Operator: Greetings, and welcome to the Diversified Restaurant Holdings Second Quarter 2017 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Mr. Craig Mychajluk, Investor Relations for Diversified Restaurant Holdings. Thank you Mr. Mychajluk, you may now begin.

Craig Mychajluk: Thank you and good morning everyone. We certainly appreciate your time today and your interest in Diversified Restaurant Holdings. Joining me on the call is David Burke, our President and CEO, and Phyllis Knight our Chief Financial Officer and Treasurer. David is going to provide an overview of the second quarter of 2017, and Phyllis will review our financials, and then we will then open up the call for questions.

You should have a copy of the financial results that were released after the markets closed yesterday, and if not, you can access it at our website, www.diversifiedrestaurantholdings.com. There is also a slide presentation posted on our website that we will refer to during today's call.

If you would, please refer to Slide 2. As you are aware, we may make some forward-looking statements on this call during the formal discussion, as well as during the Q&A. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from what is stated on today's call. These risks and uncertainties and other factors are provided in the earnings release, as well as with other documents filed by the Company with the Securities and Exchange Commission. These documents can be found on the Company's website or at www.sec.gov.

During today's call, we will discuss non-GAAP measures, which we believe will be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. Reconciliations of non-GAAP to comparable GAAP measures are provided with the tables accompanying the earnings release.

So with that, let me turn it over to David to begin. David?

David Burke: Thanks Craig, and good morning everyone.

Although encouraged by our team's productivity performance to manage labor costs, our operating expenses and our G&A, we continue to contend with strong headwinds unique to our concept and very specific to our markets. Historically high traditional wing prices and a lackluster playoff game performance by our markets' home professional sports teams were our primary hurdles. However, we maintained our commitment to allocate positive free cash flow to accomplish our debt-reduction strategy as we position our balance sheet and operational excellence for future growth.

Our second quarter sales were $39.9 million, a $1.0 million decline compared with last year. Same-store sales decreased 369 basis points in the quarter, of which over 200 basis points were driven by an unfavorable sports environment in our core markets. As you can see on Slide 6, NHL and NBA play-off games representing home teams in our markets, declined from 60 games last year to only 20 games this year during the second quarter. This low-level of play-off games is unprecedented in our territories.

We also had about 115 basis point drop due to the Easter holiday closure moving to the second quarter this year versus the first quarter of last year, and 60 basis point impact due to major road construction projects, that severely limited access to two of our restaurants. For instance, our Clinton Township, MI Buffalo Wild Wings location is faced with a major sinkhole incident which shut off a major artery to our restaurant. Slide 8 provides a waterfall of our Q2 YOY sales variances.

Despite some of these headwinds, from a geographical perspective, the Midwest markets continued to perform relatively well, while the Florida market remains contracted, particularly in the coastal area of the franchise region. Looking at the first half of the year, same-store sales decreased 195 basis points, again, heavily influenced by the second quarter unfavorable sports calendar in our markets.

Turning to Slide 8, we are encouraged by the fact that we saw an improving trend in both traffic and average check levels as we progressed through the quarter. We attribute this to the sports calendar impact earlier in the quarter, a 1.8% menu price increase in mid-May and our sales driving measures, which I will talk about in a moment.

We're working on a number of initiatives to drive down the cost of sales in an effort to improve our restaurant-level EBITDA margin, which continues to be pressured by record high traditional wing prices coupled with sales deleveraging and promotional activity. These actions are yielding $3 million to $4 million of annualized cost savings which Phyllis will discuss in more detail.

We maintained tight labor costs during the quarter and lower overhead expenses as we are on track to achieve a $1.0 million in run rate savings in G&A.

Slides 9 through 11 highlight a number of our sales driving initiatives. Ramping up delivery service remains an important part of our strategy. We now offer this service at 38 of our restaurants, up from 26 last year. Delivery continues to demonstrate strong growth without cannibalizing our carry-out business. We believe this initiative has been beneficial for us, as the average delivery check is 13% higher than dine-in and 17% higher than carry-out, and we expect 2017 delivery sales to reach $1.5 million to $2 million.

The Blazin' Rewards® loyalty program was rolled-out to all of our locations in the first quarter, and it continues to attract customers and drive higher ticket sales from those that participate in the program. The average loyalty check is currently 17% higher than non-loyalty checks. As we target attachment rates over double that of our current rate of approximately 9%, we anticipate stronger loyalty and greater opportunity to attract our guests using loyalty-based promotional strategies.

Last, we'd like to give you an update on our Half-Price Wing Tuesdays® promotion. As we previously discussed, the original promotional structure has been beneficial in driving strong traffic improvement, though the cost associated with that traffic was higher than planned as traditional wing costs have skyrocketed. Last quarter we talked about testing a new promotional structure, where we eliminated the half off concept in lieu of a buy one, get one structure. We also limit the promotion to only two order sizes, snack and small, thus increasing the average promotional price per wing. We rolled out this new promotion in our captive markets in early June, which accounts for about half of our restaurants. The early results have been promising, with higher same-store sales for that day of the week and a much more attractive margin profile. We will continue to monitor this initiative to better understand the main drivers of our business.

Overall, we believe such actions, as well as our productivity initiatives, position us well for when macro headwinds subside.

With that, I will turn it over to Phyllis for a detailed look at the financials, and then we'll be happy to answer your questions.

Phyllis Knight: Thanks, and good morning everyone.

Before getting into the details of the financials, I'll just remind you that the spin-off of Bagger Dave's was completed at last year-end. There was very limited activity in our discontinued ops category this quarter, but you should be mindful that the results we're discussing today, particularly as we make comparisons to the prior year, are from continuing operations only.

Our restaurant-level EBITDA for the second quarter was $6.6 million, or 16.6% of sales. Slide 13 provides a breakout of our historical quarterly restaurant-level margins, and you can see the impact that cost of sales and sales deleveraging had on our margins. Record high traditional chicken wing costs and lower yields, coupled with the Tuesday wing promotions, were responsible for 169 of the 200 basis point increase in cost of sales compared to last year's second quarter. In addition, our AUV was down $100,000 for the quarter to $2.5 million compared to the prior-year period.

Slides 15 and 16 provide additional details on wing costs and their impact on total cost of sales. Wing cost as a percentage of total cost of sales spiked to 24.9% in the second quarter, and after this third consecutive quarter of increases, traditional wings are up 400 basis points as a percentage of total cost of sales

compared to the year ago quarter. This is due not only to higher wing costs, which averaged $2.03 per pound this year versus $1.92 last year, but even more notably due to the mix shift of traditional wings driven by the Tuesday promotion.

With the market spot price for fresh jumbo chicken wings up an incredible 48% over the same time last year, driven by an imbalance between supply and demand, we're expecting a difficult cost environment for the foreseeable future. As such, we're moving quickly to implement a number of initiatives to drive down costs in an effort to offset some of this impact. For starters, the Tuesday BOGO test promotion in our captive markets is one that David has already outlined, and the results from our first 8 weeks, which are summarized on Slide 11, are encouraging. We're working to gain approval to roll this promotion into our entire Michigan market in the coming weeks, while we await the results of the promo test being championed in the Buffalo Wild Wings corporate stores, which not only adopts the BOGO concept but also shifts the product from traditional to boneless wings. A meaningful shift away from traditional into boneless could have a substantially positive impact on cost of sales, all else equal, so we're anxious to see the test play out over the coming months.

In addition, we implemented a wing portioning adjustment in all locations in early June. This adjustment drove an improvement in wing yield versus the same period last year, so is having the desired effect and will be more meaningful to the P&L when in place for the full quarter in the third quarter.

Finally, another major initiative involves some internal changes we made around guidelines and policies for comps and promos in our restaurants, which is tied into new management incentive targets beginning in the third quarter. We've already seen a big improvement and expect this effort to have a positive effect in the next several quarters. Overall, as David said, we're targeting $3 to $4 million in annualized savings from these actions.

Turning to labor, on Slide 18 you can see our labor expense trends. We're very proud of our team as they continue to aggressively manage and control labor costs. We'd like to reiterate that this remains a critical focus throughout our organization, where the productivity of our team members is key to offsetting wage pressures in the market.

Adjusted EBITDA for the quarter totaled $4.6 million, which was 11.4% of net sales. Strong cost controls along with G&A savings initiatives helped to soften the impact of lower restaurant-level margins. G&A expenses for the quarter were down nearly $300,000, representing 5.2% of sales, which compares favorably to 5.7% of sales in the prior-year second quarter despite lower sales.

Slides 19 to 21 we can see the G&A trend data, the quarter-over-quarter bridge as well as the actions we're taking to achieve our target savings and run rate level of 5% of sales. We have taken steps to restructure certain support office functions following the spin-off of Bagger Dave's, identified additional expense cuts, and we're tightening our local marketing spend as we're doing a better job with more targeted ads. In aggregate, we expect to save at least $1 million in G&A and are well on pace to achieve that.

Given the continued negative impacts to sales, combined with record high traditional wing costs and mix, we are revising our 2017 guidance. We expect revenue in a range of $170 million to $173 million, Restaurant-level EBITDA between $31 million and $33 million, and Adjusted EBITDA between $22.5 million and $24.5 million. Finally, capital expenditures, which include one new restaurant that was opened in June, as well as two remodels completed in the second quarter, is expected to range between $5 and $6 million.

With that, I will turn things over to the operator for any questions.

Operator: We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. Once again, it's star, one to ask a question.

Thank you. Our first question is from Jeremy Hamblin of Dougherty & Company. Please go ahead.

Jeremy Hamblin: Good morning. Thanks for taking the questions. I appreciate the transparency and info on the Tuesday promotions. Wanted to just contrast what you're seeing because it sounds like there is a very positive takeaway from the switch to BOGO from the half-price wing, it sounds like costs are down and same-store sales are up slightly. Corporate is going to a boneless promotion, and it sounds like it is because they can control costs a little bit better. There's a little concern on our end about whether or not that is going to have a negative impact on sales. I think, initially, it probably will. Can you just discuss your thinking and how to contrast those two promotions, and whether or not that's something that you might consider doing or testing at least in some of your locations?

David Burke: Sure. This is David. The subjective side of it is going to be the key of success here, the customers' perception and how they react to it. Mathematically, the boneless is a much better cost of sales product, it's more stable, it has less volatility, it is a frozen product versus a fresh product, and we are not dealing with supply constraints as we are in the traditional chicken wing market. Clearly, outside looking in, you can see what actually makes sense and how you can rationalize that.

On the other end, and this is what brings us some concern, the Tuesday promotion has been going on for decades within the Buffalo Wild Wing system, and our concern is that overreacting and ripping that out without some significant testing would be risky, particularly for us. We understand all the efforts to make some change and try to find a way to mitigate the impact of chicken wing prices, but it's more of a wait-and-see game for us. We're going to watch and see how they perform with the boneless transplant into Tuesdays, because there are repercussions for Thursday as well.

Jeremy Hamblin: In basis points, what is the difference in margin of the boneless versus the traditional wings?

David Burke: Well, obviously, it depends on the cost, but it's in the order of magnitude of about half.

Jeremy Hamblin: Really?

David Burke: Your cost of sales at a normal menu price for boneless wings - just that particular product, so excluding paper, excluding the grease etc. - it's going to be in the 40% range, maybe high '30s. You are going to have low 20s on your boneless cost of sales.

Jeremy Hamblin: Okay. All right. It sounds like you are going to wait and see the impact prior to testing a boneless option at any of your restaurants. Is that a correct interpretation?

David Burke: Yes, yes, that's exactly where we're right now. Keep in mind, we already have a Thursday boneless special. To do a shift on Tuesday, that impacts what we have to do on Thursday, so there is a lot to think through. Also, I just wanted to make sure that you understand that those cost of sales numbers I put out there, that's based on today's chicken wing prices, which are at an all-time high.

Jeremy Hamblin: No, understood. I think it would be great for everybody if you could get back down below $2 a pound, certainly. One of the other questions, though, that I would ask along these lines is about boneless. My sense is that boneless is actually becoming an increasingly favorable item for consumers, and that if you compare their consumption rates in non-promoted days, that is actually picking up share versus traditional.

David Burke: That is correct. To be honest, it's been doing that since the inception, but it is overtaking. We sell more boneless than we do traditional. If you think it through, boneless is going to be more favorable to certain demographics, particularly the younger demographics, especially children, however this does vary by markets. It's not that case in every market, every restaurant is a little bit different.

Jeremy Hamblin: Okay. By definition, are you thinking about other ways to better serve the demand for boneless, or is this more about identity? As you said, it's a couple of decades worth of this somewhat iconic half-price Tuesday type of promotion, and getting away from that potentially confuses, or frustrates, and turns off the customer, and I think when things are not as strong, that's probably the wrong time to do that.

David Burke: I do, because I think there is definitely a core audience for Buffalo Wild Wings, who prefer traditional wings in combination with our sauces. I truly believe that, and there is some risk associated with that. On the boneless side, it's a strong product, but when there is a high demand for a product like that,

you question how much you need to discount it, quite frankly. I think that there is a value proposition with the brand and what it can offer outside of discounting the food.

Jeremy Hamblin: Right, right. Okay. Understood. You're lapping compares a little bit tougher here in Q3, but it sounds like things have improved. Can you give us a sense of trend run rates and how they're going now? Obviously, one of the big pickups from last year should be the move with the Rams in one of your core markets, and we're lapping past that. Are you seeing something a little bit better than what you just posted in Q2?

David Burke: I'm not going to comment on Q3, we've never really done that. We want to wait and see how the fall season goes as we start walking into that. I think the first pre-season game was last night. So, we'll see.

Jeremy Hamblin: I think the commentary in the press release was that you performed better at the end of the quarter?

David Burke: That's right. That is true. Yes.

Jeremy Hamblin: Okay. Was the May period the worst period in the quarter? Is that fair to think?

Phyllis Knight: Jeremy, if you look at Slide 7, we broke out the months in the quarter. April was the worst, but that got hit by the Easter closure, and then May had heavy impact from the playoffs. So, things definitely improved in June, which was back to a flattish, positive traffic. That's certainly how the second quarter played out.

David Burke: A lot of things come into play there. We took the price increase in mid-May. Like Phyllis had said, the impact of the playoff game was huge for us. If you take a look at that slide, that's over now. I mean, just in those days, going from seven to five NBA finals games was a $200,000 hit to us. Then we switched from the half-price wing Tuesdays to BOGO, which helped us a little bit.

Jeremy Hamblin: Okay. I'm sorry, because I think I missed this. What are we expecting as far as effective menu pricing for Q3 and at this point for Q4? What are these looking like?

David Burke: Q3 would be 1.8%, we took that pricing increase in mid-May, and then we have another opportunity for a price increase in November. We have not disclosed what that's going to look like at this point.

Jeremy Hamblin: Okay. It doesn't sound like there's been a whole lot of pushback in terms of negative traffic implications on that price increase.

David Burke: On the price increases? No. If you think about what that means in terms of dollars on a proceed instance, it is not real, it's negligible, but it does impact the bottom-line. That's actually a food increase. We took some increase on alcohol because there's been inflationary pressures from the brewers, and then we also took a 10% price increase on our delivery because of the large fees associated with that.

Jeremy Hamblin: Okay. I also wanted to come back to delivery and carry-out and delivery. I think you had indicated somewhere between $1 million and up to maybe $2 million in expected sales this year. It sounds like it's off to a pretty successful start without having a lot of cannibalization. What are your learnings in terms of the partners that you're working with? I think in the past you have spoken about maybe altering the pricing associated with online or delivery?

David Burke: Yes.

Jeremy Hamblin: What are you thinking about that at this point after having some opportunity to study it? Do you need further time to be thinking about it, or is this something where we say the prices are going to be 5% higher or x-percent higher? How are we thinking directionally on that matter?

David Burke: We had already announced that this past quarter. We increased prices on delivery, specifically the delivery menu by 10%. So, the economics here is that there is approximately a 20% fee to the deliverer, whether it be GrubHub or some of the other larger players. They vary a little bit, but they're mostly right around 20%. We felt that the customers are willing to pay for delivery, and in addition to the

dollar fee that they paid at the GrubHubs of the world, we therefore decided that a 10% price increase is reasonable so that we can protect our margin. The product mix is a little bit different too. You're not dining in, you get a product mix that includes alcohol, includes soda, and includes appetizers along with better margin products. When you have carry out, majority of it is going to be wings, whether it's boneless or traditional. So, your mix isn't quite as favorable from a margin perspective.

Jeremy Hamblin: Okay. Putting through that price increase, are you closing the gap in terms of the margin impact of this particular business?

David Burke: Yes, we more than closed the gap on incremental margins. It's a very profitable business on a flow through standpoint. It's growing. We continue to add on stores. It's growing as a percentage as well. It does not appear that it's cannibalizing the carry-out, when you look at the chart here in Q2. It's growing on all fronts, which is good and we believe that this is true incremental business and we're competing against a different competitive set now. That's what we believe. You're competing against the traditional delivery services or companies, brands like Domino's, Jimmy John's etc., and now Panera. I don't see this carving into dine-in per se. People want the convenience, they're going to look for it and they are going to find it, whether it's from us or somebody else, so I think that's why it's important that we have an offer out there.

Jeremy Hamblin: Okay. I just have two other questions, if I might. The first is a follow-up. We see consumers demanding more online options, more mobile options, more delivery options. Corporate has talked about having more of an express model instead of a 6,500 square foot location, something that might be 30% or 40% less than that, a 4,000-square foot or 3,500 square foot location. As you think about the future, either franchises, units to acquire or putting up new standalone units yourself, do you think directionally, if you were to move forward and look for either new units to do yourself, that is the direction that you'd be going, to have a little bit of a smaller seating space?

David Burke: Well, Jeremy, it really depends on two things. If we're walking into a market that's mature, where you are already saturated with larger 6,000 square foot stores, then the answer is potentially yes. You could move into a smaller market that doesn't have demand for a larger store, for 225 seats. You bet that may be an option. However, traditionally speaking, if we walk into a market like we built organically, where we think we can put in a 5,500 per square foot store, I believe that the design going forward should definitely take that into consideration, and it does.

We've made a lot of changes to the front, to the carry-out with the hot boxes to hold food a little bit better, and the efficiencies of walking through to the kitchen to the counter, and in stores when there is large carry-out or delivery. I think those types of things need to be considered because I don't see this dying, I think this is going to grow. Like to your point, this has grown significantly just over the last five years. Once online ordering was introduced, it popped up another 5 or so percent, maybe even 6%. So, yes, I hear you, but it is going to depend on the market that we're going into.

Jeremy Hamblin: Okay. I have to ask this question. In terms of unit acquisition opportunities and what corporate has done, do you see anything in geographies that look attractive to you at this point? Or, is it kind of wait for the next set of units that become available to take a look? Or, is there anything interesting in the first 83 that are being pushed out there?

David Burke: Well, I don't know what's public, so I need to be careful with this, but I do know that there are 83 stores with an average volume of $2.5 million and an average EBITDA of around the high single-digit, maybe 10% or so. On the surface that's not attractive for a number of reasons, particularly if the regions aren't adjacent to our current regions. So, we're very careful when making that assessment, and obviously, a lot will depend on the value and what we're going to go for, but we're going to be very cautious about that. We're not looking to grow just to have high number of stores. We want to be cognizant about profitability and sustainability, and not have to go through a lot of turnaround efforts that may or may not be achievable, we can't have any false hope built into those projections.

Jeremy Hamblin: Yes. I was going to ask about that. In terms of what you might look for going forward, would you prefer to have something that's a little more beaten up and poorly operated, that's going to require some heavy lifting but you might be able to get a discounted value? Or, would you rather go with a more

proven market, something that's already successful because you know that you guys are still going to be able to improve the operations of it? Just a comment...

David Burke: The way I would parse this out is that we would seek higher volumes, higher AUVs and with opportunity. So, they may not be running at the right profitability that we would expect from them, but that gives us an opportunity to turn them around. I think we've definitely proven that. With lower volume locations there are a lot of question marks in terms of the real estate, there're a lot things that we can't change quickly. You may be buying something that you just have to struggle with for quite a while and make a lot of investments, upgrades and everything. So, if I had to keep it simple, I would look for higher AUVs and with some opportunity on the margin side.

Jeremy Hamblin: Okay. Thanks for being patient with my questions, you guys are doing a nice job in a tough environment, even though I know these results aren't what you'd hoped for. Keep up the good work.

David Burke: Appreciate it. Thank you.

Operator: Thank you. As a reminder, it is star, one if you'd like to ask a question. Our next question is from Dave Kanen of Kanen Wealth Management. Please go ahead.

David Kanen: Good morning guys. Is there anything you can do about the sports teams and their performance? Just kidding. The way I looked at this is that you're reacting in the areas where you have control. You're taking actions, but there are some factors that are outside your control, like sports and wing inflation. My questions revolve around that. First question is about delivery. Can you roughly quantify what kind of a comp any of the 38 locations with delivery have? I have a number in mind, but I would just like to hear what you guys say in terms of the aggregate same-store sales increase or decrease in locations, will you roll that out?

David Burke: It is a new concept. We've only had this rolled out in 38 stores and they're constantly rolling on. I guess we started it in late Q3 of last year. It's very difficult to make that calculation on the same-store sales as it is constantly building. As we lap into next year, we'll be able to give you a more robust number. However, you can try to deduce it by looking at the chart. On that slide regarding delivery, the small yellow bars represent the percentage of total sales on average for those individual locations. There is going to be a positive impact as a result of delivery on the same-store sales for those locations, but I cannot give you a good number. In fact, mathematically, it's virtually almost impossible to calculate and navigate.

David Kanen: Okay. So, right now, on an annualized basis you're generating about $1.5 million with the locations that you've rolled out. Is that correct?

David Burke: Yes, $1.5 million to $2 million, yes.

David Kanen: Okay. I guess one could sort of back into that. In the prepared remarks, you alluded to $3 million - $4 million in costs. Can you give a little more color on that? How we should look at it? I'm a little bit confused. Is this year-over-year? Tell me exactly what that means? Thanks.

Phyllis Knight: Yes, David. It is year-over-year. There are a bunch of major initiatives, some directly attacking cost of sales. We've talked about the wing portioning adjustment, which actually has a very significant impact on cost of sales and we've started to see that with the June numbers. As I mentioned in the remarks, it'll have a bigger impact in Q3. I mentioned that we've just had a major initiative on how we deal with the comps and promos in our restaurants, in an area that just needed some increased focus when we're tightening our belts across the board.

We've got aggressive targets set, we've built them into incentive plans for the management team. That's basically an impact on cost of sales, because you're giving something away. We frankly expect to cut our comp numbers in half as the year progresses, and we've gotten great traction with it by just a major initiative with our teams starting in June. That's a big one as well. The $3 million - $4 million is going to heavily impacted by those initiatives, and then we've talked about another $1 million run rate in G&A, which we're already starting to see the effect of that in the second quarter.

David Burke: There are a number of operating expense related items to all up and down the P&L. UFC price as an example on a year-over-year basis. We have been very critical about where we show

those. Historically we would show those in every location, and it's $900 a pop. It may not sound like a lot of money, but we have 65 locations, you're showing them once a quarter, and it starts adding up. Instead of showing them at every location, you show them at maybe half of the locations and you drive people through the locations that you show it in. You made a much better turnout, a better return, and much better incremental margin in the source that you do show. But, that's an example, right? There're dozens of these initiatives in play right now that add up, but the ones that Phyllis talked to were the big ones that make up in the delivery.

Phyllis Knight: Those are the big ones. There're other portioning type tightening that we're doing across the system. There are sourcing initiatives that we're pushing hard on. Every place we can pick up pennies, we're working to make sure we're picking them up and we're just tightening every line item, and the teams are much focused. So, good effort so far.

David Kanen: Okay. Is it sort of 50/50 from cost of sales versus operating expenses? It sounds like it's just scraping a little bit here and little bit there.

Phyllis Knight: I mean, that's fair, but I'd say it's more heavily skewed to our cost of sales price, a 70/30.

David Kanen: Okay. That's helpful. The price increases that you put through on wings, I think at the store level it was like 2.5% and then 10% on the delivery. Have you seen early on any impact from that, any reaction from the customers?

David Burke: It was 1.8% pricing on food, 5% percent on alcohol, and 10% on delivery. We have not seen any adverse impact as a result of that, which we didn't anticipate. Again, 1.8%, is when you look at an average ticket or average check of $22 to $25. It's not a huge, typically you're not going to notice it.

Phyllis Knight: Obviously there's a little bit of guesswork in trend of the impact of the sport outcomes, but it's fairly clear when you look at the nights when those playoff games were, that year-over-year impact. When you isolate for those and you look at the overall traffic in the quarter, we actually got a little bit of positive traffic which was encouraging. Now, trying to get that average check up has been stickier with all the promos. We didn't see every check go up 1.8% quite yet, but hopefully with the revision to the Tuesday promo settling into the next quarter, we'll start to see a little bit better impact on average check.

David Kanen: Okay. When you gave granular detail on how the quarter progressed, you said that there was clearly some bump in June. I know it's early on, but did any of that momentum carry into July, as far as you can see?

David Burke: Yes. Jeremy had asked that question before, and we're not commenting on this quarter. We've never done that. It's a little premature to talk about it right now. I wouldn't call it a bump, I would say that we no longer experience the headwinds that we experienced in April and May. June really came to fruition, where it proved out that traffic really isn't any major issue, it has even got up a little bit. Now we're trying to mitigate promotion and really tweak that in, and get a good balance so that promotions that we are providing get a good return. We are getting the traction that we need from a traffic perspective.

David Kanen: Okay. My last question is on wing cost. I know you spoke to this, but I think I got a little sidetracked with something else. Can you quantify the year-over-year impact? Were you up to about 24.9%? Is that right?

Phyllis Knight: As a percentage of total cost of sales, right. The actual wing price paid on average during the quarter was only up about 6%. It was about $1.92 a pound up to $2.03. A lot of the increases were coming second half of the quarter. We pay on a 30-day lag off the index. We're going to see more of that pressure coming through in the third quarter, you can pretty much count on it.

David Kanen: Understood.

Phyllis Knight: Anybody can pull up what the fresh chicken wing index looks like, it is out there in the cyber space, on some of the websites that we track, and we put it in the presentation. You look at a point in time, it's up 48% over where we were a year ago, and some of that flow is cushioned with the way it's corporately contracted. I'd say, a year ago we were paying a little bit more than what the index would suggest because of the floor that's in the contract, and currently we're paying a little bit less than the price that it would be

suggested because of the feeling that the cap is kicking in. But, certainly there is going to be ongoing pressure and traditionally as you come into the football season in the fall, we see pretty big increases in prices. Obviously, it remains to be seen what's going to happen this year, but all indicators would be that the pressure is going to remain.

Dave Kanen: Yes. Okay. Well, good luck, and I commend for you at least taking actions on the things that you do have control over.

David Burke: Appreciate that David.

Operator: Thank you. There are no further questions at this time. I would like to turn the conference back over to Management for closing comments.

David Burke: I'd like to thank everyone for joining us today call and your interest in Diversified Restaurant Holdings. Please reach out to us at any time with additional questions, and we look forward to speaking with you again after our third quarter results. Just as a side note, for those you that are in the Minneapolis area, we will be presenting and available for investor meetings at the Dougherty conference on September 19th. Again, thank you for your participation and have a great weekend.

Operator: Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time and thank you for your participation.