the lease, with consideration of renewal options if renewals are reasonably assured because failure to renew would result in an economic penalty, or the estimated useful lives of the assets, which is typically 5 - 15 years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

Restaurant construction in progress is not amortized or depreciated until the related assets are placed into service. The Company capitalizes, as restaurant construction in progress, costs incurred in connection with the design, build out, and furnishing of its restaurants. Such costs consist principally of leasehold improvements, directly related costs such as architectural and design fees, construction period interest (when applicable), and equipment, furniture and fixtures not yet placed in service.

The Company reviews property and equipment, along with other long-lived assets subject to amortization, for impairment whenever events or changes in circumstances indicate that a potential impairment has occurred. During the years ended December 30, 2012 and December 25, 2011, there were no impairments recorded.

Goodwill

Goodwill represents expected synergies from the merger of operations and intangibles assets that do not qualify for separate recognition. Goodwill is not amortized and represents the excess of cost over the fair value of identified net assets of businesses acquired. Measurement of goodwill at initial recognition is described in Note 2. Goodwill is subject to an annual impairment analysis, where it is subsequently measured at cost less accumulated impairment losses.

The impairment analysis of goodwill consists first of a review of various qualitative factors of the identified reporting units to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, including goodwill. This review includes, but is not limited to, an evaluation of the macroeconomic, industry, or market, and cost factors relevant to the reporting unit as well as financial performance and entity or reporting unit events that may affect the value of the reporting unit. If this review leads to the determination that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, further impairment testing is not required. However, if this review cannot support a conclusion that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, or at our discretion, quantitative impairment steps are performed.

The quantitative portion of the impairment test consists of a two-step process, if necessary. The first step is to compare the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of goodwill with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. All goodwill was considered recoverable as of December 30, 2012 based on our qualitative analysis.

Deferred Rent

Certain operating leases provide for minimum annual payments that increase over the life of the lease. Typically, leases have an initial lease term of between 10 and 15 years and contain renewal options under which we may extend the terms for periods of two to five years. The aggregate minimum annual payments are expensed on a straight-line basis commencing at the start of our construction period and extending over the term of the related lease, without consideration of renewal options. The amount by which straight-line rent exceeds actual lease payment requirements in the early years of the lease is accrued as deferred rent liability and reduced in later years when the actual cash payment requirements exceed the straight-line expense. The Company also accounts, in its straight-line computation, for the effect of any "rental holidays", "free rent periods", and "landlord incentives or allowances".

Advertising

Advertising expenses associated with contributions to the national BWW advertising fund are expensed as contributed and all other advertising expenses are expensed as incurred. Advertising expenses were $3.3 million and $2.7 million for the years ended December 30, 2012 and December 25, 2011, respectively, and is included in general and administrative expenses in the consolidated statement of operations.

Pre-opening Costs

Pre-opening costs are those costs associated with opening new restaurants and will vary based on the number of new locations opening and under construction. These costs are expensed as incurred. Pre-opening costs were $1.8 million and $714,330 for the years ended December 30, 2012 for and December 25, 2011, respectively.

Income Taxes

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company applies the provisions of FASB ASC 740, *Income Taxes* , ("ASC 740") regarding the accounting for uncertainty in income taxes. The Company classifies all interest and penalties as income tax expense. There are no accrued interest amounts or penalties related to uncertain tax positions as of December 30, 2012 or December 25, 2011.

Earnings Per Common Share

Earnings per share are calculated under the provisions of ASC 260, *Earnings per Share,* which requires a dual presentation of "basic" and "diluted" earnings per share on the face of the income statement. Basic earnings per common share excludes dilution and is computed by dividing the net earnings available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share include dilutive common stock equivalents consisting of stock options determined by the treasury stock method. Restricted stock awards contain nonforfeitable rights to dividends, making such awards participating securities. The calculation of basic and diluted earnings per share uses an earnings allocation method to consider the impact of restricted stock. Due to the limited number of restricted shares outstanding, there was no impact on basic or diluted earnings per share in 2012 or 2011.

Stock Based Compensation

The Company estimates the fair value of stock option awards utilizing the Black-Scholes pricing model. The fair value of the awards is amortized as compensation expense on a straight-line basis over the requisite service period of the award, which is generally the vesting period. The fair value of restricted shares is equal to the number of restricted shares issued times the Company's stock price on the date of grant and is amortized as compensation expense on a straight-line basis over the service period of the award.

Concentration Risks

Approximately 70.0% and 76.0% of the Company's revenues for the years ended December 30, 2012 and December 25, 2011, respectively, were generated from food and beverage sales from restaurants located in Michigan.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Interest Rate Swap Agreements

The Company utilizes interest rate swap agreements with a bank to fix interest rates on a portion of the Company's portfolio of variable rate debt, which reduces exposure to interest rate fluctuations. The Company does not use any other types of derivative financial instruments to hedge such exposures, nor does it use derivatives for speculative purposes.

Prior to the debt restructure on April 2, 2012 (see Note 6 for details), the Company's interest rate swap agreements did not qualify for hedge accounting. As such, the Company recorded the change in the fair value of the swap agreements in change in fair value of derivative instruments on the Consolidated Statements of Operations. The interest rate swap agreements in effect at December 30, 2012 do qualify for hedge accounting. For interest rate swap agreements that qualify for hedge accounting, the Company records the change in the fair value of the swap agreement as a component of other comprehensive income/(loss), net of tax. The Company records the fair value of its interest rate swaps on the balance sheet in other assets or other liabilities depending on the fair value of the swaps. See Note 6 and Note 13 for additional information on the interest rate swap agreements.

Recent Accounting Pronouncements

In February 2013, the FASB issued updated guidance that amends the reporting of amounts reclassified out of accumulated other comprehensive income. These amendments do not change the current requirements for reporting net income or other comprehensive income in the financial statements. However, the guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component, either on the face of the financial statement where net income is presented or in the notes to the financial statements. This guidance is effective for fiscal periods beginning after December 15, 2012, and is to be applied prospectively. We will comply with this guidance as of December 31, 2012, and the adoption of the guidance will not have a material impact on our consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02 "Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangibles Assets for Impairment", which updated guidance on the annual testing of indefinite-lived intangible assets for impairment. The amendment allows an entity to first assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If, based on its qualitative assessment, an entity concludes it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We will comply with this guidance as of December 31, 2012 and the adoption of the guidance will not have a material impact on our consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year's presentation.

2. BUSINESS ACQUISITIONS

On September 25, 2012, the Company acquired 100.0% of the membership interests in Ansley Group, LLC for approximately $2.5 million. The purchase was approved by the Company's disinterested directors who determined that the purchase price was fair to the Company based upon an independent appraisal. As a result of this acquisition, the Company has acquired full ownership rights in the Clinton Township property. Ansley Group, LLC was owned by T. Michael Ansley and Thomas D. Ansley. T. Michael Ansley is the Chairman of the Board of Directors, President, and CEO and a principal shareholder of the Company. The acquisition was accounted for as a common control transaction and, as a result, the carrying value of the assets and liabilities acquired were recorded by the Company. Since Ansley Group, LLC's operations were previously consolidated into the Company's financial statements prior to the acquisition, the Company did not retrospectively eliminate the noncontrolling interest, but did eliminate it at the date of acquisition. The purchase price paid in excess of Ansley Group, LLC's carrying value of assets and liabilities amounted to $866,681 and this amount, net of tax of $294,672, has been reflected as a reduction in Retained Earnings (Accumulated Deficit) in the Consolidated Statements of Stockholders' Equity (Deficit). The acquisition was funded as part of the September 2012 Term Loan discussed in Note 6.

On September 25, 2012, the Company completed the acquisition of substantially all of the assets of Crown Wings, Inc., Brewsters, Inc., Valpo Wings, Inc., Buffaloville Wings, Inc., and Hammond Wings, Inc., each an Indiana corporation, and Homewood Wings, Inc., Cal City Wings, Inc., Lansing Wings, Inc., and Lincoln Park Wings, Inc., each an Illinois corporation (collectively, the "Indiana and Illinois Entities"). The acquired assets consist of four Buffalo Wild Wings restaurants operating in Indiana and four operating in Illinois along with the right to develop a fifth Buffalo Wild Wings restaurant in Indiana. The purchase price for the acquisition was approximately $14.7 million and was financed as part of the September 2012 Term loan discussed in Note 6. The allocation of the purchase price for acquisition requires extensive use of accounting estimates and judgments to allocate the purchase price to tangible and intangible assets acquired and liabilities assumed based on respective fair values. The Company believes the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions.

The following table summarizes the estimated fair values of net assets acquired and liabilities assumed:

Working capital	$	109,459
Property and equipment		5,664,140
Franchise fees		254,000
Non-compete		74,100
Liquor licenses		656,000
Favorable operating leases		239,000
Unfavorable operating leases		(875,000)
Goodwill		8,578,776
Net cash paid for acquisition	**$**	**14,700,475**

The excess of the purchase price over the aggregate fair value of assets acquired was allocated to goodwill, all of which is expected to be deductible for tax purposes. The assessment of the valuation of certain assets acquired and liabilities assumed during 2012 is preliminary; if new information is obtained about facts and circumstances that existed at the acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to current estimates of these items. The results of operations of these locations are included in our consolidated statement of operations from the date of acquisition.

The fair value of property and equipment acquired was determined primarily using the cost approach, which is based on the current cost to recreate or duplicate the assets less an appropriate allowance for depreciation from all causes; physical, functional, and economic. We estimated replacement cost new by using the indirect approach. We applied equipment-specific cost indices published by Bureau of Labor Statistics – Producer Price Index to the historical cost of the assets to estimate replacement cost new. To determine the depreciation allowance, we estimated the expected normal useful life of the asset and its respective age, also considering the current physical condition, current, and future utilization of the asset. Based on this information, we developed a retirement relationship to age for the asset, determining physical depreciation derived from straight-line depreciation. We then adjusted the replacement cost new, using this relationship, to determine replacement cost new less depreciation. Although we considered accounting for functional obsolescence of the assets, we did not apply a functional obsolescence deduction because the assets are functioning as originally designed for use.

The fair value of the liquor licenses acquired was determined by obtaining current market values for liquor licenses in the county in which our acquired restaurants are located.

The fair value of favorable and unfavorable operating leases was determined by calculating the present value of the differences between contract rent (on a cost per square foot basis) to market rent for comparable properties over the term of the related leases. The Company used a 12.0% discount rate in the present value calculation and the remaining lease terms ranged from seven to 16 years. These favorable and unfavorable operating leases are amortized to rent expense over their respective lease terms.

The following table summarizes the unaudited pro forma financial information as if the acquisition had occurred at the beginning of the periods presented:

		December 30 2012		December 25 2011
Revenue	$	90,485,351	$	77,136,893
Net income (loss) attributable to DRH		(248,695)		1,620,346
Basic earnings (loss) per share		(0.01)		0.09
Diluted earnings (loss) per share		(0.01)		0.09

The Indiana and Illinois Entities generated $5.0 million in revenue and reported a net loss of $164,281 for the time period of September 25, 2012 to December 30, 2012.

We believe this acquisition expands the scope of our operations, adds a number of new markets to our existing footprint and strategically positions DRH for future expansion throughout the Midwest. DRH's near-term focus will be to integrate the acquired restaurants and realize the opportunities to improve their operating and financial performance. Long term, we look to leverage this acquisition by expanding our Bagger Dave's concept within the same footprint, led by the opening of our first restaurant in Indiana. For additional information pertaining to the acquisition, refer to the 8-K/A filed on December 10, 2012.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment are comprised of the following:

	December 30 2012	December 25 2011
Land	$ 989,680	$ 469,680
Land (restricted assets of VIE)	-	520,000
Building	4,982,806	2,745,296
Building (restricted assets of VIE)	-	1,570,967
Equipment	16,509,977	10,596,964
Furniture and fixtures	4,270,159	3,060,014
Leasehold improvements	31,028,860	19,148,471
Restaurant construction in progress	1,462,505	-
Total	59,243,987	38,111,392
Less accumulated depreciation	(18,957,497)	(13,955,881)
Less accumulated depreciation attributable to restricted assets of VIE	-	(633,197)
Property and equipment, net	**$ 40,286,490**	**$ 23,522,314**

Depreciation expense was $4.6 million and $3.4 million during the years ended December 30, 2012 and December 25, 2011, respectively.

4. GOODWILL AND INTANGIBLE ASSETS

As of December 31, 2012, DRH had goodwill of $8.6 million, a result of the Indiana and Illinois acquisition in September 2012. No adjustments to the carrying amount of goodwill were recorded during the year ended December 30, 2012.

Intangible assets are comprised of the following:

	December 30 2012	December 25 2011
Amortized intangible assets		
Franchise fees	$ 555,253	$ 303,750
Trademark	37,359	30,852
Non-compete	79,600	-
Favorable leases	239,000	-
Loan fees	109,600	164,429
Total	1,020,812	499,031
Less accumulated amortization	(142,266)	(112,271)
Amortized intangible assets, net	878,546	386,760
Unamortized intangible assets		
Liquor licenses	1,630,791	727,237
Total intangible assets, net	**$ 2,509,337**	**$ 1,113,997**

Amortization expense for the years ended December 30, 2012 and December 25, 2011 was $35,753 and $77,025, respectively. Based on the current intangible assets and their estimated useful lives, amortization expense for fiscal years 2013, 2014, 2015, 2016, and 2017 is projected to total approximately $194,116; $164,241; $67,982; $48,082; and $42,316, respectively. The aggregate weighted-average amortization period for intangible assets is 8.1 years. In conjunction with the April 2012 Term Loan (see Note 6 for additional information), loan fees written off to interest expense during the year ended December 30, 2012 were $141,329.

5. RELATED PARTY TRANSACTIONS

The acquisition in 2010 of certain affiliates was accomplished by issuing unsecured promissory notes to each selling shareholder that bore interest at 6.0% per year, were set to mature on February 1, 2016, and were payable in quarterly installments of approximately $157,000, with principal and interest fully amortized over six years. The outstanding balance on the notes is $0 and $2.3 million at December 30, 2012 and December 25, 2011, respectively. These notes were repaid in full in conjunction with the April 2012 Term Loan; refer to Note 6 for further details.

Fees for monthly accounting and financial statement compilation services are paid to an entity owned by a director and stockholder of the Company. Fees paid during the years ended December 30, 2012 and December 25, 2011, respectively, were $357,404 and $326,077.

Prior to the April 2012 Term Loan (see Note 6 for details), long-term debt included a promissory note to a DRH stockholder in the amount of $250,000. The note was a demand note that did not require principal or interest payments. Interest was accrued at 8.0% per annum and was compounded quarterly. On April 2, 2012, in conjunction with the April 2012 Term Loan (see Note 6 for details), this promissory note was paid in full.

See Note 9 for related party operating lease transactions.

6. LONG-TERM DEBT

Long-term debt consists of the following obligations:

	December 30 2012	December 25 2011
Note payable - $37.0 million term loan; payable to RBS with a senior lien on all the Company's personal property and fixtures. Scheduled monthly principal payments are approximately $440,476 plus accrued interest through maturity in September 2017. Interest is charged based on one-month LIBOR plus an applicable margin, which ranges from 2.5% to 3.7%, depending on the lease adjusted leverage ratio defined in the terms of the agreement. The rate at December 30, 2012 was approximately 3.61%.	$ 35,678,572	$ -
Note payable - $10.0 million development line of credit; payable to RBS with a senior lien on all the Company's personal property and fixtures. Interest is charged based on one-month LIBOR plus an applicable margin, which ranges from 2.5% to 3.7%, depending on the lease adjusted leverage ratio defined in the terms of the agreement. The rate at December 30, 2012 was approximately 3.61%.	7,015,555	-
Note payable to a bank secured by a senior lien on all company assets. Scheduled monthly principal and interest payments are approximately $113,000 through maturity in May 2017. Interest is charged based on a swap arrangement designed to yield a fixed annual rate of 7.1%. This note was repaid in full in conjunction with the $16.0 million term loan effective April 2, 2012; refer below for further details.	-	7,326,128
Note payable to a bank secured by a senior mortgage on the Brandon Property and a personal guaranty. Scheduled monthly principal and interest payments are approximately $8,000 through maturity in June 2030, at which point a balloon payment of $413,550 is due. Interest is charged based on a fixed rate of 6.7%, per annum, through June 2017, at which point the rate will adjust to the U.S. Treasury Securities Rate plus 4.0% (and every seven years thereafter).	1,102,539	1,122,413
Note payable to a bank secured by a junior mortgage on the Brandon Property. Matures in 2030 and requires monthly principal and interest installments of approximately $6,300 until maturity. Interest is charged at a rate of 3.6% per annum.	848,903	882,769
Note payable to a bank, secured by a senior lien on all company assets. Scheduled interest payments are charged at a rate of 3.0% over the one-month LIBOR. The monthly interest payment approximates $6,500. The note will mature in May 2017. The DLOC includes a carrying cost of 0.3% per year of any available but undrawn amounts. This note was repaid in full in conjunction with the September 2012 Term Loan effective September 25; refer below for further details.	-	1,030,052
Note payable to a bank secured by a senior lien on all company assets. Scheduled monthly principal and interest payments are approximately $19,500 through maturity in May 2017. Interest is charged based on a swap arrangement designed to yield a fixed annual rate of 5.9%. This note was repaid in full in conjunction with the $16.0 million term loan effective April 2, 2012; refer below for further details.	-	1,195,853
Note payable to a bank secured by a senior lien on all company assets. Scheduled monthly principal and interest payments are approximately $40,000 through maturity in May 2017. Interest is charged based on a swap arrangement designed to yield a fixed annual rate of 6.4%. This note was repaid in full in conjunction with the $16.0 million term loan effective April 2, 2012; refer below for further details.	-	2,602,375

Note payable to a bank secured by a senior lien on all company assets. Scheduled monthly principal and interest payments are approximately $24,500 through maturity in May 2017. Interest was charged based on a swap arrangement designed to yield a fixed annual rate of 6.4%. This note was repaid in full in conjunction with the $16.0 million term loan effective April 2, 2012; refer below for further details.	-	1,676,000
Unsecured note payable that matures in August 2013 and requires monthly principal and interest installments of approximately $2,200, with the balance due at maturity. Interest is 7.0% per annum. This note was repaid in full in conjunction with the $16.0 million term loan effective April 2, 2012; refer below for further details.	-	231,940
Note payable to Ford Credit secured by a vehicle to be used in the operation of the business. This is an interest-free loan under a promotional 0% rate. Scheduled monthly principal payments are approximately $430. The note matures in April 2013.	1,716	6,864
Notes payable – variable interest entity. Note payable to a bank secured by a senior mortgage on the property located at 15745 Fifteen Mile Road, Clinton Township, Michigan 48035, a DRH corporate guaranty, and a personal guaranty. Scheduled monthly principal and interest payments are approximately $12,500 through maturity in 2025. Interest is charged at a rate of 4.0% over the one-month LIBOR. This note was repaid in full in conjunction with the September 2012 Term Loan effective September 25; refer below for further details.	-	1,229,439
Note payable — related parties (Note 5). These notes were repaid in full in conjunction with the April 2012 Term Loan; refer below for further details.	-	2,504,657
Total long-term debt	44,647,285	19,808,490
Less current portion (includes VIE debt of $0 and $89,414, respectively)	(6,095,684)	(2,967,135)
Long-term debt, net of current portion	**$ 38,551,601**	**$ 16,841,355**

On April 2, 2012, the Company entered into a $16.0 million senior secured term loan ("April 2012 Term Loan"), secured by a senior lien on all Company assets. The Company used approximately $15.7 million of the April 2012 Term Loan to repay substantially all of its previously outstanding senior debt and related interest rate swap liabilities and the remaining $0.3 million for working capital. The April 2012 Term Loan was for a term of seven years and bore interest at one-month LIBOR plus an applicable margin (as defined in the agreement) which ranged from 2.5% to 3.4%, depending on the Company's lease adjusted leverage ratio. Principal and interest payments on the April 2012 Term Loan were to be amortized over seven years, with monthly principal payments of approximately $191,000 plus accrued interest. The April 2012 Term Loan was paid off in conjunction with the September 2012 $37.0 million term loan discussed below.

On September 25, 2012, the Company entered into a senior secured credit facility with RBS (the "Senior Secured Credit Facility") which consists of a $37.0 million term loan (the "September 2012 Term Loan"), a $10.0 million development line of credit (the "$10M DLOC"), and a $1.0 million revolving line of credit (the "$1M RLOC"). The Company immediately used approximately $15.2 million of the September 2012 Term Loan to refinance existing outstanding debt with RBS and used approximately $3.3 million of the September 2012 Term Loan to refinance and term out the outstanding balance of the existing development line of credit loan between the Company and RBS. Additionally, on September 25, 2012, approximately $14.7 million of the September 2012 Term Loan was used to complete the acquisition of the Indiana and Illinois Entities (with rights to develop another restaurant in Indiana) and approximately $2.5 million of the September 2012 Term Loan was used to purchase 100.0% of the membership interests in Ansley Group, LLC, as described in Note 2. The remaining balance of the September 2012 Term Loan, approximately $1.3 million, was used to pay the fees, costs, and expenses associated with either the above acquisitions or arising in connection with the closing of the loans constituting the Senior Secured Credit Facility. There were no outstanding borrowings on the $1M RLOC at December 30, 2012.

The Company's evaluation of the April 2012 and September 2012 debt refinancings concluded that the terms of the debt were not substantially modified.

Scheduled principal maturities of long-term debt for the next five calendar years, and thereafter, are summarized as follows:

Year	**Amount**
2013	$ 6,095,684
2014	6,347,310
2015	6,350,250
2016	6,353,150
2017	17,861,622
Thereafter	1,639,269
Total	$ **44,647,285**

Interest expense was $1.3 million and $1.1 million (including related party interest expense of $52,724 and $202,873) for the years ended December 30, 2012 and December 25, 2011, respectively.

The above agreements contain various customary financial covenants generally based on the performance of the specific borrowing entity and other related entities. The more significant covenants consist of a minimum debt service coverage ratio and a maximum lease adjusted leverage ratio, both of which we are in compliance with as of December 30, 2012.

At December 25, 2011, the Company had three interest rate swap agreements to fix interest rates on a portion of the Company's portfolio of variable rate debt. The notional amounts on the swaps combined were $11.1 million as of December 25, 2011 and were to amortize down to $0 through their maturity in May 2017. Under the swap agreements, the Company paid a fixed rate of 3.1% (notional amount of $7.3 million), 1.9% (notional amount of $1.2 million), and 2.4% (notional amount of $2.6 million), respectively. The Company received interest at the one-month LIBOR under all three agreements. These interest rate swaps did not qualify for hedge accounting and had a fair value of $613,999 at December 25, 2011. In conjunction with the April 2012 Term Loan, these swaps were terminated and the outstanding fair value liability on April 2, 2012 of $657,359 was rolled into the April 2012 Term Loan balance.

At December 30, 2012, the Company has two interest rate swap agreements to fix a portion of the interest rates on its variable rate. Both of the swap agreements were entered into in 2012 and qualify for hedge accounting. The swap agreements have a combined notional amount of $20.3 million at December 30, 2012, which will amortize to $0 by April 2019. Under the swap agreements, the Company pays a fixed rate of 1.4% (notional amount of $14.5 million) and 0.9% (notional amount of $5.8 million) and receives interest at the one-month LIBOR. The fair value of these swap agreements was $430,751 at December 30, 2012. Since these swap agreements qualify for hedge accounting, the changes in fair value are recorded in Other Comprehensive Income (Loss), net of tax.

7. CAPITAL STOCK (INCLUDING PURCHASE WARRANTS AND OPTIONS)

In 2011, the Company established the Stock Incentive Plan of 2011 ("Stock Incentive Plan") to attract and retain directors, consultants, and employees and to more fully align their interests with the interests of the Company's shareholders through the opportunity for increased stock ownership. The plan permits the grant and award of 750,000 shares of common stock by way of stock options and/or restricted stock. Stock options must be awarded at exercise prices at least equal to or greater than 100.0% of the fair market value of the shares on the date of grant. The options will expire no later than 10 years from the date of grant, with vesting terms to be defined at grant date, ranging from a vesting schedule based on performance to a vesting schedule that extends over a period of time as selected by the Compensation Committee of the Board of Directors or other committee as determined by the Board (the "Committee"). The Committee also determines the grant, issuance, retention, and vesting timing and conditions of awards of restricted stock. The Committee may place limitations, such as continued employment, passage of time, and/or performance measures, on restricted stock. Awards of restricted stock may not provide for vesting or settlement in full of restricted stock over a period of less than one year from the date the award is made. The Stock Incentive Plan was approved by our shareholders on May 26, 2011.

During fiscal 2012 and 2011, restricted shares were issued to certain employees at a weighted-average grant date fair value between $3.10 and $5.00, respectively. Restricted shares are granted with a per share purchase price at 100.0% of the fair market value on the date of grant. Stock-based compensation expense will be recognized over the expected vesting period in an amount equal to the fair market value of such awards on the date of grant.

The following table presents the restricted shares transactions as of December 30, 2012:

	Number of Restricted Stock Shares
Unvested, December 25, 2011	60,400
Granted	28,800
Vested	(20,800)
Expired/Forfeited	(13,500)
Unvested, December 30, 2012	54,900

The following table presents the restricted shares transactions as of December 25, 2011:

	Number of Restricted Stock Shares
Unvested, December 26, 2010	-
Granted	60,800
Vested	-
Expired/Forfeited	(400)
Unvested, December 25, 2011	60,400

Under the Stock Incentive Plan, there are 674,300 shares available for future awards at December 30, 2012.

On July 30, 2007, DRH granted options for the purchase of 150,000 shares of common stock to the directors of the Company. These options vest ratably over a three-year period and expire six years from issuance. At December 30, 2012, these options are fully vested and can be exercised at a price of $2.50 per share.

On July 31, 2010, prior to the Stock Incentive Plan, DRH granted options for the purchase of 210,000 shares of common stock to the directors of the Company. These options vest ratably over a three-year period and expire six years from issuance. Once vested, the options can be exercised at a price of $2.50 per share.

Stock-based compensation of $220,449 and $139,773 was recognized during December 30, 2012 and December 25, 2011, respectively, as restaurant compensation costs and general and administrative expenses in the consolidated statements of operations and as additional paid-in capital on the consolidated statement of stockholders' equity to reflect the fair value of shares vested. The fair value of stock options is estimated using the Black-Scholes model. The fair value of unvested shares was $43,963 as of December 30, 2012. The fair value of the unvested shares will be amortized ratably over the remaining vesting term. The valuation methodology used an assumed term based upon the stated term of three years and a risk-free rate of return represented by the U.S. 5-year Treasury Bond rate and volatility factor based on guidance as defined in FASB ASC 718, *Compensation – Stock Compensation* . A dividend yield of 0% was used because the Company has never paid a dividend and does not anticipate paying dividends in the reasonably foreseeable future.

In October 2009, one member of the Board of Directors exercised 6,000 vested options at a price of $2.50 per share. Consequently, at December 30, 2012, 354,000 shares of authorized common stock are reserved for issuance to provide for the exercise of the Company's stock options.

The Company has authorized 10,000,000 shares of preferred stock at a par value of $0.0001. No preferred shares are issued or outstanding as of December 30, 2012. Any preferences, rights, voting powers, restrictions, dividend limitations, qualifications, and terms and conditions of redemption shall be set forth and adopted by a Board of Directors' resolution prior to issuance of any series of preferred stock.

8. INCOME TAXES

The provision (benefit) for income taxes consists of the following components for the fiscal year ended December 30, 2012 and December 25, 2011:

	December 30 2012	December 25 2011
Federal		
Current	$ -	$ -
Deferred	(119,304)	312,837
State		
Current	133,120	250,674
Deferred	(13,983)	22,575
Income tax provision (benefit)	**$ (167)**	**$ 586,086**

The provision (benefit) for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to loss before income taxes. The items causing this difference are as follows:

	December 30 2012	December 25 2011
Income tax provision (benefit) at federal statutory rate	$ 93,490	$ 783,735
State income tax provision	39,169	273,249
Permanent differences	84,140	17,913
Tax credits	(409,603)	(430,521)
Other	192,637	(58,290)
Income tax provision (benefit)	**$ (167)**	**$ 586,086**

The Company's income tax provision for December 30, 2012 varies from the provision using the statutory rate due primarily to provision to return adjustments and the generation of tax credits without regard to income.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company expects the deferred tax assets to be fully realizable within the next several years. Significant components of the Company's deferred income tax assets and liabilities are summarized as follows:

	December 30 2012	December 25 2011
Deferred tax assets:		
Net operating loss carry forwards	$ 1,665,744	$ 1,861,906
Deferred rent expense	2,482	50,471
Start-up costs	94,739	135,535
Tax credit carry-forwards	1,737,228	1,089,561
Interest rate swaps	146,455	236,806
Stock-based compensation	160,402	96,929
Other	166,292	59,978
Total deferred tax assets	3,973,342	3,531,186
Deferred tax liabilities:		
Tax depreciation in excess of book	3,126,596	3,258,854
Net deferred income tax assets	**$ 846,746**	**$ 272,332**

If deemed necessary by management, the Company establishes valuation allowances in accordance with the provisions of ASC 740. Management continually reviews realizability of deferred tax assets and the Company recognizes these benefits only as reassessment indicates that it is more likely than not that such tax benefits will be realized.

The Company expects to use net operating loss and general business tax credit carry-forwards before its 20-year expiration. A significant amount of net operating loss carry forwards were used when the Company purchased nine affiliated restaurants in 2010, which were previously managed by DRH. Federal net operating loss carry forwards of $4.9 million will expire between 2029 and 2032. General business tax credits of $1.7 million will expire through 2032.

The Company is a member of a unitary group with other parties related by common ownership according to the provisions of the Michigan Business Tax Act. This group will file a single tax return for all members. An allocation of the current and deferred Michigan business tax incurred by the unitary group has been made based on an estimate of Michigan business tax attributable to the Company and has been reflected as state income tax expense in the accompanying consolidated financial statements consistent with the provisions of ASC 740.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions.

9. OPERATING LEASES (INCLUDING RELATED PARTY)

Lease terms range from four to 15 years, generally include renewal options, and frequently require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds.

Total rent expense was $3.5 million and $2.9 million for the fiscal years ended December 30, 2012 and December 25, 2011, respectively (of which $84,427 and $90,118 for the fiscal years ended December 30, 2012 and December 25, 2011, respectively, were paid to a related party).

Scheduled future minimum lease payments for each of the five years and thereafter for non-cancelable operating leases with initial or remaining lease terms in excess of one year at December 30, 2012 are summarized as follows:

Year	Amount
2013	$ 4,962,702
2014	4,917,765
2015	4,618,930
2016	4,375,845
2017	4,098,188
Thereafter	15,085,806
Total	$ 38,059,236

10. COMMITMENTS AND CONTINGENCIES

The Company assumed, from a related entity, an area development agreement with BWLD in which the Company undertakes to open 23 BWW restaurants within its designated "development territory", as defined by the agreement, by October 1, 2016. On December 12, 2008, this agreement was amended, adding nine additional restaurants and extending the date of fulfillment to March 1, 2017. Failure to develop restaurants in accordance with the schedule detailed in the agreement could lead to potential penalties of $50,000 for each undeveloped restaurant, payment of the initial franchise fees for each undeveloped restaurant, and loss of rights to development territory. As of December 30, 2012, of the 32 restaurants required to be opened under the area development agreement, 19 of these restaurants had been opened for business. An additional six restaurants not part of this area development agreement were also opened for business as of December 30, 2012.

The Company is required to pay BWLD royalties (5.0% of net sales) and advertising fund contributions (3.0% of net sales) for the term of the individual franchise agreements. The Company incurred $3.4 million and $2.7 million in royalty expense for the fiscal years ended December 30, 2012 and December 25, 2011, respectively. Advertising fund contribution expenses were $2.0 million and $1.7 million for the fiscal years ended December 30, 2012 and December 25, 2011, respectively.

The Company is required, by its various BWLD franchise agreements, to modernize the restaurants during the term of the agreements. The individual agreements generally require improvements between the fifth year and the tenth year to meet the most current design model that BWLD has approved. The modernization costs can range from approximately $50,000 to approximately $500,000 depending on the individual restaurants' needs.

In 2011, we launched a defined contribution 401(k) plan whereby eligible employees may contribute pretax wages in accordance with the provisions of the plan. We match 100.0% of the first 3.0% and 50.0% of the next 2.0% of contributions made by eligible employees. Matching contributions of approximately $239,351 and $144,355 were made by us during the year ended December 30, 2012 and December 25, 2011, respectively.

The Company is subject to ordinary, routine, legal proceedings, as well as demands, claims and threatened litigation, which arise in the ordinary course of its business. The ultimate outcome of any litigation is uncertain. While unfavorable outcomes could have adverse effects on the Company's business, results of operations, and financial condition, management believes that the Company is adequately insured and does not believe that any pending or threatened proceedings would adversely impact the Company's results of operations, cash flows, or financial condition. Therefore, no separate reserve has been established for these types of legal proceedings.

11. EARNINGS PER COMMON SHARE

The following is a reconciliation of basic and fully diluted earnings per common share for the years ended December 30, 2012 and December 25, 2011:

	December 30 2012	December 25 2011
Income available to common stockholders	$ 180,099	$ 1,842,186
Weighted-average shares outstanding	18,949,556	18,902,782
Effect of dilutive securities	142,293	152,718
Weighted-average shares outstanding - assuming dilution	19,091,849	19,055,500
Earnings per common share	$ 0.01	$ 0.10
Earnings per common share - assuming dilution	$ 0.01	$ 0.10

12. SUPPLEMENTAL CASH FLOWS INFORMATION

Other Cash Flows Information

Cash paid for interest was $1.1 million and $1.1 million during the years ended December 30, 2012 and December 25, 2011, respectively.

Cash paid for income taxes was $386,204 and $185,945 during the years ended December 30, 2012 and December 25, 2011, respectively.

Supplemental Schedule of Non-Cash Operating, Investing, and Financing Activities

None.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The guidance for fair value measurements, ASC 820, *Fair Value Measurements and Disclosures* , establishes the authoritative definition of fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1 — Quoted market prices in active markets for identical assets and liabilities;
- Level 2 — Inputs, other than level 1 inputs, either directly or indirectly observable; and
- Level 3 — Unobservable inputs developed using internal estimates and assumptions (there is little or no market data) which reflect those that market participants would use.

As of December 30, 2012 and December 25, 2011, respectively, our financial instruments consisted of cash equivalents, accounts payable, and debt. The fair value of cash equivalents (level 1), accounts payable and short-term debt (level 2) approximate its carrying value, due to their short-term nature.

The fair value of our interest rate swaps is determined based on valuation models, which utilize quoted interest rate curves to calculate the forward value and then discount the forward values to the present period. The Company measures the fair value using broker quotes which are generally based on market observable inputs including yield curves and the value associated with counterparty credit risk. Our interest rate swaps are classified as a Level 2 measurement as these securities are not actively traded in the market, but are observable based on transactions associated with bank loans with similar terms and maturities.

There were no transfers between levels of the fair value hierarchy during the fiscal years ended December 30, 2012 and December 25, 2011, respectively.

The following table presents the fair values for those assets and liabilities measured on a recurring basis as of December 30, 2012:

FAIR VALUE MEASUREMENTS

Description	Level 1	Level 2	Level 3	Total	Asset/(Liability) Total
Interest Rate Swaps	$ —	$ (430,751)	$ —	$ (430,751)	$ (430,751)

The following table presents the fair values for those assets and liabilities measured on a recurring basis as of December 25, 2011:

FAIR VALUE MEASUREMENTS

Description	Level 1	Level 2	Level 3	Total	Asset/(Liability) Total
Interest Rate Swaps	$ —	$ (613,999)	$ —	$ (613,999)	$ (613,999)

As of December 30, 2012, our total debt was approximately $44.6 million and approximated fair value as the vast majority of this debt was entered into in September 2012 at market rates. As of December 25, 2011, our total debt, less related party debt, was approximately $17.3 million and had a fair value of approximately $15.2 million. The Company did not have any related party debt as of December 30, 2012; this debt was paid in full in conjunction with the April 2012 Term Loan (see Note 6 for details). Related-party debt at December 25, 2011 was approximately $2.5 million and had a fair value of approximately $2.6 million. The Company estimates the fair value of its fixed-rate debt using discounted cash flow analysis based on the Company's incremental borrowing rate.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENT

The following unaudited pro forma financial statement combines the historical statement of operations of Diversified Restaurant Holdings, Inc. (“DRH” or the “Company”) and the combined statement of operations of Brewsters, Inc., Buffaloville, Inc., Cal City Wings, Inc., Crown Wings, Inc., Lansing Wings Inc., Lincoln Park Wings, Inc., Hammond Wings, Inc., Valpo Wings, Inc., and Homewood Wings, Inc. (collectively, the “Indiana and Illinois Entities”) giving effect to the acquisition by DRH of substantially all assets of the Indiana and Illinois Entities on September 25, 2012 using the purchase method of accounting.

The unaudited pro forma combined statement of operations for the year ended December 30, 2012 combines the historical statement of operations of DRH for the year ended December 30, 2012, which includes the operating results of the Indiana and Illinois Entities from the date of acquisition through December 30, 2012, and the pre-acquisition historical statement of operations of the Indiana and Illinois Entities for the nine months ended September 30, 2012. The unaudited pro forma condensed combined statement of operations gives effect to the acquisition as if it occurred on December 26, 2011 (the first day of DRH's 2012 fiscal calendar).

The historical statement of operations of DRH for the year ended December 30, 2012 and the historical statement of operations of the Indiana and Illinois Entities for the nine months ended September 30, 2012 include less than a week of operating results between the acquisition date and September 30, 2012 that are included in both historical periods; however the inclusion of such results does not significantly impact the unaudited pro forma condensed combined statement of operations.

The unaudited pro forma financial statement is presented for illustrative purposes only and are not intended to represent or be indicative of the consolidated results of operations or the consolidated financial position of DRH that would have been reported had the acquisition been consummated as of the date presented, and should not be viewed to be representative of future operating results or the financial position of DRH. The pro forma financial statement does not reflect any adjustments to conform accounting policies, other than those mentioned in the notes thereto, or to reflect any cost synergies anticipated as a result of the acquisition, or any future acquisition related expenses.

Certain adjustments made to the unaudited pro forma financial statement has been prepared based on estimates of the fair values of the net assets acquired from the Indiana and Illinois Entities. The impact of ongoing integration activities and adjustments to the estimated fair value of substantially all of the assets of the Indiana and Illinois Entities could cause material differences in the information presented.

The unaudited pro forma financial statement should be read in conjunction with the historical combined financial statements of the Indiana and Illinois Entities included in the previously reported Current Report on Form 8-K/A and the consolidated financial statements of DRH for the period ended December 30, 2012, included in this prospectus.

Purchase Price Allocation

On September 25, 2012, the Company completed the acquisition of substantially all of the assets of Indiana and Illinois Entities. The acquired assets consist of four Buffalo Wild Wings restaurants operating in Indiana and four operating in Illinois along with the right to develop a fifth Buffalo Wild Wings restaurant in Indiana. The purchase price for the acquisition was approximately $14.7 million and was financed as part of the September 2012 Term loan discussed in Note 6 to the consolidated financial statements. The allocation of the purchase price for acquisition requires extensive use of accounting estimates and judgments to allocate the purchase price to tangible and intangible assets acquired and liabilities assumed based on respective fair values. The Company believes the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions.

The following table summarizes the estimated fair values of net assets acquired and liabilities assumed:

Working capital	$	109,459
Property and equipment		5,664,140
Franchise fees		254,000
Non-compete		74,100
Liquor licenses		656,000
Favorable operating leases		239,000
Unfavorable operating leases		(875,000)
Goodwill		8,578,776
Net cash paid for acquisition	**$**	**14,700,475**

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	Diversified Restaurnat Holdings, Inc. (Year Ended December 30, 2012)	Indiana and Illinois Entities (Nine Months Ended Setpember 30, 2012)	Pro Forma Adjustments	Reference	Pro Forma Combined
Revenue					
Food and beverage sales	$ 77,435,684	$ 13,038,143			$ 90,473,827
Franchise royalties and fees	11,524	-			11,524
Total revenue	**77,447,208**	**13,038,143**	**-**		**90,485,351**
Operating expenses					
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):					
Food, beverage, and package costs	24,117,399	4,738,947			28,856,346
Compensation costs	19,448,210	3,206,567			22,654,777
General and administrative and other expenses	21,594,079	3,466,100			25,060,179
Pre-opening costs	1,792,168	-	-		1,792,168
Occupancy	4,289,966	1,033,652	(29,813)	**A**	5,293,805
Depreciation and amortization	4,587,310	842,180	160,438	**B**	5,589,928
Loss on disposal of property and equipment	36,833	-			36,833
Total operating expenses	**75,865,965**	**13,287,446**	**130,625**		**89,284,036**
Operating profit (loss)	**1,581,243**	**(249,303)**	**(130,625)**		**1,201,315**
Change in fair value of derivative instruments	(43,361)	-	-		(43,361)
Interest expense	(1,282,991)	(220,479)	220,479	**C**	-
			(262,786)	**C**	(1,545,777)
Other income (expense), net	20,081	(60,228)			(40,147)
Income (loss) before income taxes	**274,972**	**(530,010)**	**(172,932)**		**(427,970)**
Income tax provision (benefit)	(167)	-	(274,147)	**D**	(274,314)
Net income (loss)	**275,139**	**(530,010)**	**101,215**		**(153,656)**
Less: (Income) loss attributable to noncontrolling interest	(95,040)	-	-		(95,040)
Net income (loss) attributable to DRH	$ **180,099**	$ **(530,010)**	$ **101,215**		$ **(248,696)**
Basic (loss) earnings per share	$ 0.01				$ (0.01)
Fully diluted (loss) earnings per share	$ 0.01				$ (0.01)
Weighted average number of common shares outstanding					
Basic	18,949,556				18,949,556
Diluted	19,091,849				19,091,849

The accompanying notes are an integral part of the pro forma condensed combined financial statement.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENT

Note 1: Pro Forma Adjustments

A	Adjustment to record the straight-line amortization of unfavorable lease obligations in connection with the purchase price allocation.
B	Adjustment to record the impact of additional depreciation and amortization expense on the increased basis of property and equipment and intangible assets in connection with the purchase price allocation.
C	Adjustment to a) eliminate historical interest expense on debt that was not assumed by DRH and b) record the impact of interest expense relating to the new debt issued in connection with DRH's acquisition, which bears interest at LIBOR plus a Lease Adjusted Leverage Ratio margin (effective rate of 2.97% for the pro forma periods).
D	Adjustment to reflect federal and state income tax expense at DRH's statutory rate of 39% related to a) the pro forma adjustments and b) the Indiana and Illinois Entities' pre-tax results that historically had not been subject to corporate taxation.

GREAT BEGINNINGS

NEW! TOMATO BASIL SOUP
6-oz. Cup **3.29** 12-oz. Bowl **4.99**
Simmered tomato chunks, fresh basil, garlic, and seasonings topped with shredded mozzarella cheese. Doubles as a sandwich dip.

AMAZINGLY DELICIOUS TURKEY BLACK BEAN CHILI®
6-oz. Cup **3.99** 12-oz. Bowl **5.99**
Gallon **55.99**
One of our most popular choices! All-natural, fresh ground Midwestern turkey, fire-roasted tomatoes, onions, green peppers, a blend of secret spices, and jalapeños.

SLOPPY DAVE'S FRIES® 5.49
Fresh-Cut Potato Fries smothered with Sloppy Dave's BBQ® and one **FREE** cheese. Kick 'em up with our Santa Fe Chipotle Sauce®! Add a bunch of delicious toppings! Refer to the Create Your Own Legend sheet at BaggerDaves.com or ask when ordering.

SANTA FE SLOPPY NACHOS 5.79
Lime, sea salt, and Cajun spice-flavored tortilla chips piled with Sloppy Dave's BBQ,® Santa Fe Chipotle Sauce®, shredded cheddar cheese, lettuce, pico de gallo, and jalapeños. Sour cream on the side. Guacamole on request for **1.00**.

NACHO CHIPS AND PICO DE GALLO 3.99
Guacamole on request for **1.00**.

LEGENDARY SAUCES .50 each
Custom made in small batches.
Buttermilk Ranch
Chipotle BBQ Sauce
Honey Mustard
Horseradish Ranch
House Caesar
Railhouse Burger Sauce®
(Like Thousand Island Dressing)
Santa Fe Chipotle Sauce®

FRESH-CUT SIDES

FRESH-CUT POTATO FRIES WITH SEA SALT
Double Bag **4.59** Single Bag **2.59**

DAVE'S SWEET POTATO CHIPS® WITH SEA SALT
Double Bag **4.89** Single Bag **2.79**
A Bagger Dave's® specialty. Served with Honey Cinnamon, Honey Mustard, or Caramel dipping sauce for **FREE**.

MIX 'N' MATCH 4.99
A full serving of both Fresh-Cut Potato Fries and Dave's Sweet Potato Chips® Includes one dipping sauce for **FREE**.

= A Bagger Dave's® favorite
= Hot or spicy item

LEGENDARY BURGERS

Made fresh daily with all-natural, lean ground turkey, USDA premium Midwestern ground beef or a veggie black bean patty.

TURKEY

SANTA FE CHIPOTLE BURGER 7.59
Turkey patties topped with Santa Fe Chipotle Sauce®, guacamole, romaine, pepper jack cheese, and tomato on a toasted honey wheat bun.

TUSCAN BURGER 6.59
Our turkey patties stacked with shredded mozzarella cheese, tomato, onion, fresh basil, and balsamic vinaigrette on a toasted honey wheat bun.

SLOPPY DAVE'S BBQ® 4.49
Dave's twist on the Sloppy Joe: lean ground turkey and a mix of fresh ingredients served on toasted sourdough bread.

BEEF

NEW! ONO BURGER 7.89
We top beef patties with sliced pineapple, Swiss cheese, BBQ sauce, jalapeños, applewood bacon, and sautéed onions on a plain bun.

TRAIN WRECK BURGER® 7.99
A collision of beef patties topped with Fresh-Cut Potato Fries, a fried egg, sharp cheddar cheese, sautéed onions, sautéed mushrooms, iceberg lettuce, and Railhouse Burger Sauce® on a toasted sesame bun.

BACON BBQ BURGER 7.29
Real applewood bacon on beef patties layered with sharp cheddar cheese, iceberg lettuce, sliced tomato, sautéed onions, and BBQ sauce on a toasted plain bun.

KICKIN' CHEDDAR BURGER 5.99
Beef patties topped with sharp cheddar cheese, lettuce, diced onion, tomato, pickle slices, and Horseradish Ranch sauce on a plain bun.

THE BLUES BURGER® 5.99
Beef patties with bleu cheese, Cajun spice blend, iceberg lettuce, and sliced tomato on a toasted sesame bun.

GREAT AMERICAN CHEESEBURGER 5.99
Beef patties layered with American cheese, ketchup, mayo, mustard, pickles, lettuce, and sliced tomato on our toasted plain bun.

VEGGIE

NACHO AVERAGE BURGER 7.29
Veggie black bean burger with sharp cheddar cheese, guacamole, sour cream, nacho chips, lettuce, pico de gallo, and jalapeños on a honey wheat bun.

NEW! ARTISAN MAC 'N' CHEESE

Made in small batches with fresh, unique flavor combos.

TWISTED MAC 'N' CHEESE
ENTRÉE **6.49** SIDE **3.99**
Cavatappi noodles with sharp cheddar, Swiss, and smoked gouda cheeses topped with Parmesan cheese and panko bread crumbs baked golden brown.

SMOKIN' HOT MAC 'N' CHEESE
ENTRÉE **8.49** SIDE **4.99**
Twisted Mac 'n' Cheese with applewood bacon, jalapeños, pico de gallo, and Santa Fe Chipotle Sauce®

CHILI MAC ENTRÉE ONLY **7.99**
Cavatappi noodles smothered in Amazingly Delicious Turkey Black Bean Chili® and topped with pepper jack cheese.

SALADS

TIJUANA SALAD 6.19 SIDE **4.19**
Romaine lettuce topped with Amazingly Delicious Turkey Black Bean Chili®, sour cream, Chipotle BBQ Sauce, diced tomatoes, and shredded cheddar cheese.

SIGNATURE COBB SALAD
5.79 SIDE **3.79**
Premium salad mix and romaine topped with bleu cheese crumbles, tomatoes, and applewood bacon. Add a fried egg for **1.00** more.

CAESAR SALAD 5.79 SIDE **3.79**
Romaine lettuce, croutons, and grated Parmesan cheese tossed in our House Caesar dressing.

GARDEN SALAD 4.99 SIDE **3.59**
Premium salad mix and romaine, shredded carrots, tomatoes, croutons, and shredded cheddar cheese. Choice of dressing.

DRESSINGS: Buttermilk Ranch • Honey Mustard • Balsamic Vinaigrette • House Caesar • Horseradish Ranch • Railhouse Burger Sauce®

Add two ground beef or two turkey patties for **2.50**.

CREATE YOUR OWN LEGEND
Choose your burger, bun, cheese, Legendary Sauce, premium toppings, and Meaningless Free Toppings® Refer to the Create Your Own Legend sheet at BaggerDaves.com or ask when ordering.

LEGENDARY BAGGER DAVE'S® Est. 2008 BURGER TAVERN

SIGNATURE GRILLED SANDWICHES

Served on our sourdough bread.

NEW! TWISTED MAC MELTDOWN 5.59
Our sourdough bread layered with Twisted Mac 'n' Cheese, Swiss cheese, and Chipotle BBQ Sauce. Add applewood bacon for **1.50**. Add a cup of Tomato Basil Soup for **3.29**.

NEW! HOT MESS MELTDOWN 4.99
Swiss, mozzarella, and sharp cheddar cheese with sliced tomato, onions, and fresh basil. Add applewood bacon for **1.50**. Add a cup of Tomato Basil Soup for **3.29**.

CALIFORNIA BLT 6.29
Romaine, sliced tomato, applewood bacon, and mayo topped with guacamole.

EGG SANDWICH 5.19
A fried egg, applewood bacon, sharp cheddar cheese, and mayo.

TUNA MELT 4.99
Our fresh, unique tuna mix, Swiss cheese, romaine, and tomato.

PEANUT BUTTER, HONEY & BANANA
Peanut butter, sliced bananas, **4.79** cinnamon, and wildflower honey.

BEVERAGES

COFFEE

ICED TEA

BAGGER DAVE'S® CRAFT SODA
Handcrafted in small batches just for us. Black Cherry Cream • Cola • Diet Cola • Ginger Ale • Lemonade • Lemon Lime • Orange Cream • Root Beer • Mystery (Ask your server for our current selection.)

DESSERTS

SINFULLY SWEET BROWNIE SUNDAE
Add a banana for **1.00** more. **7.19**

ICE CREAM SHAKES/MALTS 4.69
Chocolate, vanilla, caramel, strawberry, banana, Oreo®, Reese's® Peanut Butter Cup, peanut butter, or honey cinnamon. Topped with whipped cream. Add malt for **FREE**.

BROWNIE DELUXE 4.19

LEGENDARY FLOATS 3.99
CherryFest Float • Boston Cooler
Brown Cow • Orange Whip
Root Beer

*All burgers are cooked medium well. All prices and products subject to change without notice. Ask your server about menu items that are cooked to order. Consuming undercooked meats or eggs may increase your risk of foodborne illness.

Eat in, carry out, or order online at BaggerDaves.com. Ask us about our kids menu.

You should only rely on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. This document may only be used where it is legal to sell these securities. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus

PART II: INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other expenses of issuance and distribution

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the issuance and distribution of the shares of common stock being registered.

	AMOUNT TO BE PAID
SEC registration fee	$ 4,314
Printing and engraving expense	$ *
Legal fees and expenses	$ *
Accounting fees and expenses	$ *
FINRA filing fee	$ 4,250
Transfer agent fees and expenses	$ *
Miscellaneous expenses	$ *
Total	$ *

*To be filed by amendment.

Item 14. Indemnification of directors and officers

Section 78.138 of the Nevada Revised Statutes ("NRS") provides that, except as otherwise provided in NRS 35.230, 90.660, 91.250, 452.200, 452.270, 668.045 and 694A.030, a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that: (a) The director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer; and (b) The breach of those duties involved intentional misconduct, fraud or a knowing violation of law. Section 78.138 further provides that the Articles or an amendment thereto may provide for greater individual liability. Our Articles do not contain any provision that would expand the individual liability of our officers and directors beyond that prescribed by Section 78.138.

Pursuant to our Bylaws, we shall indemnify each person who is or was a director, officer, team member, or agent of ours (including the heirs, executors, administrators or estate of such person) or is or was serving at our request of the Company as a director, officer, team member, or agent of another corporation, partnership, joint venture, trust or other enterprise to the full extent permitted under the NRS or any successor law or laws.

Section 78.7502(1) of the NRS permits a corporation to indemnify any director, officer, employee or agent of the corporation who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation), against expenses, judgments, fines, settlements, and other amounts incurred in connection with the proceeding so long as that person (a) is not liable for a breach of duty of good faith or loyalty to the corporation pursuant to NRS Section 78.138; or (b) acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful.

Section 78.7502(2) of the NRS permits indemnification against expenses actually and reasonably incurred in connection with the defense or settlement of an action by or in the right of the corporation to obtain a judgment in its favor, provided that a corporation may not provide indemnification for any: (a) claim, issue or matter for which the person has been found liable to the corporation; or (b) amounts paid in settlement to the corporation, unless the court determines that the person is fairly and reasonably entitled to indemnity for the expenses.

Further, Section 78.7502(3) of the NRS provides that a corporation must indemnify directors, officers, employees and agents against expenses actually and reasonably incurred to the extent the person was successful on the merits in defending a proceeding under Section 78.7502(1) or (2).

Section 78.751 of the NRS provides that determination of discretionary indemnification must be made by (a) the stockholders; (b) the Board by a majority vote of a quorum consisting of directors who are not parties to the action, suit or proceeding; (c) if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

Section 78.752 of the NRS provides that a corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise for any liability asserted against the person and liability and expenses incurred by the person in his or her capacity as a director, officer, employee or agent, or arising out of his or her status as such, whether or not the corporation has the authority to indemnify such a person against such liability and expenses.

The other financial arrangements made by the corporation may include the following: (a) the creation of a trust fund; (b) the establishment of a program of self-insurance; (c) the securing of its obligation of indemnification by granting a security interest or other lien on any assets of the corporation; and (d) the establishment of a letter of credit, guaranty or surety. These financial arrangements may not provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals, to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

At present, there is no pending litigation or proceeding involving any of our directors or officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

We have an insurance policy covering our officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

We plan to enter into an underwriting agreement that provides that the underwriters are obligated, under some circumstances, to indemnify our directors, officers and controlling persons against specified liabilities, including liabilities under the Securities Act.

Item 15. Recent Sales of Unregistered Securities

On July 31, 2010, DRH entered into a stock option agreement with each of its directors as compensation for their services as directors, including T. Michael Ansley, who serves as the Company's President and Chief Executive Officer, and David G. Burke, who serves as the Company's Chief Financial Officer and Treasurer. The Stock Option Agreements granted each of the directors, including Mr. Ansley and Mr. Burke, the option to purchase 30,000 shares of common stock exercisable at $2.50 per share. The options expire on July 31, 2016. The options and the underlying shares of common stock are restricted securities. The options were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder. The options vest for each of the directors according to the schedule set forth below, subject to continued service as a director:

Director	Option Vesting Dates
T. Michael Ansley	10,000 shares on July 31, 2011
	10,000 shares on July 31, 2012
	10,000 shares on July 31, 2013
David G. Burke	10,000 shares on July 31, 2011
	10,000 shares on July 31, 2012
	10,000 shares on July 31, 2013
Jay A. Dusenberry	10,000 shares on July 31, 2011
	10,000 shares on July 31, 2012
	10,000 shares on July 31, 2013
David Ligotti	10,000 shares on July 31, 2011
	10,000 shares on July 31, 2012
	10,000 shares on July 31, 2013
Gregory J. Stevens	10,000 shares on July 31, 2011
	10,000 shares on July 31, 2012
	10,000 shares on July 31, 2013
Bill McClintock*	10,000 shares on June 3, 2011
	10,000 shares on June 3, 2012
	10,000 shares on June 3, 2013
Joseph M. Nowicki	10,000 shares on June 3, 2011
	10,000 shares on June 3, 2012
	10,000 shares on June 3, 2013

* On July 31, 2010, prior to the Stock Incentive Plan, DRH granted options for the purchase of 210,000 shares of common stock to the directors of the Company. On March 10, 2011, Bill McClintock resigned his position as a member of the Board to enable himself to dedicate his efforts to a position of full-time employment with the Company. At the time of his resignation, Mr. McClintock had been granted options to purchase 30,000 shares of the Company's common stock at an exercise price of $2.50 per share, with such options set to expire on July 31, 2016 and to vest according to a three-year schedule in equal installments of 10,000 shares on June 3, 2011, June 3, 2012, and June 3, 2013, respectively. These options were forfeited upon Mr. McClintock's resignation. After Mr. McClintock's resignation, the Board voted on March 10, 2011 to appoint Philip Friedman to the Board to fill the vacancy created by Mr. McClintock's resignation. Upon appointing Mr. Friedman to the Board, the Board issued options to purchase 30,000 shares to Mr. Friedman with the intent of placing Mr. Friedman in the same financial position with respect to the options that Mr. McClintock had occupied. However, the Board inadvertently failed to formally reflect in the minutes of its proceedings such option grants and to have Mr. Friedman enter into the appropriate stock option agreement with the Company upon his receipt of the options. To correct and ratify its prior actions and intentions with regard to issuing the options to Mr. Friedman, and to place Mr. Friedman in the same position he would have been in had he entered into the appropriate stock option agreement with the Company on March 10, 2011, the Board passed a resolution on March 29, 2013 approving and ratifying all actions so far taken in furtherance of issuing options to Mr. Friedman in connection with his appointment to the Board and approved the appropriate stock option agreement between the Company and Mr. Friedman.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

The exhibit index attached hereto is incorporated herein by reference.

(b) Financial Statement Schedules

None.

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Southfield, State of Michigan, on April 2, 2013.

DIVERSIFIED RESTAURANT HOLDINGS, INC.

By: /s/ T. Michael Ansley
T. Michael Ansley
President, Chief Executive Officer, Director,
and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ T. Michael Ansley T. Michael Ansley	President, Chief Executive Officer, Director, and Chairman of the Board of Directors	April 2, 2013
/s/ David G. Burke David G. Burke	Chief Financial Officer, Director, and Treasurer	April 2, 2013
/s/ Jay Alan Dusenberry Jay Alan Dusenberry	Director	April 2, 2013
/s/ Philip Friedman Philip Friedman	Director	April 2, 2013
/s/ David Ligotti David Ligotti	Director	April 2, 2013
/s/ Joseph M. Nowicki Joseph M. Nowicki	Director	April 2, 2013
/s/ Gregory J. Stevens Gregory J. Stevens	Director	April 2, 2013

EXHIBITS

Exhibit Number	Description
1.1	Form of Underwriting Agreement
2.1	Affiliates Acquisition Purchase Agreement dated February 1, 2010 (incorporated by reference to Exhibit 2.1 of our Form 8-K filed February 5, 2010)
2.2	Brandon Property Purchase and Sale Agreement dated March 25, 2010 between our subsidiary, MCA Enterprises, Brandon, Inc. and Florida Wings Group, LLC (incorporated by reference to Exhibit 10 of our Form 8-K filed June 30, 2010)
2.3	Purchase Agreement dated July 13, 2012 (incorporated by reference to Exhibit 2.1 of our Form 8-K filed September 28, 2012)
3.1	Certificate of Incorporation (filed as an exhibit to the Company’s registration statement on Form SB-2 (SEC File Number 333-145316), as filed on August 10, 2007, and incorporated herein by reference)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of our Form 8-K filed August 29, 2012)
3.3	First Amendment to Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of our Form 8-K filed October 31, 2012)
4.1	Specimen Stock Certificate (filed as an exhibit to the Company’s registration statement on Form SB-2 (SEC File Number 333-145316), as filed on August 10, 2007, and incorporated herein by reference)
† 5.1	Form of Opinion of Dickinson Wright PLLC
9.1	Amended and Restated Stockholder Voting Agreement incorporated by reference to Exhibit 1 to the Schedule 13D Amendment No. 1 filed by T. Michael Ansley on March 11, 2013.
10.1	Buffalo Wild Wings Franchise Agreement dated July 29, 2010, by and between Buffalo Wild Wings International, Inc. and Anker, Inc., a wholly-owned subsidiary of the Company (incorporated by reference to Exhibit 10.1 of our Form 10-Q filed November 12, 2010)
10.2	Renewal Addendum to Buffalo Wild Wings Franchise Agreement dated July 29, 2010, by and between Buffalo Wild Wings International, Inc. and Anker, Inc., a wholly-owned subsidiary of the Company (incorporated by reference to Exhibit10.2 of our Form 10-Q filed November 12, 2010)
10.3	Buffalo Wild Wings Area Development Agreement dated July 18, 2003, by and between Buffalo Wild Wings International, Inc. and MCA Enterprises, Inc. (subsequently assigned to AMC Wings, Inc., a wholly-owned subsidiary of the Company) (incorporated by reference to Exhibit 10.3 of our Form 10-Q filed November 12, 2010)
10.4	Transfer Agreement dated March 20, 2007, by MCA Enterprises Brandon, Inc. (formerly MCA Enterprises, Inc.), T. Michael Ansley, Mark C. Ansley, Thomas D. Ansley, Steven Menker, Jason Curtis and AMC Wings, Inc. and Buffalo Wild Wings International, Inc. (incorporated by reference to Exhibit 10.4 of our Form 10-Q filed November 12, 2010)
10.5	Amendment to Buffalo Wild Wings Area Development Agreement dated March 20, 2007 (incorporated by reference to Exhibit 10.5 of our Form 10-Q filed November 12, 2010)
10.6	Amendment to Buffalo Wild Wings Area Development Agreement dated November 5, 2007 (incorporated by reference to Exhibit 10.5 of our Form 10-Q filed November 12, 2010)
10.7	Buffalo Wild Wings Franchise Agreement dated September 7, 2010, by and between Buffalo Wild Wings International, Inc. and AMC Traverse City, Inc., a wholly-owned subsidiary of the Company (incorporated by reference to Exhibit 10.1 of our Form 8-K filed September 10, 2010)
10.8	Buffalo Wild Wings Franchise Agreement dated September 7, 2010, by and between Buffalo Wild Wings International, Inc. and AMC Lakeland, Inc., a wholly-owned subsidiary of the Company (incorporated by reference to Exhibit 10.2 of our Form 8-K filed September 10, 2010)
10.9	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.1 of our Form 8-K filed August 5, 2010)
10.10	Amendment to Buffalo Wild Wings Area Development Agreement dated December 27, 2003 (incorporated by reference to Exhibit 10.12 of our Form 10-Q filed November 12, 2010)
10.11	Real Estate Loan Agreement dated June 23, 2010 between our subsidiary, MCA Enterprises Brandon, Inc., and Bank of America N.A. (incorporated by reference to Exhibit 10.1 of our Form 10-Q filed August 10, 2010)
10.12	Buffalo Wild Wings Franchise Agreement dated June 3, 2010 between our subsidiary, AMC Ft. Myers, Inc., and Buffalo Wild Wings International, Inc. (incorporated by reference to Exhibit 10.4 of our Form 10-Q filed August 10, 2010)

10.13	Buffalo Wild Wings Retail Center Lease dated December 7, 2009 between our subsidiary, AMC Marquette, Inc., and Centrup Hospitality, LLC (incorporated by reference to Exhibit 10 of our Form 8-K filed December 11, 2009)
10.14	Buffalo Wild Wings Retail Center Lease dated December 2, 2009 between our subsidiary, AMC Chesterfield, Inc., and Chesterfield Development Company, LLC (incorporated by reference to Exhibit 10 of our Form 8-K filed December 7, 2009)
10.15	Buffalo Wild Wings Franchise Agreement dated October 20, 2009 between our subsidiary, AMC Marquette, Inc., and Buffalo Wild Wings International, Inc. (incorporated by reference to Exhibit 10.1 of our Form 8-K filed October 26, 2009)
10.16	Buffalo Wild Wings Franchise Agreement dated October 20, 2009 between our subsidiary, AMC Chesterfield, Inc., and Buffalo Wild Wings International, Inc. (incorporated by reference to Exhibit 10.2 of our Form 8-K filed October 26, 2009)
10.17	Master Lease Agreement dated September 9, 2009 between our subsidiary, Troy Burgers, Inc., and Novi Town Center Investors, LLC (incorporated by reference to Exhibit 10 of our Form 8-K filed September 10, 2009)
10.18	Master Lease Agreement dated February 12, 2009 between our subsidiary, AMC Flint, Inc., and CoActiv Capital Partners, Inc. (incorporated by reference to Exhibit 10 of our Form 8-K filed February 17, 2009)
10.19	Buffalo Wild Wings Amendment to Area Development Agreement dated December 10, 2008 between our subsidiary, AMC Wings, Inc., and Buffalo Wild Wings International, Inc. (incorporated by reference to Exhibit 10.1 of our Form 8-K filed December 15, 2008)
10.20	Buffalo Wild Wings Franchise Agreement dated July 1, 2008 between our subsidiary, AMC Port Huron, Inc., and Buffalo Wild Wings International, Inc. (incorporated by reference to Exhibit 10 of our Form 8-K filed July 8, 2008)
10.21	Buffalo Wild Wings Franchise Agreement dated July 1, 2008 between our subsidiary, AMC Flint, Inc., and Buffalo Wild Wings International, Inc. (incorporated by reference to Exhibit 10 of our Form 8-K filed July 8, 2008)
10.22	Retail Center Lease dated June 30, 2008 between our subsidiary, AMC Port Huron, Inc., and Port Builders, Inc., Walter Sparling and Mary L. Sparling (incorporated by reference to Exhibit 10 of our Form 8-K filed July 7, 2008)
10.23	Retail Center Lease dated June 30, 2008 between our subsidiary, AMC Flint, Inc., and Ramco-Gershenson Properties, L.P. (incorporated by reference to Exhibit 10 of our Form 8-K filed July 7, 2008)
10.24	Form of Stock Option Agreement, dated July 30, 2007, entered into by and between the Company and Directors Gregory Stevens, T. Michael Ansley, Jay Alan Dusenberry, Jason T. Curtis and David Ligotti (incorporated by reference to Exhibit 10.24 of our Form 10-K filed March 26, 2010)
10.25	Consulting Agreement between the Company and P. Freidman & Associates dated March 15, 2011 (incorporated by reference to Exhibit 10.2 of our Form 10-Q filed May 16, 2011)
10.26	Buffalo Wild Wings Franchise Agreement dated March 25, 2011, by and between Buffalo Wild Wings International, Inc. and AMC Sarasota Inc., a wholly-owned subsidiary of the Company (incorporated by reference to Exhibit 10.1 of our Form 8-K filed March 30, 2011)
10.27	$48M Senior Secured Credit Facility with RBS Citizens, N.A., dated September 25, 2012 (incorporated by reference to Exhibit 10.1 of our Form 8-K filed September 28, 2012)
10.28	Diversified Restaurant Holdings, Inc. Performance Bonus Plan (incorporated by reference to Exhibit 10.1 of our Form 8-K filed March 11, 2013)
10.29	2013 Diversified Restaurant Holdings, Inc. Short-Term Incentive Program(incorporated by reference to Exhibit 10.2 of our Form 8-K filed March 11, 2013)
† 21.1	Subsidiaries of Diversified Restaurant Holdings, Inc.
23.1	Consent of BDO USA, LLP
23.3	Consent of Dickinson Wright PLLC (included in Exhibit 5.1)
† 24.1	Power of Attorney
† † 101.INS	XBRL Instance Document
† † 101.SCH	XBRL Taxonomy Extension Schema Document
† † 101.CAL	XBRL Taxonomy Extension Calculation Document
† † 101.DEF	XBRL Taxonomy Extension Definition Document
† † 101.LAB	XBRL Taxonomy Extension Labels Document
† † 101.PRE	XBRL Taxonomy Extension Presentation Document

† Previously filed

† † In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Form S-1 shall be deemed to be furnished" and not "filed"

Exhibit 1.1

Diversified Restaurant Holdings, Inc.
[____________] Shares of Common Stock
UNDERWRITING AGREEMENT

[ ], 2013

DOUGHERTY & COMPANY LLC
As Representative of the several
Underwriters named in Schedule A
c/o Dougherty & Company LLC
90 South Seventh Street, Suite 4300
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

Diversified Restaurant Holdings, Inc., a Nevada corporation (the " **Company** "), proposes to issue and sell to the several underwriters named in Schedule A hereto (the " **Underwriters** "), an aggregate of [ ] shares of its common stock, par value $0.0001 per share (the " **Shares** "). The [ ] Shares to be sold by the Company are collectively called the " **Firm Shares** ." In addition, the Company will grant to the Underwriters an option to purchase up to an additional [ ] Shares as provided in Section 3(c). The additional [ ] Shares to be sold by the Company pursuant to such option are collectively called the " **Optional Shares** ." The Firm Shares and, if and to the extent such option is exercised, the Optional Shares are collectively called the " **Offered Shares** ."

The Company hereby confirms its agreement (this " **Agreement** ") with respect to the sale of the Offered Shares to the several Underwriters, for whom Dougherty & Company LLC (" **Dougherty** "), as sole book-running manager, is acting as representative (the " **Representative** "), as follows:

Section 1. **Registration Statement and Prospectus** . The Company has prepared and filed with the Securities and Exchange Commission (the " **Commission** ") a registration statement on Form S-1 (File No. 000-53577), including a prospectus, relating to the Offered Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it was declared effective by the Commission under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the " **Securities Act** "), including all documents incorporated or deemed to be incorporated by reference therein and any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A under the Securities Act or the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the " **Exchange Act** "), is called the " **Registration Statement** ." The prospectus filed pursuant to Rule 424 of the Securities Act in the form first used to confirm sale of Offered Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the " **Prospectus** ." If the Company has filed an abbreviated registration statement to register additional Shares pursuant to Rule 462(b) under the Securities Act (the " **Rule 462(b) Registration Statement** "), then any reference herein to the term " **Registration Statement** " shall be deemed to include the Rule 462(b) Registration Statement.

For purposes of this Agreement, “ **free writing prospectus** ” has the meaning set forth in Rule 405 under the Securities Act, “ **Time of Sale Prospectus** ” means the preliminary prospectus contained in the Registration Statement at the time of its effectiveness together with the free writing prospectuses, if any, identified in Schedule B hereto, each “road show” (as defined in Rule 433 under the Securities Act), if any, related to the Offering of the Offered Shares contemplated hereby that is a “written communication” (as defined in Rule 405 under the Securities Act), and the pricing information set forth in Schedule C hereto. As used herein, the terms “ **Registration Statement** ,” “ **Rule 462(b) Registration Statement** ,” “ **preliminary prospectus** ,” “ **Time of Sale Prospectus** ,” “ **Prospectus** ,” and “ **Applicable Prospectus** ” (as defined below) shall include the documents incorporated and deemed to be incorporated by reference therein.

Section 2. **Representations and Warranties of the Company** . The Company hereby represents, warrants and covenants to the several Underwriters, as of the date of this Agreement, as of the First Closing Date (as hereinafter defined) and as of each Option Closing Date (as hereafter defined), if any, and covenants with the Underwriters, as follows:

(a) *Compliance with Registration Requirements* . The Registration Statement has been declared effective by the Commission under the Securities Act. No stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of any preliminary prospectus or the Prospectus is in effect and no proceedings for such purpose have been instituted or are pending or, to the Company’s knowledge, are contemplated or threatened by the Commission.

Each preliminary prospectus and the Prospectus when filed complied or will comply in all material respects with the Securities Act and, if filed by electronic transmission pursuant to the Commission’s Electronic Data Gathering, Analysis and Retrieval System (“ **EDGAR** ”), was identical (except as may be permitted by Regulation S-T under the Securities Act) to the copy thereof delivered to each of the Underwriters for use in connection with the offer and sale of the Offered Shares. The Registration Statement, at the time it became effective and at all subsequent times during the period beginning on the date hereof and ending on the later of the Option Closing Date or such date as in the opinion of counsel for the Representative, the Prospectus is no longer required by law to be delivered (assuming the absence of Rule 172 under the Securities Act), in connection with sales by the Underwriters or a dealer (the “ **Prospectus Delivery Period** ”), complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the time that the Registration Statement is declared effective, the Time of Sale Prospectus (including any preliminary prospectus wrapper) did not, and at the time of each sale of the Offered Shares and at the First Closing Date (as hereinafter defined in Section 3), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Prospectus (including any Prospectus wrapper) as of its date and (as then amended or supplemented) at all subsequent times during the Prospectus Delivery Period, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the three immediately preceding sentences do not apply to statements in or omissions from the Registration Statement or any post-effective amendment thereto, or any preliminary prospectus, the Prospectus or the Time of Sale Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to the Underwriters furnished to the Company in writing by any Underwriter expressly for use therein, it being understood and agreed that the only such information furnished by the Underwriters to the Company consists of are the statements contained in the “Underwriting” section of the Prospectus (other than statements regarding estimated expenses of the Offering). All contracts or other documents required to be filed as exhibits to the Registration Statement pursuant to Item 601 of Regulation S-K have been so filed and the material terms of such contracts or other documents have been summarized in the Time of Sale Prospectus or the Prospectus in accordance with the requirements of Regulation S-K.

The Company is not an “ineligible issuer” in connection with the Offering of the Offered Shares pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of Rule 433 under the Securities Act, including without limitation timely filing with the Commission or retention where required and legending, and each such free writing prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered Shares did not, does not and will not include any information that conflicted, conflicts with or will conflict with the information contained in the Registration Statement, the Prospectus or any preliminary prospectus, including any document incorporated by reference therein. Except for the free writing prospectuses, if any, identified in Schedule B hereto, and electronic road shows, if any, furnished to the Representative before first use, the Company has not prepared, used or referred to, and will not, without the Representative’s prior consent, prepare, use or refer to, any free writing prospectus.

(b) *Offering Materials Furnished to Underwriters* . If so requested by the Representative, the Company has delivered to the Representative two complete copies of the Registration Statement, each amendment thereto and of each consent and certificate of experts filed as a part thereof.

(c) *Distribution of Offering Material by the Company* . The Company has not distributed and will not distribute, prior to the later of (i) the expiration or termination of the option granted to the Underwriters in Section 3 of this Agreement and (ii) the completion of the Underwriters’ distribution of the Offered Shares, any offering material in connection with the Offering and sale of the Offered Shares other than a preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus reviewed and consented to by the Representative, or the Registration Statement.

(d) *The Underwriting Agreement* . This Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable against the Company in accordance with its terms, except as rights to indemnification and contribution hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(e) *Authorization of the Offered Shares* . The Offered Shares have been duly authorized for issuance and sale pursuant to this Agreement and, when issued and delivered by the Company against payment therefor pursuant to this Agreement, will be validly issued, fully paid and nonassessable, and the issuance and sale of the Offered Shares is not subject to any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase the Offered Shares.

(f) *No Applicable Registration or Other Similar Rights* . There are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the Offering contemplated by this Agreement.

(g) *No Material Adverse Change* . Except as otherwise disclosed in the Time of Sale Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Prospectus, there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company and its subsidiaries, taken as a whole (any such change referred to in this Section 2(g), a “ **Material Adverse Change** ”);

(h) *Ordinary Course.* Except as otherwise disclosed in the Time of Sale Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Prospectus: (i) neither the Company nor any of its subsidiaries has incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; (ii) there has been no dividend or distribution of any kind declared, paid or made by the Company or any of its subsidiaries on any class of capital stock or repurchase or redemption by the Company or any of its subsidiaries of any class of capital stock; and (iii) there has been no material change in the indebtedness of the Company or any subsidiary of the Company.

(i) *Independent Accountants* . BDO USA, LLP, who has expressed its opinion with respect to certain financial statements (which term as used in this Agreement includes the related notes thereto) and, if applicable, supporting schedules filed with the Commission as a part of the Registration Statement and included or incorporated by reference in the Prospectus and Time of Sale Prospectus (each, an " **Applicable Prospectus** " and collectively, the " **Applicable Prospectuses** "), are (i) independent public or certified public accountants as required by the Securities Act and the Exchange Act, (ii) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X and (iii) a registered public accounting firm as defined by the Public Company Accounting Oversight Board (the " **PCAOB** ") whose registration has not been suspended or revoked and, to the Company's knowledge, who has not requested such registration to be withdrawn. Silberstein Ungar, PLLC, who has expressed its opinion with respect to certain financial statements (which term as used in this Agreement includes the related notes thereto) and, if applicable, supporting schedules filed with the Commission as a part of the Registration Statement and included or incorporated by reference in an Applicable Prospectus, was at all times during its audit and professional engagement period (as defined in Rule 2-01 of Regulation S-X) with the Company (i) independent public or certified public accountants as required by the Securities Act and the Exchange Act, (ii) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X and (iii) a registered public accounting firm as defined by the PCAOB.

(j) *Preparation of the Financial Statements* . The financial statements filed with the Commission as a part of the Registration Statement and included in the Time of Sale Prospectus and the Prospectus (including the Pro Forma Financial Statements and the Krygier Entity Audited Financial Statements, each as defined below), together with the related schedules and notes, present fairly the financial position of the Company (or, in the case of the Krygier Entity Audited Financial Statements, the Krygier Entities) at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company (or, in the case of the Krygier Entity Audited Financial Statements, the Krygier Entities) for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles (" **GAAP** ") applied on a consistent basis throughout the periods involved, except as may be stated in the related notes thereto, and the requirements of Regulation S-X of the Commission. The Pro Forma Financial Statements comply in all respects with the requirements of Regulation S-X and present fairly the financial position of the Company as of the dates thereof calculated on a pro forma basis that combines and presents (i) the Company's unaudited balance sheet as of September 23, 2012 with the unaudited balance sheets of Brewsters, Inc., Buffaloville, Inc., Cal City Wings, Inc., Crown Wings, Inc., Lansing Wings Inc., Lincoln Park Wings, Inc., Hammond Wings, Inc., Valpo Wings, Inc., and Homewood Wings, Inc. (collectively, the " **Krygier Entities** ") as of September 30, 2012 and the related unaudited combined statements of operations for the three quarters ended September 23, 2012 giving effect to the acquisition of the Krygier Entities as if such acquisition occurred on September 23, 2012 and (ii) the Company's unaudited combined statements of operations for the year ended December 25, 2011 giving effect to the acquisition of the Krygier Entities as if such acquisition occurred on December 27, 2010. All disclosures contained or incorporated by reference in the Time of Sale Prospectus and the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply with Regulation G under the Exchange Act and Item 10 of Regulation S-K under the Securities Act, to the extent applicable. The selected financial data and the summary financial information included in the Registration Statement, the Time of Sale Prospectus and the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included or incorporated by reference in the Registration Statement, the Time of Sale Prospectus or the Prospectus under the Securities Act or the Exchange Act. The interactive data in eXtensible Business Reporting Language included in the Registration Statement, the Time of Sale Prospectus and the Prospectus fairly presents the information called for and has been prepared in accordance with the Commission's rules and guidelines applicable thereto. The financial data set forth under the captions "Summary Financial Data", "Selected Financial Data," "Capitalization," "Dilution," and elsewhere in the Registration Statement and each Applicable Prospectus, and incorporated by reference therein fairly present the information set forth therein on a basis consistent with that of the audited financial statements contained in the Registration Statement and each Applicable Prospectus. To the Company's knowledge, no person who has been suspended or barred from being associated with a registered public accounting firm, or who has failed to comply with any sanction pursuant to Rule 5300 promulgated by the PCAOB, has participated in or otherwise aided the preparation of, or audited, the financial statements, supporting schedules or other financial data filed with the Commission as a part of the Registration Statement and included in any Applicable Prospectus. As referred to above, the " **Pro Forma Financial Statements** " means the unaudited pro forma consolidated balance sheets and statements of operations of the Company and the Krygier Entities, including the notes thereto, included in the Current Report on Form 8-K/A of the Company dated December 11, 2012 (the " **Krygier 8-K** ") and incorporated by reference into the Registration Statement. As referred to above, the " **Krygier Entity Audited Financial Statements** " means the combined audited balance sheets of the Krygier Entities for the years ended December 31, 2011 and December 31, 2010, and the related combined statements of operations, stockholders' equity, and cash flows for the years then ended, including the notes thereto, included in the Krygier 8-K and incorporated by reference in to the Registration Statement.

(k) ***Accounting Controls and Disclosure Controls.*** The Company maintains effective internal control over financial reporting (as defined under Rule 13a-15 and Rule 15d-15 under the rules and regulations of the Commission under the Exchange Act (the "1 **934 Act Regulations** ")) and a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (E) the interactive data in eXtensible Business Reporting Language included in the Registration Statement, the Time of Sale Prospectus and the Prospectus fairly presents the information called for and is prepared in accordance with the Commission's rules and guidelines applicable thereto. Except as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, since the end of the Company's most recent audited fiscal year, there has been (1) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (2) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company maintains an effective system of disclosure controls and procedures (as defined in Rule 13a-15 and Rule 15d-15 under the 1934 Act Regulations) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive officer or officers and principal financial officer or officers, as appropriate, to allow timely decisions regarding disclosure.

(l) *Compliance with the Sarbanes-Oxley Act.* There is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply in all material respects with any applicable provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the " **Sarbanes-Oxley Act** ") with which the Company is required to comply, including Section 402 related to loans and Sections 302 and 906 related to certifications.

(m) *Incorporation and Good Standing of the Company* . The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Nevada and has the power and authority to own, lease and operate its properties and to conduct its business as described in the Time of Sale Prospectus and to enter into and perform its obligations under this Agreement, except where the failure to be in good standing would not reasonably be expected to result in a Material Adverse Change. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to be so qualified or in good standing would not reasonably be expected to result in a Material Adverse Change.

(n) *Subsidiaries* . Each subsidiary of the Company (each, a " **Subsidiary** " and collectively, the " **Subsidiaries** ") has been duly organized, is validly existing as a corporation or limited liability company in good standing under the laws of the jurisdiction of its organization, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not result in a Material Adverse Change.

(o) *Capitalization and Other Capital Stock Matters* . The authorized, issued and outstanding capital stock of the Company and each Subsidiary is as set forth in each Applicable Prospectus (other than for subsequent issuances, if any, pursuant to employee benefit plans described in the Time of Sale Prospectus or upon the exercise of outstanding options or warrants described in each Applicable Prospectus). The Shares (including the Offered Shares) and the capital stock of each Subsidiary conform in all material respects to the description thereof contained in the Time of Sale Prospectus. All of the issued and outstanding Shares, and all of the issued and outstanding shares or other capital stock of each Subsidiary, have been duly authorized and validly issued, are fully paid and nonassessable and have been issued in compliance with federal and state securities laws. None of the outstanding Shares, nor any of the outstanding shares or other capital stock of any Subsidiary, were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company or any Subsidiary. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any Subsidiary other than those accurately described in each Applicable Prospectus. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in each Applicable Prospectus accurately and fairly presents the information required to be shown therein with respect to such plans, arrangements, options and rights. All grants of options to acquire Shares (each, a " **Company Stock Option** ") were validly issued and approved by the Board of Directors of the Company, a committee thereof or an individual with authority duly delegated by the Board of Directors of the Company or a committee thereof. Grants of Company Stock Options were (i) made in material compliance with all applicable laws and (ii) as a whole, made in compliance with the terms of the plans under which such Company Stock Options were issued. There is no and has been no policy or practice of the Company to coordinate the grant of Company Stock Options with the release or other public announcement of material information regarding the Company or its results of operations or prospects. Except as described in the Time of Sale Prospectus and the Prospectus, the Company has not sold or issued any Shares during the six-month period preceding the date of the Prospectus, including any sales pursuant to Rule 144A under, or Regulations D or S of, the Securities Act other than Shares issued pursuant to employee benefit plans, qualified stock options plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(p) *Stock Exchange Listing* . The Shares are currently registered pursuant to Section 12(g) of the Exchange Act and are traded on the Over the Counter Venture Market (the " **OTC QB** "), and, except as described in each Applicable Prospectus, the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Shares under the Exchange Act or to result in the Shares being ineligible for quotation on the OTC QB. Except as described in each Applicable Prospectus, the Company has not received any notification that the Commission is contemplating terminating such registration or that the Shares may become ineligible for trading on the OTC QB. Notwithstanding the foregoing, the parties hereto acknowledge that the Shares have been approved for listing on the NASDAQ Capital Market.

(q) *Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required* . Neither the Company nor any Subsidiary is in violation of its articles of incorporation or bylaws or any similar organizational document nor is in default (or, with the giving of notice or lapse of time, would be in default) (" **Default** ") under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which the Company or any Subsidiary is a party or by which it may be bound (including, without limitation, any credit agreement, indenture, pledge agreement, security agreement or other instrument or agreement evidencing, guaranteeing, securing or relating to indebtedness of the Company), or to which any of the property or assets of the Company or any Subsidiary is subject (each, an " **Existing Instrument** "), except for such Defaults as would not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Change. The Company's execution, delivery and performance of this Agreement, consummation of the transactions contemplated hereby and by each Applicable Prospectus and the issuance and sale of the Offered Shares (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the articles of incorporation or bylaws of the Company, (ii) will not conflict with or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, or require the consent of any other party to, any Existing Instrument, except for consents that have been validly obtained and except for such breaches, Defaults or results, or failure to obtain such consent, as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change, and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or any Subsidiary, except for such violations as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by each Applicable Prospectus, except such as have been obtained or made or will be made by the Company under the Securities Act, or that may be required under applicable state securities or blue sky laws and from the Financial Industry Regulatory Authority (" **FINRA** ").

(r) *No Material Actions or Proceedings* . There are no legal or governmental actions, suits or proceedings pending or, to the best of the Company's knowledge, threatened (i) against or affecting the Company or any Subsidiary, (ii) which have as the subject thereof any officer or director of, or property owned or leased by, the Company or any Subsidiary, or (iii) relating to environmental or discrimination matters, where in any such case such action, suit or proceeding (including without limitation, any such action, suit or proceeding for which, to the Company's knowledge, there is a substantial likelihood that it will be determined adversely to the Company, a Subsidiary or any such officer or director), if so determined adversely, would reasonably be expected to result in a Material Adverse Change or would restrain, enjoin or prevent the consummation of the transactions contemplated by this Agreement. No material labor dispute with the employees of the Company or any Subsidiary exists or, to the Company's knowledge, is threatened.

(s) *Intellectual Property Rights* . The Company and its Subsidiaries own, possesses or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, domain names, licenses, approvals, trade secrets and other similar rights (collectively, " **Intellectual Property Rights** ") reasonably necessary to conduct their businesses as now conducted; except to the extent failure to own, possess or acquire such Intellectual Property Rights would not result in a Material Adverse Change. Neither the Company nor any Subsidiary has received and has no reason to believe that it will receive, any notice of infringement or conflict with asserted Intellectual Property Rights of others. Except as would not be reasonably likely to result, individually or in the aggregate, in a Material Adverse Change (A) to the Company's knowledge there is no infringement, misappropriation or violation by third parties of any of the Intellectual Property Rights owned by the Company or its Subsidiaries; (B) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the rights of the Company or any Subsidiary in or to any such Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim, that would reasonably be expected, individually or in the aggregate, together with any other claims in this Section 2(s) to result in a Material Adverse Change; (C) the Intellectual Property Rights owned by the Company and each Subsidiary and, to the Company's knowledge, the Intellectual Property Rights licensed to the Company or any Subsidiary have not been adjudged by a court of competent jurisdiction invalid or unenforceable, in whole or in part, and there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity or scope of any such Intellectual Property Rights, and, except as described in the Time of Sale Prospectus and the Prospectus, the Company is unaware of any facts which would form a reasonable basis for any such claim that would reasonably be expected, individually or in the aggregate, together with any other claims in this Section 2(s) to result in a Material Adverse Change; (D) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any Subsidiary infringes, misappropriates or otherwise violates any Intellectual Property Rights or other proprietary rights of others, neither the Company nor any Subsidiary has received any written notice of such claim and the Company is unaware of any other facts which would form a reasonable basis for any such claim that would reasonably be expected, individually or in the aggregate, together with any other claims in this Section 2(s) to result in a Material Adverse Change; (E) the Company is not aware of any prior art that could reasonably be expected to render any patent held by or licensed to the Company or any Subsidiary invalid or any U.S. patent application held by or licensed to the Company or any Subsidiary unpatentable which prior art was required to be disclosed to the U.S. Patent and Trademark Office during the prosecution of the applicable patent application and which was not so disclosed to the U.S. Patent and Trademark Office; (F) to the Company's knowledge, all prior art references relevant to the patentability of any pending claim of any patent applications comprising or that have resulted in Intellectual Property Rights known to the Company, applicable inventor(s) or licensors, or any of their counsel during the prosecution of such patent applications that were required to be disclosed to the relevant patent authority were so disclosed by the required time, and, to the best of the Company's knowledge, neither the Company nor any Subsidiary nor any such inventor, licensor or counsel made any misrepresentation to, or omitted any material fact from, the relevant patent authority during such prosecution; and (G) to the Company's knowledge, no employee of the Company or any Subsidiary is in or has ever been in violation in any material respect of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement or any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the Company or any Subsidiary, or actions undertaken by the employee while employed with the Company or any Subsidiary and would reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change. To the Company's knowledge, all material technical information developed by and belonging to the Company or any Subsidiary for which it has not sought, and does not intend to seek, to patent or otherwise protect pursuant to applicable intellectual property laws has been kept confidential or disclosed only under obligations of confidentiality. Neither the Company nor any Subsidiary is a party to or bound by any options, licenses or agreements with respect to the Intellectual Property Rights of any other person or entity that are required to be set forth in the Prospectus and are not described therein. The Time of Sale Prospectus contains in all material respects the same description of the matters set forth in the preceding sentence contained in the Prospectus. None of the technology employed by the Company and its Subsidiaries has been obtained or is being used by the Company in violation of any contractual obligation binding on the Company or any Subsidiary or, to the Company's knowledge, any of their officers, directors or employees or otherwise in violation of the rights of any persons, except in each case for such violations that would not reasonably be expected to result in a Material Adverse Change.

(t) *All Necessary Permits, etc* . The Company and each Subsidiary possess such valid and current certificates, authorizations and permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct their businesses as currently conducted by each of them and as described in the Time of Sale Prospectus and the Prospectus, except where the failure to possess such certificates, authorizations or permits would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. Neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Change.

(u) *Title to Properties* . Other than the Intellectual Property Rights which are the subject of the representations and warranties set forth in Section 2(s) above, each of the Company and its Subsidiaries has good and marketable title to all real and personal property and other assets owned by each of them, in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, adverse claims and other defects, except such as are described in each Applicable Prospectus or such as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company and the Subsidiaries. To the Company's knowledge, the real property, improvements, equipment and personal property held under lease by the Company and each Subsidiary are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company and its Subsidiaries.

(v) *Tax Law Compliance* . The Company and each Subsidiary have filed all necessary federal, state and foreign income and franchise tax returns or have properly requested extensions thereof and have paid all taxes required to be paid by the Company and each Subsidiary (except those currently payable without penalty or interest and those being contested in good faith and by appropriate proceedings) and, if due and payable, any related or similar assessment, fine or penalty levied against the Company or any Subsidiary, except as may be being contested in good faith and by appropriate proceedings and except to the extent that failure to file such returns, request such extensions and pay such taxes, assessments, fines or penalties would not result, in the aggregate, in a Material Adverse Change. The Company and each Subsidiary has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 2(j) above in respect of all material federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Company or any Subsidiary has not been finally determined.

(w) *Investment Company Act* . Neither the Company nor any Subsidiary is, nor will be, either after receipt of payment for the Offered Shares or after the application of the proceeds therefrom as described under "Use of Proceeds" in each Applicable Prospectus, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(x) *Insurance* . The Company and its Subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance and insurance against theft, damage and destruction, which insurance is in amounts and insures against such losses and risks as the Company believes are adequate to protect the Company and its Subsidiaries and their respective businesses; and neither the Company nor any Subsidiary has (i) received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business; except where any failure of the foregoing to be true and correct would not reasonably be expected to have a Material Adverse Change.

(y) *No Price Stabilization or Manipulation; Compliance with Regulation M* . The Company has not taken, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other "reference security" (as defined in Rule 100 of Regulation M under the Exchange Act (" **Regulation M** ")) whether to facilitate the sale or resale of the Offered Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M. The Company acknowledges that the Underwriters may engage in passive market making transactions in the Offered Shares on the NASDAQ Capital Market in accordance with Regulation M.

(z) *Related Party Transactions* . There are no transactions or relationships required by Item 404 of Regulation S-K to be described in each Applicable Prospectus that has not been so described.

(aa) *Exchange Act Compliance* . The documents incorporated or deemed to be incorporated by reference in each Applicable Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder, and, when read together with the other information in the Prospectus, at the time the Registration Statement and any amendments thereto become effective and at the First Closing Date and the applicable Option Closing Date, as the case may be, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(bb) *FINRA Matters* . All of the information provided to the Underwriters or to counsel for the Underwriters by the Company and, to the Company's knowledge without independent investigation, by the Company's officers, directors and 5% shareholders in connection with letters, filings or other supplemental information, if any, provided pursuant to FINRA Rule 5110 is true, complete and correct. There are no affiliations or associations between (i) any member of FINRA and (ii) the Company or, to the Company's knowledge, any of the Company's officers, directors or 5% or greater security holders or any beneficial owner of the Company's unregistered equity securities that were acquired at any time on or after the 180th day immediately preceding the date the Registration Statement was initially filed with the Commission, except as disclosed in the Registration Statement (excluding the exhibits thereto), the Time of Sale Prospectus and the Prospectus.

(cc) *Parties to Lock-Up Agreements* . Each of the Company's directors and executive officers, and Company stockholders beneficially owning more than 5% of the Shares, each listed on Exhibit A, has executed and delivered to the Underwriters a lock-up agreement in the form of Exhibit B hereto. Exhibit A hereto contains a true, complete and correct list of all directors and executive officers of the Company. If any additional persons shall become directors or executive officers of the Company prior to the end of the Company Lock-up Period (as defined below), the Company shall cause each such person, prior to or contemporaneously with their appointment or election as a director or executive officer of the Company, to execute and deliver to the Underwriters an agreement in the form attached hereto as Exhibit B .

(dd) *Statistical and Market-Related Data* . The statistical, demographic and market-related data included in the Registration Statement and each Applicable Prospectus are based on or derived from sources that the Company reasonably believes to be reliable and accurate or represent the Company's good faith estimates that are made on the basis of data derived from such sources, and the Company has obtained the written consent to the use of such data from such sources to the extent required. Each "forward-looking statement" (within the meaning of Section 27A of the Securities Act or Section 21E of the Exchange Act) contained or incorporated by reference in the Registration Statement, the Time of Sale Prospectus, the Prospectus and the Permitted Free Writing Prospectuses has been made or reaffirmed with a reasonable basis and in good faith.

(ee) *No Unlawful Contributions or Other Payments* . Neither the Company nor any Subsidiary has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Registration Statement and each Applicable Prospectus.

(ff) *Disclosure Controls and Procedures* . The Company and its Subsidiaries have established and maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), which such disclosure controls and procedures (i) are designed to ensure that material information relating to the Company is made known to the Company's principal executive officer and its principal financial officer by others within the Company, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared; (ii) have been evaluated by the Company's principal executive officer and principal financial officer as required by Rule 13a-15 of the Exchange Act; and (iii) based on such evaluation, the Company's principal executive officer and principal financial officer have concluded such disclosure controls and procedures to be effective.

(gg) *Compliance with Environmental Laws* . Except as described in each Applicable Prospectus and except as would not, reasonably be expected to, singly or in the aggregate, result in a Material Adverse Change, (i) the Company and its Subsidiaries (to the Company's knowledge as it relates to any leasehold interest in real property) are not in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, " **Hazardous Materials** ") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, " **Environmental Laws** "), (ii) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are in compliance with their requirements, (iii) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or its Subsidiaries, and (iv) there are no events or circumstances known to the Company that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any Subsidiary relating to Hazardous Materials or any Environmental Laws.

(hh) *ERISA Compliance* . Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (**"ERISA"**), for which the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the **"Code"**)) would have any liability (each, a **"Plan"**), has been established and maintained in compliance in all material respects with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan excluding transactions effected pursuant to a statutory or administrative exemption; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no Plan has failed, or is reasonably expected to fail, to satisfy the minimum funding standards (within the meaning of Section 302 of ERISA or Section 412 of the Code as applicable), whether or not waived; (iv) the fair market value of the assets of each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (v) no "reportable event" (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur; and (vi) none of the Company nor any member of the Controlled Group has incurred, nor reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guarantee Company, in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA), in each case except as would not cause a Material Adverse Change.

(ii) *Brokers* . Except as contemplated by this Agreement and disclosed in each Applicable Prospectus, there is no broker, finder or other party that is entitled to receive from the Company or its Subsidiaries any brokerage or finder's fee or other fee or commission as a result of any transactions contemplated by this Agreement.

(jj) *No Outstanding Loans or Other Extensions of Credit* . Since the adoption of Section 13(k) of the Exchange Act, the Company and its Subsidiaries have not extended or maintained credit, arranged for the extension of credit, or renewed any extension of credit, in the form of a personal loan, to or for any director or executive officer (or equivalent thereof) of the Company except for such extensions of credit as are expressly permitted by Section 13(k) of the Exchange Act.

(kk) *Compliance with Laws* . The Company and its Subsidiaries have not been advised, and have no reason to believe, that they are not conducting business in compliance with all applicable laws, rules and regulations of the jurisdictions in which they are conducting business, except where failure to be so in compliance would not result in a Material Adverse Change.

(ll) *Franchising* . To the knowledge of the Company, except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, no dispute exists or is imminent between (i) the Company or a Subsidiary and one or more parties that license a franchise, directly or indirectly, from the Company or a Subsidiary (each a " **Franchisee** "), or (ii) one or more parties that license a franchise, directly or indirectly, to the Company or a Subsidiary (each, a " **Franchisor** "). Each Franchisee and Franchisor is such by virtue of being a party to a franchise contract with the Company or a Subsidiary, and assuming each such contract has been duly authorized, executed and delivered by the parties thereto, each such contract constitutes a valid, legal and binding obligation of each party thereto, enforceable against, as applicable, each of the Company, a Franchisee, a Franchisor or a subsidiary of any of them in accordance with its terms, except for any one or more of such franchise contracts that, if not a valid, legal and binding obligation of each party thereto, would not reasonably be expected to result in a Material Adverse Change. The Company and each Subsidiary party to any franchise contract have complied and are currently complying in all material respects with the rules and regulations of the United States Federal Trade Commission and the comparable laws, rules and regulations of each state or state agency applicable to the franchising business of the Company and any Subsidiary.

(mm) *Compliance with Liquor Laws* . The Company is operating in compliance with such permits, licenses, consents, approvals, certificates, registrations, franchises, clearances and other authorizations (collectively, " **Governmental Licenses** ") of any and all jurisdictions (" **Applicable Jurisdictions** ") that require the Company to obtain such Governmental Licenses in respect of its sales or distribution of alcoholic beverages in the conduct of its business as currently conducted (collectively, the " **Liquor Permits** "), and all such Liquor Permits are in full force and effect, except where the failure to be in such compliance or for such Liquor Permits to be in full force and effect would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. The Company has fulfilled and performed all of its obligations with respect to the Liquor Permits, except where the failure to be in such compliance would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. To the Company's knowledge, no event has occurred that has allowed, allows, or after notice or lapse of time would allow, revocation, termination, suspension or other modification thereof or results in any other impairment of the rights of the holder of any Liquor Permit that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. Except as disclosed in the Time of Sale Prospectus, the Company has not received notice, and has no knowledge, of any pending or threatened claim, suit, proceeding, hearing, enforcement, audit, investigation, arbitration or other action from the Applicable Jurisdictions alleging that any operation or activity of the Company is in violation of any applicable law, rule or regulation that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

(nn) *Foreign Corrupt Practices Act* . Neither the Company, its Subsidiaries nor, to the Company's knowledge, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or its Subsidiaries has taken any action for or on behalf of the Company or its Subsidiaries, directly or indirectly, that has resulted or would result in a violation of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the " **FCPA** "); and the Company has conducted its business in compliance with the FCPA and has instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(oo) *Money Laundering Laws* . The operations of the Company and its Subsidiaries are, and have been conducted at all times in compliance with, all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its Subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the " **Anti-Money Laundering Laws** "), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(pp) *Sanctions* . The Company does not conduct business with the government of, or with any person located in, any country in a manner that violates in any material respect any of the economic sanctions programs or similar sanctions-related measures (collectively, " **Sanctions** ") administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control (" **OFAC** "). The Company will not, directly or indirectly, use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any person in a manner that violates the Sanctions administered or enforced by OFAC.

Any certificate signed by any officer of the Company and delivered to the Representative or to counsel for the Representative in connection with the transactions contemplated hereby shall be deemed a representation and warranty by the Company to each of the several Underwriters as to the matters covered thereby.

The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 7 hereof, counsel to the Company and counsel to the Representative, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

Section 3. Purchase, Sale and Delivery of the Offered Shares.

(a) *The Firm Shares* . On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company agrees to sell the Firm Shares to the several Underwriters, and each Underwriter agrees, severally and not jointly, to purchase that number of Firm Shares from the Company set forth opposite the name of such Underwriter on Schedule A. The purchase price per Firm Share to be paid by the Underwriters to the Company shall be $[ ] per share.

(b) *The First Closing Date* . Delivery of the Firm Shares to be purchased by the Underwriters and payment therefor shall be made at 9:00 a.m. Minneapolis time, on the third (or if the Firm Shares are priced, as contemplated by Rule 15c6-1(c) under the Exchange Act, after 4:30 p.m. Eastern time, the fourth) business day following the date of this Agreement, at the offices of the Dougherty & Company LLC, 90 South Seventh Street, Suite 4300, Minneapolis, Minnesota or such other time, date and place as may be agreed to by the Company and the Underwriter (the time and date of such closing are called the " **First Closing Date** ").

(c) *The Optional Shares; Option Closing Date* . In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company hereby grants an option to the Underwriters to purchase up to an aggregate of [ ] Optional Shares from the Company at the purchase price per share to be paid by the Underwriters for the Firm Shares. The option granted hereunder may be exercised at any time and from time to time in whole or in part upon notice by the Representative to the Company, which notice may be given at any time within 45 days from the date of this Agreement. Such notice shall set forth (i) the aggregate number of Optional Shares as to which the Underwriters are exercising the option, (ii) the names and denominations in which the certificates for the Optional Shares are to be registered and (iii) the time, date and place at which such certificates will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in the event that such time and date are simultaneous with the First Closing Date, the term " **First Closing Date** " shall refer to the time and date of delivery of certificates for the Firm Shares and such Optional Shares). Any such time and date of delivery, if subsequent to the First Closing Date, is called an " **Option Closing Date** " and shall be determined by the Representative and shall not be earlier than three or later than five full business days after delivery of such notice of exercise. The number of Optional Shares to be purchased by each Underwriter shall be the same percentage of the total number of Optional Shares to be purchased by the several Underwriters as the number of Firm Shares to be purchased by such Underwriter is of the total number of Firm Shares to be purchased by the several Underwriters, as adjusted by the Representative in such manner as the Representative deems advisable to avoid fractional shares. The Representative may cancel the option as to the unexercised portion thereof at any time prior to its expiration by giving written notice of such cancellation to the Company.

(d) *Public Offering of the Offered Shares* . The Underwriters hereby advise the Company that the Underwriters intend to offer for sale to the public, initially on the terms set forth in the Time of Sale Prospectus and the Prospectus, the Offered Shares as soon after this Agreement has been executed as the Representative, in its sole judgment, has determined is advisable and practicable.

(e) *Payment for the Offered Shares* . Payment for the Offered Shares shall be made at the First Closing Date (and, if applicable, at each Option Closing Date) by wire transfer of immediately available funds to the order of the Company.

(f) *Delivery of the Offered Shares* . The Company shall deliver, or cause to be delivered, to the Underwriters certificates for the Firm Shares at the First Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Company shall also deliver, or cause to be delivered, to the Underwriters certificates for the Optional Shares the Underwriters have agreed to purchase at the First Closing Date or the applicable Option Closing Date, as the case may be, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. If an Underwriter so elects, delivery of the Firm Shares and, if applicable, the Optional Shares, may be made by credit to the accounts designated by such Underwriter though The Depository Trust Company's DWAC program. If an Underwriter elects delivery in the form of certificates, the certificates for the Offered Shares shall be in definitive form and registered in such names and denominations as such Underwriter shall have requested at least two full business days prior to the First Closing Date (or the applicable Option Closing Date, as the case may be) and shall be made available for inspection on the business day preceding the First Closing Date (or the applicable Option Closing Date, as the case may be) at a location in Minneapolis, Minnesota as the Underwriter may designate. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriter.

Section 4. **Additional Covenants of the Company** . The Company further covenants and agrees with the several Underwriters as follows:

(a) *Delivery of Registration Statement, Time of Sale Prospectus and Prospectus* . The Company shall furnish to the Representative, without charge and upon a Representative's request, two signed copies of the Registration Statement, any amendments thereto and any Rule 462(b) Registration Statement (including exhibits thereto) and shall furnish to the Representative, in Minneapolis, Minnesota, without charge, prior to 9:00 a.m. Minneapolis time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 4(e) or 4(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as the Underwriters may reasonably request.

(b) *Review of Proposed Amendments and Supplements* . During the Prospectus Delivery Period, prior to amending or supplementing the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus or the Prospectus (including any amendment or supplement through incorporation of any report filed under the Exchange Act), the Company: (i) shall furnish to the Representative for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each such proposed amendment or supplement, (ii) shall not file or use any such proposed amendment or supplement to which a Representative reasonably objects, and (iii) shall file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) *Free Writing Prospectuses* . The Company shall furnish to the Representative for review, a reasonable amount of time prior to (or contemporaneously therewith as it relates to any taped electronic roadshow) the proposed time of filing or use thereof, a copy of each proposed free writing prospectus or any amendment or supplement thereto to be prepared by or on behalf of, used by, or referred to by the Company and the Company shall not file, use or refer to any proposed free writing prospectus or any amendment or supplement thereto to which the Underwriter reasonably objects. The Company shall furnish to the Underwriters, without charge, as many copies of any free writing prospectus prepared by or on behalf of, or used by the Company, as the Underwriters may reasonably request. If, during the Prospectus Delivery Period, there occurred or occurs an event or development as a result of which any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances at such time, not misleading, the Company shall promptly amend or supplement such free writing prospectus to eliminate or correct such conflict or so that the statements in such free writing prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such subsequent time, not misleading, as the case may be; provided, however, that prior to amending or supplementing any such free writing prospectus, the Company shall furnish to the Representative for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of such proposed amended or supplemented free writing prospectus and the Company shall not file, use or refer to any such amended or supplemented free writing prospectus to which a Representative reasonably objects.

(d) *Filing of Underwriter Free Writing Prospectuses* . The Company shall not take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriters that the Underwriters otherwise would not have been required to file thereunder.

(e) *Amendments and Supplements to Time of Sale Prospectus* . If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus so that the Time of Sale Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement, or if, in the opinion of the Company, counsel for the Company, the Underwriters or counsel for the Representative, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, including the Securities Act, the Company shall (subject to Sections 4(b) and 4(c)) forthwith prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law including the Securities Act.

(f) *Securities Act Compliance* . After the date of this Agreement, the Company shall promptly advise the Representative in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement, any Rule 462(b) Registration Statement or any amendment or supplement to any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement or any Rule 462(b) Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto, any Rule 462(b) Registration Statement or any amendment or supplement to any Preliminary Prospectus, the Time of Sale Prospectus or the Prospectus or of any order preventing or suspending the use of any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Shares from any securities exchange upon which they are listed for trading or included or designated for quotation, or of the known threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with the provisions of Rule 424(b) or Rule 433, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) or Rule 433 were received in a timely manner by the Commission.

(g) *Amendments and Supplements to the Prospectus and Other Securities Act Matters* . If any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus so that the Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if in the opinion of the Company, counsel for the Company, the Underwriters or counsel for the Representative, it is otherwise necessary to amend or supplement the Prospectus to comply with applicable law, including the Securities Act, the Company agrees (subject to Section 4(b) and 4(c)) to promptly prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law including the Securities Act. Neither the Underwriter's consent to, nor delivery of, any such amendment or supplement shall constitute a waiver of any of the Company's obligations under Sections 4(b) or (c).

(h) *Blue Sky Compliance* . The Company shall cooperate with the Underwriters and counsel for the Representative to qualify or register the Offered Shares for sale under (or obtain exemptions from the application of) the state securities or blue sky laws of those jurisdictions designated by the Representative, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Offered Shares; provided that the Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The parties acknowledge that, subject to satisfaction of the condition in Section 7(j) of this Agreement, the Company intends to rely on the preemption from state registration and review of offerings of "covered securities" (as that term is defined in the National Securities Markets Improvement Act of 1996). The Company will advise the Representative promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Offered Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(i) *Use of Proceeds* . The Company shall apply the net proceeds from the sale of the Offered Shares sold by it in the manner described under the caption "Use of Proceeds" in each Applicable Prospectus.

(j) *Transfer Agent* . The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Shares.

(k) *Earnings Statement* . As soon as practicable, but in any event not later than 16 months after the date of this Agreement, the Company shall make generally available to its security holders and to the Underwriters an earnings statement of the Company covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Securities Act.

(l) *Exchange Act Compliance* . For a period of one year from the date hereof, the Company shall file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the Exchange Act in the manner and within the time periods required by the Exchange Act.

(m) *Internal Controls* . For a period of one year from the date hereof, the Company and its subsidiaries will maintain such controls and other procedures, including without limitation those required by Sections 302 and 906 of the Sarbanes-Oxley Act and the applicable regulations thereunder, that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, to ensure that material information relating to Company, including its subsidiaries, is made known to them by others within those entities.

(n) *Sarbanes-Oxley Act* . For a period of one year from the date hereof, the Company and its subsidiaries will comply with all effective applicable provisions of the Sarbanes-Oxley Act.

(o) *Listing* . The Company will use its best efforts to list its Common Stock (including the Offered Shares) on the NASDAQ Capital Market as of or prior to the effective date of the Registration Statement, and to maintain the listing of its Common Stock on the NASDAQ Capital Market for a period of at least one year thereafter.

(p) *Company to Provide Copy of the Prospectus in Form That May be Downloaded from the Internet* . The Company shall cause to be prepared and delivered, at its expense, within one business day following the effective date of this Agreement, to the Representative an "electronic Prospectus" to be used by the Underwriters in connection with the Offering and sale of the Offered Shares. As used herein, the term " **electronic Prospectus** " means a form of Time of Sale Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, reasonably satisfactory to the Representative, that may be transmitted electronically by the Underwriters to offerees and purchasers of the Offered Shares; (ii) it shall disclose the same information as the paper Time of Sale Prospectus, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic Prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, reasonably satisfactory to the Representative, that will allow investors to store and have continuously ready access to the Time of Sale Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the Internet as a whole and for on-line time). The Company hereby confirms that it has included or will include in the Prospectus filed pursuant to EDGAR or otherwise with the Commission and in the Registration Statement at the time it was declared effective an undertaking that, upon receipt of a request by an investor or his or her representative, the Company shall transmit or cause to be transmitted promptly, without charge, a paper copy of the Time of Sale Prospectus.

(q) *Agreement Not to Offer or Sell Additional Shares* . During the period commencing on and including the date hereof and ending on and including the 180th day following the date of the Prospectus (as the same may be extended as described below, the " **Lock-up Period** "), the Company will not, without the prior written consent of the Representative (which consent may be withheld at the sole discretion of the Representative), directly or indirectly, sell (including, without limitation, any short sale), offer, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any Shares, options, rights or warrants to acquire Shares or securities exchangeable or exercisable for or convertible into Shares (other than as contemplated by this Agreement with respect to the Offered Shares) or publicly announce the intention to do any of the foregoing; provided, however, that the Company may issue Shares (i) pursuant to any director or employee stock option plan, stock ownership plan or dividend reinvestment plan of the Company in effect at the date of the Prospectus (including the issuance of securities thereunder and the issuance of Shares upon the exercise of options issued pursuant to such a plan) as such plan may be amended or amended and restated by the Company, (ii) pursuant to the conversion of securities or the exercise of warrants outstanding at the date of the Prospectus and described in the Prospectus, (iii) pursuant to a registration statement on Form S-8, and (iv) to one or more counterparties in connection with the consummation of a strategic partnership, joint venture, collaboration, merger or the acquisition or license of any business products or technology; provided that, with respect to this subsection (iv), (1) the sum of the aggregate number of Shares so issued shall not exceed 5% of the total outstanding Shares immediately following the completion of this Offering of Shares and (2) prior to the issuance of such Shares each recipient of such Shares agrees in writing not to sell, offer, dispose of or otherwise transfer any such Shares during such Lock-up Period without the prior written consent of the Representative (which consent may be withheld at the sole discretion of the Representative). Notwithstanding the foregoing, if (i) during the last 17 days of the Lock-up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (ii) prior to the expiration of the Lock-up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-up Period, then in each case the Lock-up Period will be extended until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the occurrence of the material news or material event, as applicable, unless the Representative waives, in writing, such extension (which waiver may be withheld at the sole discretion of the Representative), except that such extension will not apply if (i) the Shares are "actively traded securities" (as defined in Regulation M), (ii) the Company meets the applicable requirements of paragraph (a)(1) of Rule 139 under the Securities Act in the manner contemplated by NASD Conduct Rule 2711(f)(4), and (iii) the provisions of NASD Conduct Rule 2711(f)(4) do not restrict the publishing or distribution of any research reports relating to the Company published or distributed by the Underwriters during the 15 days before or after the last day of the Lock-up Period (before giving effect to such extension). The Company will provide the Representative with prior notice of any such announcement that gives rise to an extension of the Lock-up Period.

(r) *No Stabilization or Manipulation; Compliance with Regulation M* . The Company will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of the Offered Shares or otherwise, and the Company will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M.

(s) *Existing Lock-Up Agreements* . The Company will direct the transfer agent to place stop transfer restrictions upon any securities of the Company that are bound by existing "lock-up" agreements between the Company and any of its security holders for the duration of the periods contemplated in such agreements, including, without limitation, "lock-up" agreements entered into by certain of the Company's officers and directors pursuant to Section 7(h).

Section 5. **Payment of Expenses** . The Company agrees, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, to pay all costs, fees, expenses and taxes incident to and in connection with the performance of its obligations hereunder and in connection with the Offering of the Offered Shares hereunder, including without limitation (i) all expenses incident to the issuance and delivery of the Offered Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Shares, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Offered Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company, and each preliminary prospectus, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees, attorneys' fees and expenses incurred by the Company in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Offered Shares for offer and sale under the state securities or blue sky laws, and, if requested by the Representative, preparing and printing a " **Blue Sky Survey** " or memorandum, and any supplements thereto, advising the Representative of such qualifications, registrations, determinations and exemptions; (vii) the filing fees incident to FINRA's review, if any, and approval of the Underwriter's participation in the Offering and distribution of the Offered Shares; (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the Offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives, employees and officers of the Company and any such consultants, (ix) the fees and expenses associated with listing the Offered Shares on the NASDAQ Capital Market; (x) and all other fees, costs and expenses of the nature referred to in Item 13 of Part II of the Registration Statement. In addition, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company shall reimburse the Representative for all costs, fees and expenses incurred by the Representative incident to and in connection with the performance of their obligations hereunder and in connection with the Offering of the Offered Shares hereunder (the " **Reimbursable Expenses** "), including without limitation fees and expenses of counsel to the Representative (including those incurred incident to and in connection with the Offering of the Offered Shares and with FINRA's review and approval of the Underwriter's participation in such Offering), "road show" travel and lodging expenses of the representatives, employees and officers of the Representative, and other fees costs and expenses incurred by the Representative in connection with the performance of the Representative' obligations hereunder and in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, the Company shall not be required to pay or reimburse Dougherty for Reimbursable Expenses under this Section 5 to the extent they exceed $125,000 in the aggregate. Dougherty has previously received a $50,000 deposit from the Company, which shall be credited towards the Company's obligation to pay the Reimbursable Expenses under this Section 5. Except as provided in this Section 5, and Sections 8 and 9 hereof, Dougherty shall pay its own costs, fees and expenses (including the fees and disbursements of its counsel) in excess of $125,000. Upon the termination of this Agreement, in the event Dougherty's aggregate expenses do not equal or exceed the $50,000 deposit already received by Dougherty, the Underwriter shall, as soon as reasonably practicable, reimburse the Company the amount by which $50,000 exceeds the aggregate amount of all expenses incurred.

Section 6. **Covenant of the Underwriters.** The Underwriters covenant with the Company not to take any action that would result in the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriters that otherwise would not be required to be filed by the Company thereunder but for the action of the Underwriters.

Section 7. **Conditions to the Underwriters' Obligations.** The obligations of the several Underwriters to purchase and pay for the Offered Shares as provided herein on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, shall be subject to the accuracy of the representations and warranties on the part of the Company set forth in Section 2 hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Optional Shares, as of each Option Closing Date as though then made, to the timely performance by the Company of its covenants and other obligations hereunder, and to each of the following additional conditions:

(a) *Accountants' Comfort Letters* .

(i) At the time of execution of this Agreement, the Representative shall have received from each of BDO USA, LLP, independent public or certified public accountants for the Company, and Silberstein Ungar, PLLC, former independent public or certified public accountants for the Company, a letter, in form and substance satisfactory to the Representative, addressed to the Underwriters and dated the date hereof (A) confirming that they are (or, in the case of Silberstein Ungar, were at all times during its audit and professional engagement period (as defined in Rule 2-01 of Regulation S-X) with the Company) independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, and (B) stating, as of the date hereof (or, as it pertains to BDO USA, LLP, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the most recent preliminary prospectus, as of a date not more than three days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(ii) With respect to the letters of BDO USA, LLP and Silberstein Ungar, PLLC referred to in the preceding paragraph and delivered to the Representative concurrently with the execution of this Agreement (the " **BDO initial letter** " or the " **Silberstein initial letter** ", as the case may be), the Company shall have furnished to the Representative a letter (the " **BDO bring-down letter** " or the " **Silberstein bring-down letter** ", as the case may be) of such accountants, addressed to the Underwriters and dated as of the First Closing Date or, with respect to the Optional Shares, each Option Closing Date, as the case may be (A) confirming that they are (or, in the case of Silberstein Ungar, were at all times during the audit and professional engagement period (as defined in Rule 2-01 of Regulation S-X) with the Company) independent public accountants within the meaning of the Securities Act and are (or, in the case of Silberstein Ungar, were at all times during the audit and professional engagement period with the Company (as defined in Rule 2-01 of Regulation S-X)) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (B) stating, as of the date of the BDO bring-down letter and Silberstein bring-down letter (or, as it pertains to the BDO bring-down letter, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than three days prior to the date of the BDO bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the BDO initial letter or the Silberstein initial letter, as the case may be, and (iii) confirming in all material respects the conclusions and findings set forth in the BDO initial letter or the Silberstein initial letter, as the case may be.

(b) *Compliance with Registration Requirements; No Stop Order; No Objection from FINRA* . For the period from and after effectiveness of this Agreement and prior to the First Closing Date and, with respect to the Optional Shares, each Option Closing Date:

(i) the Company shall have filed the Prospectus with the Commission (including the information previously omitted from the Registration Statement pursuant to Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information previously omitted pursuant to such Rule 430A, and such post-effective amendment shall have become effective; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(ii) no stop order suspending the effectiveness of the Registration Statement, or any post-effective amendment to the Registration Statement, or preventing the use of the Prospectus or the Time of Sale Prospectus, shall be in effect and no proceedings for such purpose shall have been instituted or threatened by the Commission; and

(iii) FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements contemplated by this Agreement.

(c) *No Material Adverse Change* . Subsequent to the execution and delivery of this Agreement and prior to the Closing Date and each Option Closing Date, if any, there shall not have occurred any material change, or any material development involving a prospective change, in the assets, business, condition (financial or otherwise), management, operations, earnings or prospects of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that makes it, in the Underwriter's judgment, impracticable or inadvisable to offer or sell the Offered Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(d) *Contents of Registration Statement, Time of Sale Prospectus and Prospectus* . The Underwriters shall not have discovered and disclosed to the Company on or prior to the First Closing Date or, with respect to the Optional Shares, the applicable Option Closing Date, that (i) the Registration Statement or any amendment or supplement thereto, contains an untrue statement of a fact which, in the reasonable opinion of the Underwriters or Fredrikson & Byron, P.A., counsel for Dougherty, is material or omits to state a fact which, in the opinion of the Underwriters or such counsel, is material and is required to be stated therein or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) the Time of Sale Prospectus or the Prospectus, or any amendment or supplement thereto, contains an untrue statement of a fact which, in the reasonable opinion of the Underwriters or Fredrikson & Byron, P.A., counsel for Dougherty, is material or omits to state a fact which, in the opinion of the Underwriters or such counsel, is material and is required to be stated therein or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) *Opinion and Negative Assurance Letter of Counsel for the Company* . The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, the opinion and negative assurance letter of Dickinson Wright LLP, counsel for the Company, in a form reasonably acceptable to the Underwriter.

(f) *Opinion of Counsel for the Underwriter* . The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, an opinion of Fredrikson & Byron, P.A., counsel for Dougherty & Company LLC, dated the Closing Date or such Option Closing Date, as the case may be, in form and substance satisfactory to the Underwriter.

(g) *Officer's Certificate* . On each of the First Closing Date and each Option Closing Date, the Representative shall have received a written certificate executed by the Chief Executive Officer or President of the Company and the Chief Financial Officer of the Company, dated as of such Closing Date, to the effect set forth in subsection (b)(ii) of this Section 7 and further to the effect that:

(i) The representations, warranties and covenants of the Company set forth in Section 2 of this Agreement are true and correct with the same force and effect as though expressly made on and as of such Closing Date; and

(ii) The Company has complied with all the agreements hereunder and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; and

(iii) For the period from and including the date of this Agreement through and including such Closing Date, there has not occurred any Material Adverse Change.

(h) *Lock-Up Agreements* . On or prior to the date hereof, the Company shall have furnished to the Representative agreements in the forms of Exhibit B hereto from the persons listed on Exhibit A hereto, as applicable, and each such agreement shall be in full force and effect on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date.

(i) *Additional Documents* . On or before each of the First Closing Date and each Option Closing Date, the Representative and its counsel shall have received such information, documents and opinions as they may reasonably request for the purposes of enabling them to pass upon the issuance and sale of the Offered Shares as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Offered Shares as contemplated herein and in connection with the other transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Representative and counsel for the Representative.

(j) *Approval of Listing* . The Shares shall have been approved for listing on the NASDAQ Capital Market.

If any condition specified in this Section 7 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative by notice to the Company at any time on or prior to the First Closing Date and, with respect to the Optional Shares, at any time on or prior to the applicable Option Closing Date, which termination shall be without liability on the part of any party to any other party, except that Sections 5, 8, 9, 13, 14, 15, 16, 17 and 18 shall at all times be effective and shall survive such termination.

Section 8. Indemnification.

(a) *Indemnification of the Underwriters* . The Company agrees to indemnify and hold harmless the Underwriters, their members, affiliates, directors, officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act or the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any loss, claim, damage or liability to which any Underwriter or such member, affiliate, director, officer, employee or controlling person may become subject under the Securities Act, the Exchange Act, other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected in accordance with Section 8(d) below), insofar as such loss, claim, damage or liability (or actions in respect thereof as contemplated below) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to reimburse the Underwriters and each such member, affiliate, director, officer, employee or controlling person for any and all expenses (including the reasonable fees and disbursements of counsel chosen by each of the Underwriters) as such expenses are reasonably incurred by the Underwriters or such member, affiliate, director, officer, employee or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Underwriters expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any such free writing prospectus or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information furnished by the Underwriters to the Company consists of the information described in Section 2(a) of this Agreement. The indemnity agreement set forth in this Section 8(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) *Indemnification of the Company, its Directors and Officers* . Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors and officers and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense to which the Company, or any such director, officer or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected in accordance with Section 8(d) below), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus the Time of Sale Prospectus, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or such amendment or supplement thereto), or arises out of or is based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, such preliminary prospectus, the Time of Sale Prospectus, such free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, or the Prospectus (or such amendment or supplement thereto), in reliance upon and in conformity with written information furnished to the Company by the Underwriters expressly for use therein; and to reimburse the Company, or any such director, officer or controlling person for any legal and other expense as such expenses are reasonably incurred by the Company, or any such director, officer or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The Company hereby acknowledges that the only information that the Underwriters have furnished to the Company expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto) are the statements described in Section 2(a) of this Agreement. The indemnity agreement set forth in this Section 8(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) *Notifications and Other Indemnification Procedures* . Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, suit or proceeding, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof, but the failure to so notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party for contribution or otherwise under the indemnity agreement contained in this Section 8 except to the extent such indemnifying party has been materially prejudiced by such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), representing the indemnified parties who are parties to such action), which counsel (together with any local counsel) for the indemnified parties shall be selected by the Representative (in the case of counsel for the indemnified parties referred to in Section 8(a) above) or by the Company (in the case of counsel for the indemnified parties referred to in Section 8(b) above)), (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, or (iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party and shall be paid as they are incurred.

(d) *Settlements* . The indemnifying party under this Section 8 shall not be liable for any settlement, compromise or consent to the entry of judgment in any proceeding effected without its written consent, but if settled, compromised or the consent to judgment is entered into with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 8(c) hereof, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request; (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle, compromise or consent to the entry of judgment (which notice may be given prior to the expiration of the 60 day period required under clause (i) of this subsection (d)). No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

Section 9. Contribution. If the indemnification provided for in Section 8 is for any reason (other than by virtue of the failure of an indemnified party to notify the indemnifying party of its right to indemnification pursuant to Section 8(c) hereof and the indemnifying party has been materially prejudiced by such failure) held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the Offering of the Offered Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the Offering of the Offered Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the Offering of the Offered Shares pursuant to this Agreement (before deducting expenses) received by the Company, and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the front cover page of the Prospectus bear to the aggregate public offering price of the Offered Shares as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 8(c), any reasonable legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 8(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 9; provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 8(c) for purposes of indemnification.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 9.

Notwithstanding the provisions of this Section 9, an Underwriter shall not be required to contribute any amount in excess of the underwriting discounts and commissions received by such Underwriter in connection with the Offered Shares underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 9, each officer and employee of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Underwriter, and each director and each officer of the Company, and each person, if any, who controls the Company with the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

Section 10. Default of One or More of the Several Underwriters . If, on the First Closing Date or the applicable Option Closing Date, as the case may be, any one or more of the several Underwriters shall fail or refuse to purchase Offered Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Offered Shares to be purchased on such date, the Representative may make arrangements reasonably satisfactory to the Company for the purchase of such Offered Shares by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the other Underwriters shall be obligated, severally and not jointly, in the proportions that the number of Firm Shares set forth opposite their respective names on Schedule A bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representative with the consent of the non-defaulting Underwriters, to purchase the Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or the applicable Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Offered Shares and the aggregate number of Offered Shares with respect to which such default occurs exceeds 10% of the aggregate number of Offered Shares to be purchased on such date, and arrangements satisfactory to the Representative, the Company for the purchase of such Offered Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any party to any other party except that the provisions of Sections 5, 8, 9, 14, 15, 16, 17, 18 and 19 shall at all times be effective and shall survive such termination. In any such case either the Representative or the Company shall have the right to postpone the First Closing Date or the applicable Option Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

As used in this Agreement, the term " **Underwriter** " shall be deemed to include any person substituted for a defaulting Underwriter under this Section 10. Any action taken under this Section 10 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

Section 11. Termination of this Agreement . Prior to the purchase of the Firm Shares by the Underwriters on the First Closing Date, this Agreement may be terminated by the Representative by notice given to the Company if at any time (i) trading or quotation in any of the Company's securities shall have been suspended or materially limited by the Commission, the NASDAQ Capital Market, or the OTC Bulletin Board, or trading in securities generally on the NASDAQ Stock Market or the New York Stock Exchange shall have been suspended or materially limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges by the Commission or FINRA; (ii) a general banking moratorium shall have been declared by any of federal, New York, Delaware, or Minnesota authorities; or (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions, as in the judgment of the Representative is material and adverse and makes it impracticable to market the Offered Shares in the manner and on the terms described in the Time of Sale Prospectus or the Prospectus or to enforce contracts for the sale of securities.

Section 12. No Advisory or Fiduciary Relationship. The Company acknowledges and agrees that (a) the purchase and sale of the Offered Shares pursuant to this Agreement, including the determination of the public offering price of the Offered Shares and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the Underwriters, on the other hand, (b) in connection with the Offering contemplated hereby and the process leading to such transaction the Underwriters each are and have been acting solely as principals and are not agents or fiduciaries of the Company, or its stockholders, creditors, employees or any other party, (c) the Underwriters have not assumed or will not assume an advisory or fiduciary responsibility in favor of the Company with respect to the Offering contemplated hereby or the process leading thereto (irrespective of whether an Underwriter has advised or is currently advising the Company on other matters) and an Underwriter has no obligation to the Company with respect to the Offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Underwriters and their affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, and (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the Offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

Section 13. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Shares. If this Agreement is terminated pursuant to Section 10 or if for any other reason the purchase of the Offered Shares by the Underwriters is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5 and the respective obligations and agreements of the Company and the Underwriters pursuant to Sections 8, 9, 13, 14, 15, 16, 17, 18 and 19 shall remain in effect.

Section 14. **Research Analyst Independence.** The Company acknowledges that the Underwriters' research analysts and research departments are required to be independent from its investment banking division and are subject to certain regulations and internal policies regarding segregation and independence, and that the Underwriters' research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the Offering that differ from the views of its investment banking division. The Company acknowledges that the Underwriters' have not made any commitments to the Company regarding favorable research or a specific rating or price target from their respective research analysts and research departments in connection with the transactions contemplated by this Agreement.

Section 15. **Notices.** All communications hereunder shall be in writing and shall be mailed, hand delivered, faxed, or emailed and confirmed to the parties hereto as follows:

If to the Underwriter or the Representative:

Dougherty & Company LLC
90 South 7th Street, Suite 4300
Minneapolis, Minnesota 55402
Facsimile: (612) 338-2143
Attention: Mr. Adam Stormoen, Sr. Vice President

With a copy (which shall not constitute notice) to:

Fredrikson & Byron P.A.
Attention: Ryan C. Brauer
200 South Sixth Street, Suite 4000
Minneapolis, Minnesota 55402
Facsimile: (612) 492-7077
Email: rbrauer@fredlaw.com

If to the Company:

Diversified Restaurant Holdings, Inc.
Attention: T. Michael Ansley, President and Chief Executive Officer
27680 Franklin Road
Southfield, Michigan 48034

With a copy (which shall not constitute notice) to:

Dickinson Wright LLP
Attention: Michael T. Raymond
2600 W. Big Beaver Road, Suite 300
Troy, Michigan 48084
Facsimile:
Email: mraymond@dickinsonwright.com

Any party hereto may change the address for receipt of communications by giving written notice to the others.

Section 16. **Successors.** This Agreement will inure to the benefit of and be binding upon the parties hereto and to the benefit of the employees, officers and directors and controlling persons referred to in Section 8 and Section 9, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term "successors" shall not include any purchaser of the Offered Shares as such from any of the Underwriters merely by reason of such purchase.

Section 17. **Partial Unenforceability** . The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph, clause or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

Section 18. **Governing Law Provisions** . This Agreement shall be governed by and construed in accordance with the internal laws of the State of Minnesota applicable to agreements made and to be performed in such state. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in the federal courts of the United States of America located in the Hennepin County, Minnesota or the courts of the State of Minnesota in each case located in Minneapolis, Minnesota (collectively, the " **Specified Courts** "), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court, as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

Section 19. **General Provisions** . This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof, other than the engagement agreement between the Company and Dougherty dated September 27, 2012. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by both parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 8 and the contribution provisions of Section 9, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Sections 8 and 9 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, each free writing prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

*****signature page follows*****

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

DIVERSIFIED RESTAURANT HOLDINGS, INC.

By ________________________________
Name: ______________________________
Title: ______________________________

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representative on behalf of itself and the other several Underwriters named in Schedule A hereto as of the date first above written.

DOUGHERTY & COMPANY LLC

By ________________________________
Name: ______________________________
Title: ______________________________

SCHEDULE A

Underwriters

Underwriter	**Number of Firm Shares(1)**
Dougherty & Company LLC	
Feltl and Company, Inc.	
Total	

(1) The Underwriters may purchase up to an additional __________ Optional Shares, to the extent the option described in Section 3(c) of the Agreement is exercised, in the proportions and in the manner described in the Agreement.

SCHEDULE B

Schedule of Free Writing Prospectuses Included in the Time of Sale Prospectus

Free Writing Prospectus dated _____________, 2013 (SEC File No. ___________)

SCHEDULE C

Schedule of Pricing Information Included in the Time of Sale Prospectus

Price per share to the public: $[ ]
Number of shares being sold: [ ]
Number of shares potentially issuable pursuant to the overallotment option: [ ]

EXHIBIT A

LIST OF DIRECTORS AND OFFICERS

T. Michael Ansley
David G. Burke
Jason T. Curtis
Ioana M. Ben-Ezra
Jay A. Dusenberry
Philip Friedman
David Ligotti
Joseph M. Nowicki
Gregory Stevens

LIST OF OTHER PERSONS AND ENTITIES EXECUTING LOCK-UPS

Thomas D. Ansley

EXHIBIT B

_____________, 2013

Dougherty & Company LLC
90 South Seventh Street, Suite 4300
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

As an inducement to the underwriters to execute a purchase agreement (the ***"Purchase Agreement"***) providing for a public offering (the ***"Offering"***) of common stock (the ***"Common Stock"***) of Diversified Restaurant Holdings, Inc., a Nevada corporation and any successor (by merger or otherwise) thereto (the ***"Company"***), the undersigned hereby agrees that without, in each case, the prior written consent of Dougherty & Company LLC (***"Dougherty"***) during the period specified in the second succeeding paragraph (the ***"Lock-Up Period"***), the undersigned will not (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into, exercisable or exchangeable for or that represent the right to receive Common Stock (including without limitation, Common Stock which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant) whether now owned or hereafter acquired (the ***"Undersigned's Securities"***) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Undersigned's Securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing restriction is expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Undersigned's Securities even if such securities would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Undersigned's Securities or with respect to any security that includes, relates to, or derives any significant part of its value from such securities.

In addition, the undersigned agrees that, without the prior written consent of Dougherty, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

The initial Lock-Up Period will commence on the date of this Agreement and continue and include the date 180 days after the date of the final prospectus used to sell Common Stock in the Offering pursuant to the Purchase Agreement; *provided, however,* that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or material news or a material event relating to the Company occurs or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless Dougherty waives, in writing, such extension.

The undersigned hereby acknowledges and agrees that written notice of any extension of the Lock-Up Period pursuant to the previous paragraph will be delivered by the Dougherty to the Company and that any such notice properly delivered will be deemed to have given to, and received by, the undersigned. The undersigned further agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this Agreement during the period from the date of this Agreement to and including the 34 th day following the expiration of the initial Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

Notwithstanding the foregoing, the undersigned may transfer the Undersigned's Securities:

(i) as a *bona fide* gift or gifts, *provided*, in each case, that (x) such transfer shall not involve a disposition for value, (y) the transferee agrees in writing with the underwriters for the Offering to be bound by the terms of this Lock-Up Agreement, and (z) no filing by any party under Section 16(a) of the Securities Exchange Act of 1934, as amended (the ***"Exchange Act"***), shall be required or shall be made voluntarily in connection with such transfer;

(ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned; *provided*, in each case, that (x) such transfer shall not involve a disposition for value, (y) the transferee agrees in writing with the underwriters for the Offering to be bound by the terms of this Lock-Up Agreement, and (z) no filing by any party under Section 16(a) of the Exchange Act, shall be required or shall be made voluntarily in connection with such transfer. For purposes of this Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin;

(iii) to the underwriters pursuant to the Purchase Agreement;

(iv) in connection with the exercise of any stock options held by the undersigned that expire during the Lock-Up Period, to the extent necessary to fund the exercise price of the stock options and any withholding taxes resulting from such exercise; or

(v) with the prior written consent of Dougherty.

In addition, the foregoing restrictions shall not apply to (i) the exercise of stock options granted pursuant to the Company's equity incentive plans; *provided* that it shall apply to any of the Undersigned's Securities issued upon such exercise, or (ii) the establishment of any contract, instruction or plan (a ***"Plan"***) that satisfies all of the requirements of Rule 10b5-1 (c)(1)(i)(B) under the Exchange Act; *provided* that no sales of the Undersigned's Securities shall be made pursuant to such a Plan prior to the expiration of the Lock-Up Period (as such may have been extended pursuant to the provisions hereof), and such a Plan may only be established if no public announcement of the establishment or existence thereof and no filing with the Securities and Exchange Commission or other regulatory authority in respect thereof or transactions thereunder or contemplated thereby, by the undersigned, the Company or any other person, shall be required, and no such announcement or filing is made voluntarily, by the undersigned, the Company or any other person, prior to the expiration of the Lock-Up Period (as such may have been extended pursuant to the provisions hereof).

In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of shares of Common Stock if such transfer would constitute a violation or breach of this Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned understands that the undersigned shall be released from all obligations under this Agreement if (i) the Company notifies Dougherty that it does not intend to proceed with the Offering, (ii) the Purchase Agreement does not become effective, or (iii) if the Purchase Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock to be sold thereunder.

The undersigned understands that the underwriters for the Offering are entering into the Purchase Agreement and proceeding with the Offering in reliance upon this Agreement.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota.

Very truly yours,

____
Printed Name of Holder

By: ______________________________________
Signature

____
Printed Name of Person Signing
(and indicate capacity of person signing if signing as custodian, trustee, or on behalf of an entity)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Diversified Restaurant Holdings, Inc.
Southfield, Michigan

We hereby consent to the use in the Prospectus constituting a part of this Registration Statement of our report dated April 1, 2013, relating to the consolidated financial statements of Diversified Restaurant Holdings, Inc. for the years ended December 30, 2012 and December 25, 2011, which is contained in Part II of the Registration Statement. We also consent to the incorporation by reference in the Prospectus constituting a part of this Registration Statement of our report dated December 10, 2012, related to the combined financial statements of Brewsters, Inc., Buffaloville, Inc., Cal City Wings, Inc., Crown Wings, Inc., Lansing Wings, Inc., Lincoln Park Wings, Inc., Hammond Wings, Inc., Valpo Wings, Inc., and Homewood Wings, Inc., that were acquired by Diversified Restaurant Holdings, Inc., for the years ended December 31, 2011 and 2010, which is incorporated by reference in that Propectus.

We also consent to the reference to us under the caption “Experts” in the Prospectus.

BDO USA, LLP
Troy, Michigan
April 2, 2013