Infosys Ltd
Form 6-K
February 20, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of February 2019

Commission File Number 001-35754

Infosys Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Electronics City, Hosur Road, Bangalore - 560 100, Karnataka, India. +91-80-2852-0261

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) : o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) : o

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NOTICE TO STOCK EXCHANGES

We hereby furnish the United States Securities and Exchange Commission with a copy of the disclosure disseminated by Infosys Limited to the stock exchanges on February 18, 2019, which is attached to this Form 6-K as Exhibit 99.1.

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Infosys Limited
	/s/ Inderpreet Sawhney
	Inderpreet Sawhney
Date: February 19, 2019	*General Counsel and Chief Compliance Officer*

INDEX TO EXHIBITS

Exhibit No.	**Description of Document**
99.1	Disclosure to the stock exchanges dated February 18, 2019

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10,269

Change in net actuarial loss and prior service cost
(1,211
)

20

(1,211
)

20

Income tax benefit related to change in net actuarial loss and prior service cost
308

180

308

180

Change in net actuarial loss and prior service cost, net of taxes
(903
)

200

(903
)

200

Other comprehensive (loss) income, net of taxes
(37,397
)

33,006

(19,899
)

53,812

Comprehensive income
$
4,861

83,874

$
55,864

143,086

See accompanying notes to consolidated condensed financial statements.

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RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(unaudited)

	June 30, 2018	December 31, 2017
	(Dollars in thousands, except share amounts)	
Assets:		
Current assets:		
Cash and cash equivalents	$ 73,582	78,348
Receivables, net of allowance of $15,648 and $13,847, respectively	1,054,469	1,010,908
Inventories	74,079	73,543
Prepaid expenses and other current assets	165,626	160,094
Total current assets	1,367,756	1,322,893
Revenue earning equipment, net	8,846,796	8,355,262
Operating property and equipment, net of accumulated depreciation of $1,224,530 and $1,192,377, respectively	823,893	776,704
Goodwill	480,351	395,504
Intangible assets, net of accumulated amortization of $60,800 and $57,420, respectively	79,613	42,930
Direct financing leases and other assets	630,457	570,706
Total assets	$ 12,228,866	11,463,999
Liabilities and shareholders' equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 740,548	826,069
Accounts payable	706,239	599,303
Accrued expenses and other current liabilities	571,777	589,603
Total current liabilities	2,018,564	2,014,975
Long-term debt	5,237,377	4,583,582
Other non-current liabilities	822,077	812,642
Deferred income taxes	1,309,445	1,211,129
Total liabilities	9,387,463	8,622,328
Shareholders' equity:		
Preferred stock, no par value per share — authorized, 3,800,917; none outstanding, June 30, 2018 or December 31, 2017	—	—
Common stock, $0.50 par value per share — authorized, 400,000,000; outstanding, June 30, 2018 — 53,094,736 December 31, 2017 — 52,955,314	26,547	26,478
Additional paid-in capital	1,062,561	1,051,017
Retained earnings	2,580,262	2,471,677
Accumulated other comprehensive loss	(827,967)	(707,501)
Total shareholders' equity	2,841,403	2,841,671
Total liabilities and shareholders' equity	$ 12,228,866	11,463,999

See accompanying notes to consolidated condensed financial statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30,	
	2018	2017
	(In thousands)	
Cash flows from operating activities from continuing operations:		
Net earnings	$75,763	89,274
Less: Loss from discontinued operations, net of tax	(1,688)	(657)
Earnings from continuing operations	77,451	89,931
Depreciation expense	681,285	621,020
Goodwill impairment charge	15,513	—
Used vehicle sales, net	13,422	14,542
Amortization expense and other non-cash charges, net	15,728	17,058
Non-operating pension costs and share-based compensation expense	13,732	23,979
Deferred income tax expense	79,944	42,490
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(26,643)	(75,093)
Inventories	438	2,524
Prepaid expenses and other assets	(15,157)	(1,115)
Accounts payable	27,429	7,666
Accrued expenses and other non-current liabilities	(62,704)	(11,307)
Net cash provided by operating activities from continuing operations	820,438	731,695
Cash flows from financing activities from continuing operations:		
Net change in commercial paper borrowings and revolving credit facilities	(8,049)	329,268
Debt proceeds	1,043,309	575,528
Debt repaid	(446,661)	(925,999)
Dividends on common stock	(55,095)	(47,250)
Common stock issued	4,663	6,007
Common stock repurchased	(17,221)	(58,228)
Debt issuance costs and other items	(1,884)	(1,285)
Net cash provided by (used in) financing activities	519,062	(121,959)
Cash flows from investing activities from continuing operations:		
Purchases of property and revenue earning equipment	(1,421,301)	(855,252)
Sales of revenue earning equipment	196,274	202,033
Sales of operating property and equipment	5,860	3,960
Acquisitions, net of cash acquired	(169,128)	—
Collections on direct finance leases and other items	39,375	32,829
Net cash used in investing activities	(1,348,920)	(616,430)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	3,334	3,352
Decrease in cash, cash equivalents, and restricted cash from continuing operations	(6,086)	(3,342)

Decrease in cash, cash equivalents, and restricted cash from discontinued operations	(631)	(355)
Decrease in cash, cash equivalents, and restricted cash	(6,717)	(3,697)
Cash, cash equivalents, and restricted cash at January 1	83,022	62,639
Cash, cash equivalents, and restricted cash at June 30	$76,305	58,942

See accompanying notes to consolidated condensed financial statements.

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RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. GENERAL

Interim Financial Statements

The accompanying unaudited Consolidated Condensed Financial Statements include the accounts of Ryder System, Inc. (Ryder) and all entities in which Ryder has a controlling voting interest (subsidiaries) and variable interest entities (VIEs) required to be consolidated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with the accounting policies described in our 2017 Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements and notes thereto except for the update to our revenue recognition significant accounting policies discussed below. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included and the disclosures herein are adequate. The operating results for interim periods are unaudited and are not necessarily indicative of the results that can be expected for a full year.

Update to Significant Accounting Policies

Our significant accounting policies are detailed in "Note 1: Summary of Significant Accounting Policies" within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017. Significant changes to our accounting policies as a result of adopting ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) are discussed below:

Revenue Recognition

We recognize revenue upon the transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and amounts collected from customers for taxes, such as sales tax, and remitted to the applicable taxing authorities. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectibility of consideration is probable. We generally recognize revenue over time as we perform because of continuous transfer of control to our customers.

We generate revenue primarily through the lease, rental and maintenance of revenue earning equipment and by providing logistics management and dedicated services. We classify our revenues in the categories of lease and rental, services and fuel. Our lease and rental revenues are accounted for in accordance with existing lease guidance in Leases (Topic 840) and our services and fuel revenues are accounted for in accordance with revenue recognition guidance in Topic 606.

Lease and rental

Lease and rental includes ChoiceLease and commercial rental revenues from our Fleet Management Solutions (FMS) business segment. We offer a full service lease as well as a lease with more flexible maintenance options under our ChoiceLease product line, which are marketed, priced and managed as bundled lease arrangements, and include equipment, service and financing components. We do not offer a stand-alone unbundled lease of new vehicles. For these reasons, both the lease and service components of our leases are included within lease and rental revenues.

ChoiceLease revenue is recognized in accordance with existing lease accounting guidance in Topic 840. Our ChoiceLease arrangements include lease deliverables such as the lease of a vehicle and the executory agreement for the maintenance, insurance, taxes and other services related to the leased vehicles during the lease term. Arrangement consideration is allocated between the lease deliverables and non-lease deliverables based on management's best estimate of the relative fair value of each deliverable. The arrangement consideration is accounted for pursuant to accounting guidance on leases. Our ChoiceLease arrangements provide for a fixed charge billing and a variable charge billing based on mileage or time usage. Fixed charges are typically billed at the beginning of the month for the services to be provided that month. Variable charges are typically billed a month in arrears.

Revenue from ChoiceLease and rental agreements is recognized based on the classification of the arrangement, typically as either an operating or direct financing lease (DFL).

The majority of our leases and all of our rental arrangements are classified as operating leases and, therefore, we recognize lease and commercial rental revenue on a straight-line basis as it becomes receivable over the term of the lease or rental arrangement. Lease and rental agreements do not usually provide for scheduled rent increases or escalations. However, most lease agreements allow for rate changes based upon changes in the Consumer Price Index (CPI). ChoiceLease and rental agreements also provide for vehicle usage charges based on a time charge and/or a fixed per-mile charge. The fixed time charge, the fixed per-mile charge and the changes in rates attributed to changes in the CPI are considered contingent rentals and are not considered fixed or determinable until the effect of CPI changes is implemented or the equipment usage occurs.

The non-lease components of our ChoiceLease arrangements include access to substitute vehicles, emergency road service, and safety services. These services are available to our customers throughout the lease term. Accordingly, revenue is recognized on a straight-line basis over the lease term.

Leases not classified as operating leases are generally considered direct financing leases. We recognize revenue for direct financing leases using the effective interest method, which provides a constant periodic rate of return on the outstanding investment on the lease. Cash receipts on impaired direct financing lease receivables are first applied to the direct financing lease receivable and then to any unrecognized income. A direct financing lease receivable is considered impaired, based on current information and events, if it is probable that we will be unable to collect all amounts due according to the contractual terms of the lease.

Services

Services include SelectCare and other revenues from our FMS business segment and all Dedicated Transportation Solutions (DTS) and Supply Chain Solutions (SCS) revenues.

Under our SelectCare arrangements, we provide maintenance and repairs required to keep a vehicle in good operating condition, schedule preventive maintenance inspections and provide access to emergency road service and substitute vehicles. The vast majority of our services are routine services performed on a recurring basis throughout the term of the arrangement. From time to time, we provide non-routine major repair services in order to place a vehicle back in service.

Through our SelectCare product line, we provide maintenance services to customers who do not choose to lease vehicles from us. Our maintenance service arrangement provides for a monthly fixed charge and a monthly variable charge based on mileage or time usage. Fixed charges are typically billed at the beginning of the month for the services to be provided that month. Variable charges are typically billed a month in arrears. Most maintenance agreements allow for rate changes based upon changes in the CPI. The fixed per-mile charge and the changes in rates attributed to changes in the CPI are recognized as earned. Costs associated with the activities performed under our maintenance arrangements are primarily comprised of labor, parts and outside work. These costs are expensed as incurred. Non-chargeable maintenance costs have been allocated and reflected within “Cost of services” based on the proportionate maintenance-related labor costs relative to all product lines.

The maintenance service is the only performance obligation in SelectCare contracts. This single performance obligation is satisfied at a point in time for transactional maintenance services or over time for contract maintenance agreements. For contract maintenance agreements, the maintenance performance obligation represents a series of distinct maintenance services performed during the contract period as the services provided are substantially the same and have the same pattern of transfer to our customers. Revenue from SelectCare contracts is recognized as maintenance services are rendered over the terms of the related arrangements. We generally account for long-term maintenance contracts as one-year contracts since our maintenance arrangements are generally cancelable, without penalty, after one year. As a practical expedient, we do not disclose information about remaining performance obligations that have original expected durations of one year or less. For maintenance contracts that are longer than one year (i.e., not cancelable without penalty), the revenue we recognize corresponds directly with the value of service transferred to date. We measure the progress of transfer based on the costs incurred to provide the service to the customer. The amount that we have the right to invoice for services performed aligns with this measure. As a practical expedient, we do not disclose information about remaining performance obligations for these contracts since the revenue recognized corresponds to the amount we have the right to invoice for services performed.

In our DTS business segment, we combine equipment, maintenance, drivers, administrative services and additional services to provide customers with a dedicated transportation solution. DTS transportation solutions are customized for our customers based on a transportation analysis to create a logistics design that includes the routing and scheduling of vehicles, the efficient use of vehicle capacity and overall asset utilization. In our SCS business, we offer a broad range of logistics management services designed to optimize the supply chain and address the key business requirements of our customers. SCS operates by industry verticals (Automotive, Technology and Healthcare, Consumer Packaged Goods and Retail, and Industrial) to enable our teams to focus on the specific needs of their customers. Our SCS services are supported by a variety of information technology and engineering solutions.

Revenues from DTS and SCS service contracts are recognized as services are rendered in accordance with contract terms, which typically include (1) fixed and variable billing rates, (2) cost-plus billing rates (based on actual costs incurred to perform services and a contracted mark-up), or (3) variable only or fixed only billing rates for the services. Our billing structure aligns with the value provided to our customers. As a practical expedient, we do not disclose information about remaining performance obligations for these contracts since the revenue recognized corresponds to the amount we have the right to invoice for services performed.

Our customers contract with us to provide a significant service of integrating a set of transportation or supply chain logistical components into a single transportation or supply chain solution. Therefore, we typically account for DTS and SCS service contracts as one performance obligation satisfied over time. Less commonly, however, we may promise to provide distinct goods or services within a contract, in which case we separate the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. We infrequently sell standard products with observable standalone selling prices. More frequently, we sell a customized customer-specific solution, and in these cases we use the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Although not material to our financial statements, in certain contracts, a portion of the contract consideration may be contingent upon the satisfaction of performance criteria, attainment of pain/gain share thresholds or volume thresholds. The amount of contingent consideration included in the determination of the transaction price at the commencement of a contract is only included to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from the initial estimates, we will adjust these estimates, which would affect revenue and earnings in the period such variances become known. In transportation management arrangements where we act as principal, revenue is reported on a gross basis, which includes third-party purchased transportation costs. To the extent that we are acting as an agent in the arrangement, revenue is reported net of purchased transportation costs.

Fuel

Fuel services include fuel services revenue from our FMS business segment. We provide our FMS customers with access to fuel at our maintenance facilities across the United States and Canada. Fuel services revenue is invoiced to customers at contracted rates, separate from other services being provided in other contracts, or at retail prices. Revenue from fuel services is recognized when fuel is delivered to customers. As a practical expedient, we do not disclose information about remaining performance obligations for these contracts since the revenue recognized corresponds to the amount we have the right to invoice for services performed. Fuel is largely a pass-through to our customers, for which we realize minimal changes in profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel services is established based on trailing market fuel costs.

Significant Judgments and Estimates

Our contracts with customers often include promises to transfer multiple services to a customer. Determining whether these services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Our DTS and SCS services depend on a significant level of integration and interdependency between the services provided within a contract. Judgment is required to determine whether each service is considered distinct and accounted for separately, or not distinct and accounted for together as a significant integrated service and recognized over time. In making this judgment, we consider whether the services provided, within the context of the contract, represent the transfer of individual services or a combined bundle of services to the customer. This involves evaluating the promises to a customer within a contract to identify the services that need to be performed in order for the transfer of control to occur. Since multiple services that occur at different points in time during a contract may be accounted for as an integrated service, judgment is required to assess the pattern of delivery to our customers.

Our judgments on collectibility are initially established when a business relationship with a customer is initiated and is continuously monitored as services are provided. We have a credit rating system based on internally developed standards and ratings provided by third parties. Our credit rating system, along with monitoring for delinquent payments, allows us to make decisions as to whether collectibility may not be reasonably assured. Factors considered during this process include historical payment trends, industry risks, liquidity of the customer, years in business, and judgments, liens or bankruptcies. When collectibility is not considered reasonably assured (typically when a customer is 120 days past due), revenue is not recognized until it is determined that the customer has the ability and intention to pay.

Contract Balances

We do not have material contract assets as we generally invoice customers as we perform services. Contract receivables are recorded in “Receivables, net” in the Consolidated Condensed Balance Sheets. Payment terms vary by contract type, although terms generally include a requirement of payment within 90 days. As a practical expedient, we do not assess whether a contract has a significant financing component as the period between the receipt of customer payment and the transfer of service to the customer is less than a year. Our contract liabilities consist of deferred revenue. We record deferred revenues when cash payments are received or due in advance of our performance, including amounts that are refundable. We classify deferred revenue as current as we expect to recognize this revenue within 12 months. Revenue is recognized upon satisfaction of the performance obligation.

Costs to Obtain and Fulfill a Contract

Our incremental direct costs of obtaining a contract, which primarily consist of sales commissions and start-up costs, are deferred and amortized over the period of contract performance or a longer period, generally the estimated life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. We capitalize incremental direct costs of obtaining a contract that i) relate directly to the contract and ii) are expected to be recovered through revenue generated under the contract. This requires an evaluation of whether the costs are incremental and would not have occurred absent the customer contract.

The current and noncurrent portions of incremental costs to obtain and fulfill a contract are included in “Prepaid expenses and other current assets” and “Direct financing leases and other assets” respectively, in the Consolidated Condensed Balance Sheets. Costs are amortized in “Selling, general and administrative expenses” in the Consolidated Condensed Statements of Earnings on a straight-line basis over the expected period of benefit.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Income Taxes

In February 2018, the FASB issued ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits - but does not require - companies to reclassify stranded tax effects caused by 2017 tax reform from accumulated other comprehensive income to retained earnings. Additionally, the ASU requires new disclosures by all companies, whether they opt to do the reclassification or not. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We adopted this standard using the aggregate portfolio approach and elected to reclassify $101 million of tax benefits resulting from the federal income tax rate change, net of associated state tax effect, from accumulated other comprehensive loss to retained earnings as of the beginning of 2018. This standard did not impact our results of operations or cash flows.

Share-Based Compensation

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The amendments in this update are effective for annual periods, and interim periods within those annual periods,
beginning after December 15, 2017, with early adoption permitted. We adopted the standard during the first quarter of 2018 and it did not have an impact on our consolidated financial position, results of operations, or cash flows.

Business Combinations

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The objective of the update is to add guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. Companies must use a prospective approach to adopt ASU 2017-01, which was effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. We prospectively adopted this standard in the first quarter of 2018. The new standard did not have a material impact to the Company's consolidated condensed financial statements during the first or second quarter of 2018.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows, which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. In November 2016, the FASB issued additional guidance related to the statement of cash flows, which requires companies to explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The standard was effective January 1, 2018, with early adoption permitted. We adopted the standard during the first quarter of 2018. As a result of this update, restricted cash is included within cash and cash equivalents on our statements of consolidated cash flows. As of June 30, 2018 and December 31, 2017, we had $3 million and $5 million respectively, in prepaid expenses and other current assets associated with our like-kind exchange program for certain of our U.S. based revenue earning equipment.

Leases

In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases. The objective of this update is to increase stakeholder's awareness of the amendments and to expedite the improvements related to ASU No. 2016-02, Leases (Topic 842). The amendments to this update affect narrow aspects of the guidance issued in ASU No. 2016-02, which are not yet effective. We will adopt the standard effective January 1, 2019, using the modified retrospective transition method. We are currently evaluating the impact of the adoption of this update on our consolidated financial position, results of operations, and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to classify leases as either finance or operating leases. This classification will determine whether the related expense will be recognized based on asset amortization and interest on the obligation or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of- use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. We do not expect the lessee requirements to have a material impact on our consolidated financial position, results of operations or cash flows.

The new standard continues to require lessors to separate the lease component from the non-lease component; however, it provides clarification on the scope of non-lease components (e.g., maintenance services). The new standard also provides more guidance on how to identify and separate the components. The lease component will be accounted for using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The non-lease component will be accounted for in accordance with the revenue recognition guidance, see below section "Revenue Recognition." The adoption of the new lease standard will primarily impact our ChoiceLease product line, which includes a vehicle lease as well as maintenance and other services related to the vehicle. We will generally continue to recognize revenue for the lease portion of the product line on a straight-line basis. Revenue from maintenance services will be recognized consistent with the timing pattern of maintenance costs, which will generally require the deferral of some portion of the

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

customer's lease payments when received, as maintenance costs are typically not incurred evenly over the life of a ChoiceLease contract.

We will adopt the standard effective January 1, 2019, using the modified retrospective transition method. Upon adoption, we will record a cumulative-effect adjustment to recognize deferred revenue related to the maintenance services on the opening balance sheet for 2017 and restate all prior periods presented (2017 and 2018). We expect the cumulative-effect adjustment will have a significant impact on our consolidated financial position. We continue to evaluate the impact of adoption of this standard on our results of operations. We do not expect the adoption of this standard to have an impact on our cash flows.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which together with related, subsequently issued guidance, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In addition, Topic 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. We adopted Topic 606 in the first quarter of 2018 using the full retrospective method, which required us to restate each prior reporting period presented.

Upon adoption of Topic 606, we applied the standard’s practical expedient that permits the omission of disclosures of the prior period allocation of the transaction price to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

Adoption of the new revenue recognition standard impacted our previously reported Consolidated Condensed Statements of Operations and Comprehensive Income results as follows (in thousands, except per share amounts):

	Three months ended June 30, 2017			Six months ended June 30, 2017		
	As Previously Reported	New Revenue Standard Adjustments	As Revised	As Previously Reported	New Revenue Standard Adjustments	As Revised
Services revenue [1]	$871,027	(5,186)	865,841	$1,722,894	(16,366)	1,706,528
Total revenues	1,793,214	(5,186)	1,788,028	3,541,377	(16,366)	3,525,011
Cost of services [1]	734,764	(5,186)	729,578	1,448,844	(16,366)	1,432,478
Selling, general and administrative expenses	201,626	(162)	201,464	403,387	(828)	402,559
Earnings from continuing operations before income taxes	80,692	162	80,854	140,648	828	141,476
Provision for income taxes	29,349	110	29,459	51,026	519	51,545
Earnings from continuing operations	51,343	52	51,395	89,622	309	89,931
Net earnings	50,816	52	50,868	88,965	309	89,274

Comprehensive income	83,822	52	83,874	142,777	309	143,086
Earnings per common share - Basic						
Continuing operations	$0.97	—	0.97	$1.69	0.01	1.70
Earnings per common share - Diluted						
Continuing operations	$0.97	—	0.97	$1.68	0.01	1.69

(1) Amount includes $5 million and $16 million for the three and six months ended June 30, 2017, respectively, related to correction of a prior period error. We historically accounted for certain freight brokerage agreements as a principal and presented revenue and costs related to subcontracted transportation on a gross basis in our financial statements. In adopting Topic 606, we reviewed and evaluated our existing revenue contracts and determined that certain of our freight brokerage agreements should have historically been presented on a net basis as an agent. We evaluated the materiality of this revision, quantitatively and qualitatively. We concluded it was not material to any of our previously issued consolidated financial statements and correction as an out of period adjustment in the current period was not material.

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RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

Adoption of the new revenue recognition standard impacted our previously reported Consolidated Condensed Balance Sheet as follows (in thousands)

	December 31, 2017		
	As Previously Reported	New Revenue Standard Adjustment	As Revised
Prepaid expenses and other current assets	$159,483	611	160,094
Total current assets	1,322,282	611	1,322,893
Direct financing leases and other assets	559,549	11,157	570,706
Total assets	11,452,231	11,768	11,463,999
Accrued expenses and other current liabilities	587,406	2,197	589,603
Total current liabilities	2,012,778	2,197	2,014,975
Other non-current liabilities	812,089	553	812,642
Deferred income taxes	1,208,766	2,363	1,211,129
Total liabilities	8,617,215	5,113	8,622,328
Retained earnings	2,465,022	6,655	2,471,677
	2,835,016	6,655	2,841,671

Total shareholders' equity		
Total liabilities and shareholders' equity	11,452,231 11,768	11,463,999

3. ACQUISITIONS

On April 2, 2018, we acquired all of the outstanding equity of MXD Group, Inc. (MXD), an e-commerce fulfillment provider with a national network of facilities, including last mile delivery capabilities, for a purchase price of approximately $120 million. The acquisition is included in our SCS business segment. We acquired MXD to build the foundation of e-fulfillment and final mile capabilities for our e-commerce business.

During the six months ended June 30, 2018, we incurred acquisition transaction costs of $0.7 million related to the purchase that are reflected within "Selling, general and administrative expenses" in our Consolidated Condensed Statements of Earnings. The following table provides the preliminary purchase price allocation to the assets and the liabilities assumed as of the closing date of the MXD acquisition.

	(In thousands)
Assets:	
Operating property and equipment	$ 11,903
Goodwill	70,529
Customer relationships and other intangibles	37,551
Other assets, primarily accounts receivable	32,492
	152,475
Liabilities:	
Accrued liabilities	(18,108)
Deferred income taxes	(9,610)
Other liabilities, primarily accounts payable	(5,053)
Net assets acquired	$ 119,704

The excess of the purchase consideration over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized reflects e-commerce growth opportunities, opportunities to cross-sell with our existing customer base and expected cost synergies of combining MXD with our business. The goodwill is not expected to be deductible for income tax purposes. Customer relationship intangible assets are expected to be amortized over 14 years.

The results of operations of MXD were not material to our results of operations and therefore pro forma financial information for the acquisition was not presented.

On June 15, 2018, we acquired all of the outstanding equity of Metro Truck & Tractor Leasing (Metro), a full service leasing, rental and maintenance company for a purchase price of approximately $53 million. The acquisition is included in our FMS business segment. We acquired Metro to expand our presence in the Baltimore, Maryland area. The preliminary purchase accounting for this acquisition resulted in $3 million of the purchase price allocated to customer relationships and other intangible assets, $19 million allocated to tangible assets net of liabilities assumed and the remaining $30 million represents goodwill. The goodwill recognized reflects expected cost synergies and operational improvements in the combined companies and expected growth opportunities with Metro's current customers and prospects in the Maryland market. The goodwill is not expected to be deductible for income tax purposes. This allocation is subject to change as the Company finalizes purchase accounting. Transaction costs related to the acquisition were $0.4 million during the six months ended June 30, 2018 and were reflected within "Selling, general and administrative expenses" in our Consolidated Condensed Statements of Earnings.

The assets, liabilities and results of operations of Metro were not material to our consolidated financial position or results of operations and therefore pro forma financial information for the acquisition was not presented.

The estimated fair values of assets acquired and liabilities assumed in the acquisitions of both MXD and Metro are preliminary and are based on the information that was available as of the acquisition date. We believe that we have sufficient information to provide a reasonable basis for estimating the fair values of assets acquired and liabilities assumed; however, we are currently obtaining additional information which will be necessary to finalize our estimate of fair values. Therefore, the preliminary measurements of estimated fair values reflected are subject to change. We expect to finalize the valuation and complete the purchase consideration allocation no later than one year from the acquisition date. The primary areas of the purchase price allocation that are not yet finalized relate to fixed assets, income and non-income taxes, the valuation of intangible assets acquired and residual goodwill, as well as certain contingent liabilities. The preliminary amounts assigned to intangible assets by type for the MXD and Metro acquisitions are based on our preliminary valuation model.

4. REVENUE

Disaggregation of Revenue

The following tables disaggregate our revenue by primary geographical market, major product/service lines, and industry:

Primary Geographical Markets

	Three months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$1,134,499	330,622	484,194	(135,569)	1,813,746
Canada	75,864	—	47,747	(5,692)	117,919
Europe	85,090	—	—	—	85,090

Mexico	—	—	66,216	—	66,216
Singapore	—	—	6,367	—	6,367
Total revenue	$1,295,453	330,622	604,524	(141,261)	2,089,338

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RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

	Three months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$1,016,870	272,446	363,466	(109,071)	1,543,711
Canada	68,000		41,650	(4,630)	105,020
Europe	78,709	—	—	—	78,709
Mexico	—	—	52,701	—	52,701
Singapore	—	—	7,887	—	7,887
Total revenue	$1,163,579	272,446	465,704	(113,701)	1,788,028

	Six months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$2,214,954	629,592	875,849	(263,285)	3,457,110
Canada	150,332	—	90,841	(10,765)	230,408
Europe	172,746	—	—	—	172,746
Mexico	—	—	120,476	—	120,476
Singapore	—	—	12,065	—	12,065
Total revenue	$2,538,032	629,592	1,099,231	(274,050)	3,992,805

	Six months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
United States	$2,007,131	539,076	721,812	(218,653)	3,049,366
Canada	133,822	—	82,496	(8,778)	207,540
Europe	155,096	—	—	—	155,096
Mexico	—	—	97,742	—	97,742
Singapore	—	—	15,267	—	15,267
Total revenue	$2,296,049	539,076	917,317	(227,431)	3,525,011

Major Products/Service Lines

	Three months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease	$700,779	—	—	(65,203)	635,576
SelectCare	125,266	—	—	(7,543)	117,723
Commercial rental	232,425	—	—	(12,282)	220,143
Fuel	215,230	—	—	(56,233)	158,997
Other	21,753	—	—	—	21,753
DTS	—	330,622	—	—	330,622
SCS	—	—	604,524	—	604,524
Total revenue	$1,295,453	330,622	604,524	(141,261)	2,089,338

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RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

	Three months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease	$662,462	—	—	(57,996)	604,466
SelectCare	117,384	—	—	(6,979)	110,405
Commercial rental	199,340	—	—	(8,887)	190,453
Fuel	165,014	—	—	(39,839)	125,175
Other	19,379	—	—	—	19,379
DTS	—	272,446	—	—	272,446
SCS	—	—	465,704	—	465,704
Total revenue	$1,163,579	272,446	465,704	(113,701)	1,788,028

	Six months ended June 30, 2018				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease	$1,391,210	—		(128,373)	1,262,837
SelectCare	247,139	—		(14,364)	232,775
Commercial rental	436,955	—		(22,345)	414,610
Fuel	419,037	—		(108,968)	310,069
Other	43,691	—	—	—	43,691
DTS	—	629,592	—	—	629,592
SCS	—	—	1,099,231	—	1,099,231
Total revenue	$2,538,032	629,592	1,099,231	(274,050)	3,992,805

	Six months ended June 30, 2017				
	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
ChoiceLease					

BDFD has prepared a Franchise Disclosure Document, operating systems and processes and registered trademarks and is ready for expansion through the sale of franchises.

Business Strategy

We are focused on continuing to improve the profitability of GTDT and developing additional Good Times Burgers & Frozen Custard restaurants in our home state of Colorado while aggressively developing the Bad Daddy's Burger Bar concept with company-owned restaurants in Colorado, Arizona and Kansas and with franchised restaurants across the U.S. allowing us to leverage these strengths and opportunities:

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- Good Times is a 26 year old company with a vibrant, high quality brand position in Colorado.

- We have no bank debt, a healthy balance sheet with positive cash flow from operations and 11 consecutive quarters of consistent same store sales growth.

- We have an existing infrastructure with sophisticated systems and processes in place that can be significantly leveraged with a new growth concept.

- We have the exclusive right to develop Bad Daddy's Burger Bar restaurants in Colorado, as well as optional development rights in Arizona and Kansas.

- We have a 48% ownership interest in BDFD, the franchisor of the Bad Daddy's Burger Bar concept, which we will manage under a Management Services Agreement, franchising primarily to experienced, multi-unit operators of other restaurant concepts.

- We are partnering with successful serial restaurateurs in Bad Daddy's Burger Bar, which we believe is an exciting new, emerging growth concept.

Our strategies for growing the Company include the following:

1. Consistently Grow Comparable Restaurant Sales. We will continue to focus on comparable restaurant sales driven by increases in customer counts and increases in the average customer check. Same store sales increased 3.1% in fiscal 2012 compared to fiscal 2011 and 6% in the six month period ended March 31, 2013 compared to the same prior year period. We hope to increase customer counts throughout fiscal 2013 through a multi-faceted approach to continually improve the Good Times Burgers & Frozen Custard brand experience for our customers by:

- The new breakfast menu introduced in November 2012 that is currently generating sales of over 7% of total sales, consisting of Hatch Valley Green Chile Burritos, coffee and orange juice.

- The new line of all natural, hand breaded chicken tenderloin products that was introduced in March 2013, making Good Times Burgers & Frozen Custard the only QSR chain in Colorado offering all natural beef and chicken raised without hormones or antibiotics and vegetarian fed animals.

- Continuing to communicate our core value proposition that is centered on the availability of fresh, high quality, handcrafted products at several different price points across our menu.

- Shifting our marketing communications from predominantly store level communications to include the reintroduction of television advertising and implementation of new social media initiatives that leverage our existing customer base.

- Introducing both permanent and limited time products that are only available at Good Times Burgers & Frozen Custard.

- Accelerating our reinvestment in our existing facilities with reimaging and remodeling.

- Developing new Good Times Burgers & Frozen Custard restaurants within the Denver marketing area to leverage existing operational and marketing efficiencies.

2.

Reduce the Cost of Sales at our Good Times Burgers & Frozen Custard Restaurants. In fiscal 2012 our food and packaging costs decreased by 1.7% of restaurant sales from fiscal 2011 and in the six month period ended March 31, 2013 they were .3% lower than the same prior year period. The decrease was primarily due to menu reengineering within our current menu categories. Our weighted average commodity costs remained flat in fiscal 2012 compared to the prior year. We implemented a cumulative total menu price increase of 5.3% during fiscal 2011 and 1.6% in fiscal 2012. We expect to make modest price increases in fiscal 2013 but anticipate larger menu reengineering within our current menu categories, the growth of the new breakfast menu category sales and we have recently entered into a new distribution agreement with Food Service of America on more advantageous terms generally only available to much larger restaurant companies. We believe that the effect of these more advantageous terms will slightly reduce our overall cost of sales as a percentage of total sales in fiscal 2013.

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3. Improve our Income from Operations by Managing the Profitability of Incremental Sales Growth. In addition to reducing our cost of sales, the highest near term return on our capital investment and opportunity for profit improvement is from increasing sales in our existing Good Times Burgers & Frozen Custard restaurants. Historically, depending on the sales volume of each restaurant, we have experienced a 35% to 50% profit contribution on incremental sales. By managing the profitability of compounding sales increases, we believe we can improve our income from operations as a percentage of total revenues.

4. Leverage our Scale and Existing Infrastructure. We have sophisticated systems and processes in place that can support a larger organization than we currently operate in accounting, information technology, real estate and development, marketing, purchasing, human resources and training, legal and the costs associated with maintaining a publicly listed company. Our agreements with BDI and BDFD afford us the opportunity to increase both our company-owned restaurant base and develop a large network of franchised restaurants while realizing overhead efficiencies off of our existing infrastructure. We anticipate adding additional key management personnel in functional areas such as real estate, construction and finance to support accelerated growth.

5. Aggressively Expand Bad Daddy's Burger Bar. We intend to develop several company-owned Bad Daddy's Burger Bar restaurants during fiscal 2013 and 2014 while laying the foundation for accelerated franchise growth through BDFD. Our ultimate objective is to be in a position to roll-up the operations of BDI, BDC and BDFD through the purchase of BDI's interests that we anticipate would be financed through additional sales of our common stock, creating a larger base of ownership of company-owned and franchised restaurants. However, there can be no assurance that we can effect such a transaction or that the development of BDC or BDFD will be successful. While we have certain first rights to purchase BDI's restaurants and BDI's interest in BDFD, we have no absolute rights to do so without BDI's decision to sell its BDFD interest.

Expansion strategy and site selection

Good Times Burgers & Frozen Custard

We believe that our highest return opportunity in our Good Times Burgers & Frozen Custard unit is to focus our growth in Colorado for operating and marketing efficiencies off of our existing base of restaurants while building new restaurants within the Denver marketing area.

Any development of new Good Times Burgers & Frozen Custard restaurants will involve our new prototype restaurant design on sites that are on or adjacent to big box or grocery store anchored shopping centers in high activity and employment areas. Our site selection for new restaurants is oriented toward slightly higher income demographic areas than many of our urban locations and most of our targeted trade areas are in relatively high growth areas of the Denver and northern Colorado markets.

We lease most of our sites. When we do purchase and develop a site, we intend to sell the developed site into the sale-leaseback market under a long term lease. Our primary site objective is to secure a suitable site, with the decision to buy or lease as a secondary objective. Our site criteria includes a mix of substantial daily traffic, density of at least 30,000 people within a three mile radius, strong daytime population and employment base, retail and entertainment traffic generators, good visibility and easy access.

Bad Daddy's Burger Bar

Our development of the Bad Daddy's Burger Bar concept in company-owned restaurants will focus on urban and suburban upper income demographic areas with median household incomes over $60,000, initially along the front range of Colorado, with a high concentration of daytime employment, upscale retail, movie theaters and hospitals. BDFD will focus on the sale of multi-unit development agreements to experienced, well-capitalized multi-unit restaurant operators that have other non-competing concepts. We believe the Bad Daddy's Burger Bar concept has national expansion potential in vibrant, growing, upper scale demographic markets.

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Bad Daddy's Burger Bar locations are in-line and end-cap locations in new and existing shopping center developments using approximately 3,200 square feet. While our Good Times Burgers & Frozen Custard restaurants are free standing and require extensive site development and entitlement processes, Bad Daddy's Burger Bar restaurants can be developed much more quickly due to the requirement for only a building permit, signage approvals and liquor license without the need for extensive on- and off-site development or PUD submittals and modifications. We estimate that it will take approximately 75 to 90 days to develop a Bad Daddy's Burger Bar from the time a building permit is issued.

Restaurant locations

We currently operate or franchise a total of 39 Good Times Burgers & Frozen Custard restaurants, of which 36 are in Colorado, with 35 in the greater Denver metropolitan area and one in Silverthorne. Three of our restaurants outside of Colorado (one in North Dakota and two in Wyoming) are "dual-branded" with Taco John's International.

	Total	Denver, CO Greater Metro	Colorado, Other	Wyoming	North Dakota
Company-owned & Co-developed	26	25	1		
Franchised	10	10			
Dual-brand franchised	3			2	1
	39	35	1	2	1

March:	2012	2013
Company-owned restaurants	17	18
Co-developed	7	7
Franchise operated restaurants	19	14
Total restaurants:	43	39

Menu

Good Times Burgers & Frozen Custard

The menu of a Good Times Burgers & Frozen Custard restaurant is limited to hamburgers, cheeseburgers, chicken sandwiches, french fries, onion rings, fresh squeezed and frozen lemonades, soft drinks and frozen custard products. Each menu item is made to order at the time the customer places the order and is not pre-prepared.

In November 2012 we introduced a breakfast menu consisting of Hatch Valley Green Chile Breakfast Burritos, orange juice and coffee. The hamburger patty is made with Meyer All Natural, All Angus beef, served on a 4" bun. Hamburgers and cheeseburgers are garnished with fresh iceberg lettuce, fresh sliced sweet red onions, mayonnaise, guacamole, fresh grilled honey cured bacon, and proprietary sauces. The chicken products include a spiced, battered whole muscle breast patty and a grilled seasoned breast patty, both served with mayonnaise, lettuce and tomatoes, and "Chicken Dunkers," whole breast meat breaded tenders. Signature chicken products include the "Burnin' Buffalo," "Guacamole Bacon Chicken," and 100% whole muscle breast meat "Dunkers." Equipment has been automated and equipped with compensating computers to deliver a consistent product and minimize variability in operating systems.

All natural Angus beef is raised without the use of any hormones, antibiotics or animal byproducts that are normally used in the open beef market. We believe that all natural beef delivers a better tasting product and, because of the rigorous protocols and testing that are a part of the Meyer All Natural Beef processes, may also minimize the risk of any food-borne bacteria-related illnesses.

Fresh frozen custard is a premium ice cream (requiring in excess of 10% butterfat content and 0.4% egg yolks) with a proprietary vanilla blend that is prepared from highly specialized equipment that minimizes the amount of air that is added to the mix and that creates smaller ice crystals than other frozen dairy desserts. The custard is scooped similarly to hard-packed ice cream but is served at a slightly warmer temperature. The resulting product is smoother, creamier and thicker than typical soft serve or hard-packed ice cream products. We serve the frozen custard as vanilla and a flavor of the day in cups and cones, specialty sundaes and "Spoonbenders," a mix of custard and toppings, and we anticipate it will continue to be a significant percentage of sales as we continue to develop and promote custard products.

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The breakfast menu is centered around Hatch Valley Green Chile Burritos made with our own proprietary green chile recipe using Hatch Valley, New Mexico roasted green chiles, eggs, potatoes, and cheese offered with the choice of bacon, sausage or chorizo. We also offer a premium coffee made by Daz Bog, a Colorado based coffee roaster, and pure 100% orange juice.

Bad Daddy's Burger Bar

The menu of Bad Daddy's Burger Bar consists of high quality, handcrafted burgers made from a proprietary blend of chuck and brisket with artisanal cheeses, tuna, turkey and chicken sandwiches, chopped salads, appetizers, hand cut fries, housemade potato chips, hand spun milk shakes, desserts, craft microbrews and a full bar. Customers have their choice of 7 different patty options, over 24 fresh toppings, 10 cheeses and other exotic flavors.

Burger toppings include items such as homemade mozzarella, hand breaded applewood smoked bacon, pesto and recipes such as the "Banh Mi Burger," "Bad Ass Burger," "Mama Ricotta's Burger" and "Emilio's Chicke Sandwich." Chopped Salads include the "Texican Chicken Salad," the "Tree Hugger Salad" and create your own options.

Bad Daddy's Burger Bar strives to provide proprietary flavors and recipes available nowhere else with fresh, handcrafted quality throughout the menu. Breakfast is served on the weekends only.

Marketing & Advertising

Good Times Burgers & Frozen Custard

Our marketing strategy for Good Times Burgers & Frozen Custard focuses on: 1) driving comparable restaurant sales through attracting new customers and increasing the frequency of visits by current customers; 2) communicating specific product news and attributes to build strong points of difference from competitors; and 3) communicating a unique, strong and consistent brand personality.

Media is an important component of building our brand awareness and distinctiveness. We spent most of our broadcast advertising dollars on radio media during fiscal 2012. The Colorado market is an expensive media market, so most of our advertising placement is not in prime time but in early and late fringe, prime access and late news time slots. As we continue to develop more and more distinctiveness to our brand and increase penetration of the Colorado market, we anticipate we will continue to use media advertising to increase overall awareness. However, during fiscal 2012, we reduced our overall advertising expenditures and focused more of our marketing funds on store level and trade area level communication and activities, supplemented by social media. During fiscal 2013 we will reintroduce television media, most of which will be on cable channels, a social media presence that affords us a higher level of engagement with current customers and an increased level of product giveaways to support high sales opportunity products.

We plan to continue to be active in digital media in order to create more customer engagement with our brand. We anticipate leveraging our customer email database and website to create cost effective channels to target existing customers and increase their frequency.

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Bad Daddy's Burger Bar

Our marketing strategy for Bad Daddy's Burger Bar focuses on iconic, in-store merchandising materials and local store marketing to the surrounding trade area around each restaurant, including public relations and community based events. The focus is not on marketwide promotions or marketing but on the in-store customer experience, building word of mouth reputation and recommendations and local public relations based on the prior awards and recognitions received by Bad Daddy's in its current market of Charlotte, North Carolina.

Operations

BDI has extensive operating, training and quality control systems in place and we plan to take a "best practices" approach with management of BDFD to adapt our systems and processes where practicable for the Bad Daddy's Burger Bar concept, except where noted below.

Restaurant Management

We have developed a limited number of Operating Partners in a few of our restaurants as we are able to recruit qualified candidates. We believe that this is a distinct competitive advantage that provides a higher level of service, quality control and stability over time. The objective of the Operating Partner Program is to have each partner develop a relationship with the employees, the customers and the community at their restaurant and develop an ownership mentality with commensurate rewards as sales increase over a longer period of time. The program allows an Operating Partner to earn 25% of a restaurant's improvement in cash flow over an established baseline. Each Good Times Burgers & Frozen Custard restaurant employs an operating partner or a general manager, one to two assistant managers and approximately 15 to 25 employees, most of whom work part-time during three shifts. An eight to ten week training program is utilized to train restaurant managers on all phases of the operation. Ongoing training is provided as necessary. We believe that incentive compensation of our restaurant managers is essential to the success of our business. Accordingly, in addition to a salary, managerial employees may be paid a bonus based upon proficiency in meeting financial, customer service and quality performance objectives tied to a monthly scorecard of measures. Most of our managers participate in a more traditional bonus plan based on their performance against their monthly financial, operating, customer and people development scorecard metrics.

Bad Daddy's Burger Bar was developed as a chef driven concept and uses a Head Chef, Sous Chef, General Manager and Assistant Managers in its operations. As a full service concept, the experience, qualifications and compensation differs from Good Times Burgers & Frozen Custard and we plan to recruit and train a separate operating team for the Company's Bad Daddy's Burger Bar operations. In April 2013, we hired Scott Somes and Mike Maloney to lead the operations of BDFD and BDC, both of whom have extensive experience in managing and developing full service restaurants.

Operational Systems and Processes

We believe that we have high level operating systems and processes relative to those in the industry. Detailed processes have been developed for hourly, daily, weekly and monthly responsibilities that drive consistency across our system of restaurants and performance against our standards within different day parts. We utilize a labor program to determine optimal staffing needs of each restaurant based on its actual customer flow and demand. We also employ several additional operational tools to continuously monitor and improve speed of service, food waste, food quality, sanitation, financial management and employee development. We are testing a new point of sale computer system that will improve our ability to analyze transaction, sales mix and employee data that we believe can decrease our food waste and improve the effectiveness of store level marketing initiatives and anticipate that we will roll out the new system in fiscal 2013. The order system at each Good Times Burgers & Frozen Custard restaurant is equipped with an internal timing device that displays and records the time each order takes to prepare and deliver. Historically, the total transaction time for the delivery of food at the window is approximately 45 to 75 seconds during peak times.

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We use several sources of customer feedback to evaluate each restaurant's service and quality performance, including an extensive secret shopper program, customer comment phone line, telephone surveys and website comments. Additionally, management uses both its own primary consumer research for product development and to determine customer usage and attitude patterns as well as third party market research that evaluates our Good Times Burgers & Frozen Custard restaurants' performance ratings on several different operating attributes against key competitors.

Training

We strive to maintain quality and consistency in each of our restaurants through the careful training and supervision of all our employees at all levels and the establishment of, and adherence to, high standards relating to personnel performance, food and beverage preparation and maintenance of our restaurants. Each manager must complete an eight to ten week training program, be certified on several core processes and is then closely supervised to show both comprehension and capability before they are allowed to manage autonomously. All of our training and development is based upon a "train, test, certify, re-train" cycle around standards and operating processes at all levels. We conduct a semi-annual performance review with each manager to discuss prior performance and future performance goals. We have a defined weekly and monthly goal setting process around future performance goals. We have a defined weekly and monthly goal setting process around service, employee development, financial management and store maintenance goals for every restaurant. Additionally we have a library of video training tools to drive training efficiencies and consistency.

Recruiting and Retention

We seek to hire experienced restaurant managers and Operating Partners. We support employees by offering competitive wages and benefits, including a 401(k) plan, medical insurance, and incentive plans at every level that are tied to performance against key goals and objectives. We motivate and prepare our employees by providing them with opportunities for increased responsibilities and advancement. We also provide various other incentives, including vacations, car allowances, monthly performance bonuses and monetary rewards for managers who develop future managers for our restaurants. We have implemented an online screening and hiring tool that has proven to reduce hourly employee turnover by more than 50%.

Franchising

For Good Times Burgers & Frozen Custard, we have prepared form area rights and franchise agreements, a Franchise Disclosure Document ("FDD") and advertising material to be utilized in soliciting prospective franchisees. We have historically sought to attract franchisees that are experienced restaurant operators, well capitalized and have demonstrated the ability to develop one to five restaurants. We review sites selected for franchises and monitor performance of franchise units. We are not currently soliciting new franchisees and anticipate building additional company-owned Good Times Burgers & Frozen Custard restaurants.

We estimate that it will cost a Good Times Burgers & Frozen Custard franchisee on average approximately $750,000 to $1,100,000 to open a restaurant with dining room seating, including pre-opening costs and working capital, assuming the land is leased. A franchisee typically will pay a royalty of 4% of net sales, an advertising materials fee of at least 1.5% of net sales, plus participation in regional advertising up to an additional 4% of net sales, or a higher amount approved by the advertising cooperative, and initial development and franchise fees totaling $25,000 per restaurant. Among the services and materials which we provide to franchisees are site selection assistance, plans and specifications for construction of the Good Times Burgers & Frozen Custard restaurants, an operating manual which includes product specifications and quality control procedures, training, on-site opening supervision and advice from time to time relating to operation of the franchised restaurants.

After a Good Times Burgers & Frozen Custard franchise agreement is signed, we actively work with and monitor our franchisees to ensure successful franchise operations as well as compliance with our systems and procedures. During the development phase, we assist in the selection of sites and the development of prototype and building plans, including all required changes by local municipalities and developers. We provide an opening team of trainers to assist in the opening of the restaurant and training of the employees. We advise the franchisee on menu, management training, marketing, and employee development. On an ongoing basis we conduct standards reviews of all franchise restaurants in key areas including product quality, service standards, restaurant cleanliness and sanitation, food safety and people development.

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We have entered into 12 Good Times & Frozen Custard franchise agreements in the greater Denver metropolitan area. In addition, 7 joint-venture restaurants are operating in the Denver metropolitan area media market. Dual-branded franchised restaurants operate in Gillette and Sheridan, Wyoming, and Bismarck, North Dakota.

For Bad Daddy's Burger Bar, our focus on franchising will be through our ownership in, and management of, BDFD. BDFD has a current FDD, form area rights and franchise agreements and one existing franchisee signed. We intend to expand the marketing of Bad Daddy's Burger Bar franchises throughout the U.S. We anticipate that a franchisee will typically pay a royalty of 5% of net sales and participation in an Advertising Fund and local advertising of up to 4% of sales. Initial development and franchise fees are projected to be $35,000 per restaurant. We estimate that it will cost a Bad Daddy's Burger Bar franchisee $590,000 to $1,382,000 to open a 3,000 to 3,800 square foot restaurant in an in-line or end-cap retail center, based on the BDFD Franchise Disclosure Document and our knowledge of the development costs of the existing Bad Daddy's Burger Bar restaurants. BDFD will provide similar support services to its franchisees and licensees that we provide to Good Times Burgers & Frozen Custard franchises. BDFD has entered into five license agreements for restaurants in North Carolina operated by BDI and one franchise agreement.

Management Information Systems

Financial and management control is maintained through the use of automated data processing and centralized accounting and management information systems that we provide. Sales, labor and cash data is collected daily via a restaurant back office system which gathers data from the restaurant point-of-sale system. Management receives daily, weekly and monthly reports identifying food, labor and operating expenses and other significant indicators of restaurant performance. The major management information systems are divided by function:

- Restaurant point of sale;
- Restaurant back-of-house;
- Financial;
- Payroll/human resources; and
- Internal operational reports.

We believe that these reporting systems are sophisticated and enhance our ability to control and manage operations. We are currently testing new point of sale equipment for our restaurants. We anticipate implementing similar management information systems in our operation of Bad Daddy's Burger Bar restaurants.

Food Preparation, Quality Control & Purchasing

We believe that we have excellent food quality standards relative to the QSR industry. Our systems are designed to protect our food supply throughout the preparation process. We inspect specific qualified manufacturers and work together with those manufacturers to provide specifications and quality controls. Our operations management teams are trained in a comprehensive safety and sanitation course provided by the National Restaurant Association. Minimum cook temperature requirements and line checks throughout the day ensure the safety and quality of both burgers and other items we use in our restaurants.

We currently purchase 100% of the food and paper supplies for our Good Times Burgers & Frozen Custard restaurants from Food Services of America (formerly Yancey's Food Service). In addition, we maintain multiple approved suppliers for all key components of our menu to mitigate risk and ensure supply. Suppliers are chosen based upon their ability to provide (i) a continuous supply of product that meets all safety and quality specifications, (ii) logistics expertise and freight management, (iii) product innovation and differentiation, (iv) customer service, (v) transparency of business relationships and (vi) competitive pricing. Specified products are distributed to all restaurants through Food Services of America under a negotiated contract directly to our restaurants two to four times per week depending on restaurant requirements. We do not believe that the current reliance on this sole distributor will have any long-term material adverse effect since we believe that there are a sufficient number of other suppliers from which food and paper supplies could be purchased with little or no interruption in service. We do not anticipate any difficulty in continuing to obtain an adequate quantity of food and paper supplies of acceptable quality and at acceptable prices.

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Employees

At May 15, 2013, we had approximately 474 employees of which 404 are hourly employees and 70 are salaried employees working full time. We consider our employee relations to be good. None of our employees are covered by a collective bargaining agreement.

Competition

The restaurant industry, including the fast food segment, is highly competitive. Good Times Burgers & Frozen Custard competes with a large number of other hamburger-oriented fast food restaurants in the areas in which it operates. Many of these restaurants are owned and operated by regional and national restaurant chains, many of which have greater financial resources and experience than we do. Restaurant companies that currently compete with Good Times Burgers & Frozen Custard in the Denver market include McDonald's, Burger King, Wendy's, Carl's Jr., Sonic and Jack in the Box. Double drive-through restaurant chains such as Rally's Hamburgers and Checker's Drive-In Restaurants, which currently operate a total of over 800 double drive-through restaurants in various markets in the United States, are not currently operating in Colorado. Culver's and Freddy's are the only significant competitors offering frozen custard as a primary menu item operating in the Denver and Colorado Springs markets and both have a significant presence in Midwestern markets that may be targeted for expansion. Additional "fast casual" hamburger restaurants are being developed in the Colorado market, such as Smashburger and Five Guys; however, they do not have drive-through service and generate an average per person check that is approximately 50% higher than the average check at a Good Times Burgers & Frozen Custard restaurant.

We believe that Good Times Burgers & Frozen Custard may have a competitive advantage in terms of quality of product compared to traditional fast food hamburger chains. Early development of our double drive-through concept in Colorado has given us an advantage over other double drive-through chains that may seek to expand into Colorado because of our brand awareness and present restaurant locations. Nevertheless, we may be at a competitive disadvantage to other restaurant chains with greater name recognition and marketing capability. Furthermore, most of our competitors in the fast-food business operate more restaurants, have been established longer, and have greater financial resources and name recognition than we do. There is also active competition for management personnel, as well as for attractive commercial real estate sites suitable for restaurants.

Bad Daddy's Burger Bar competes with both local and national grill and bar concepts and gourmet, "better burger" concepts. As the concept is expanded, Bad Daddy's Burger Bar will compete against concepts such as Red Robin, Chili's, Burger Lounge, The Counter, and Bobby's Burger Palace. There are other burger-centric fast casual concepts such as Five Guys Burgers & Fries and Smashburger that operate at a lower average customer check than Bad Daddy's Burger Bar and others such as Zinburger, Bare Burger and Five Napkin Burger that operate with a higher average customer check. We believe that Bad Daddy's Burger Bar has an advantage in the handcrafted quality of its food, distinctiveness of its atmosphere and uniqueness of its menu offerings. Nevertheless, Bad Daddy's Burger Bar may be at a competitive disadvantage to other restaurant chains with greater name recognition.

Intellectual Property

We have registered our mark "Good Times! Drive Thru Burgers"(SM) with the State of Colorado. We have also registered our mark "Good Times Burgers & Frozen Custard" federally and with the State of Colorado. We received approval of our federal registration of "Good Times" in 2003. In addition we own trademarks or service marks that have been registered, or for which applications are pending, with the United States Patent and Trademark Office including but not limited to: "5280 Lifestyle Menu," "Big Daddy Bacon Cheeseburger," "Chicken Dunkers," "Happiness Made To Order," "Mighty Deluxe," "Mile High Sliders," "Pawbender," "Spoonbender," "Wild Fries," and "Wild Dippin' Sauce trademarks expire between 2013 and 2018.

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BDI has registered the mark "Bad Daddy's Burger Bar" with the United States Patent and Trademark Office. BDI owns these marks and licenses them to BDFD. The license agreement does not significantly limit BDFD's right and ability to use or license the use of the marks.

The trademarks and the proprietary aspects of the Bad Daddy's Burger Bar operating system, such as for example operating manuals, unique design elements and the unique equipment of the restaurants and the unique recipes, are owned by BDI. BDI has licensed the trademarks and such intellectual property aspects to BDFD for its use in sublicensing and franchising the Bad Daddy's Burger Bar restaurants. The license fee is $1,000 per year and the term of the license is the longer of 30 years or the term of any Bad Daddy's Burger Bar franchise agreement. BDFD is obligated to use such intellectual property in accordance with reasonable directions from BDI and the license can be terminated following any breach of the foregoing by BDFD which is not cured within 60 days after written notice of such breach. Because of BDI's 52% ownership of BDFD and its designation of a majority of the BDFD Managers, along with BDFD's intention to use the intellectual property in an improved manner, the Company views the possibility of such termination to be remote.

Government Regulation

Each of our restaurants is subject to the regulations of various health, sanitation, safety and fire agencies in the jurisdiction in which the restaurant is located. Difficulties or failures in obtaining the required licenses or approvals could delay or prevent the opening of a new restaurant. Federal and state environmental regulations have not had a material effect on our operations. More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations. We are subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime, and other working conditions. In addition, we are subject to the Americans With Disabilities Act, which requires restaurants and other facilities open to the public to provide for access and use of facilities by the handicapped. Management believes that we are in compliance with the Americans With Disabilities Act.

We are also subject to federal and state laws regulating franchise operations, which vary from registration and disclosure requirements in the offer and sale of franchises to the application of statutory standards regulating franchise relationships. Many state franchise laws impose restrictions on the franchise agreements, including limitations on non-competition provisions and the termination or non-renewal of a franchise. Some states require that franchise materials be registered before franchises can be offered or sold in that state.

In addition, each Bad Daddy's Burger Bar restaurant requires a liquor license and adherence to the attendant laws and requirements regulating the serving and consumption of alcohol. Alcoholic beverage control regulations govern various aspects of these restaurants' daily operations, including the minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing and inventory control, handling and storage. Typically, licenses to sell alcoholic beverages will require annual renewal and may be suspended or revoked at any time for cause, the definition of which varies by locality.

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PROPERTIES

We currently lease approximately 3,700 square feet of space for our executive offices in Golden, Colorado for approximately $69,000 per year under a lease agreement, as amended, which expires in December 2013. The space is leased from The Bailey Company, a significant stockholder in the Company, at its corporate headquarters.

As of May 30, 2013, GTDT has an ownership interest in 26 Good Times Burgers & Frozen Custard units, all of which are located in Colorado. Seven of these restaurants are held in a joint venture limited partnership of which GTDT is the general partner. GTDT has a 50% interest in six of the partnership restaurants and a 78% interest in one restaurant. There are 19 Good Times Burgers & Frozen Custard units that are wholly owned by GTDT.

Most of our existing Good Times Burgers & Frozen Custard restaurants are a combination of free-standing structures containing approximately 880 to 1,000 square feet for the double drive-through format and approximately 2,400 square feet for our prototype building with a 70 seat dining room. In addition, we have several restaurants that are conversions from other concepts in various sizes ranging from 1,700 square feet to 3,500 square feet. The buildings are situated on lots of approximately 18,000 to 50,000 square feet. Certain restaurants serve as collateral for the underlying debt financing arrangements as discussed in the Notes to our Audited Consolidated Financial Statements included in this prospectus. We intend to acquire new sites both through ground leases and purchase agreements supported by mortgage and leasehold financing arrangements and through sale-leaseback agreements.

All of our existing Good Times Burgers & Frozen Custard restaurants are regularly maintained by our repair and maintenance staff as well as by outside contractors, when necessary. We believe that all of our properties are in good condition and that there will be a need for periodic capital expenditures to maintain the operational and aesthetic integrity of our properties for the foreseeable future, including recurring maintenance and periodic capital improvements. All of our properties are covered up to replacement cost under our property and casualty insurance policies and in the opinion of management are adequately covered by insurance.

LEGAL PROCEEDINGS

We are not involved in any material legal proceedings. We are subject, from time to time, to various lawsuits in the normal course of business. These lawsuits are not expected to have a material impact.

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MANAGEMENT

Directors and Officers

The following table sets forth certain information regarding our Board of Directors, our executive officers, and certain of our key employees, as of the date of this prospectus.

Name	Age	Position
Boyd E. Hoback	58	Director; President & Chief Executive Officer of Good Times Restaurants Inc.; Manager of Bad Daddy's Franchise Development LLC
Geoffrey R. Bailey	61	Director
Neil Calvert	61	Director
David L. Dobbin	51	Chairman of the Board; Director
Gary J. Heller	45	Director
Eric W. Reinhard	54	Director
Alan A. Teran	67	Director; Manager of Bad Daddy's Franchise Development LLC
Scott G. LeFever	54	Vice President of Operations, Good Times Restaurants Inc.
Susan M. Knutson	54	Controller, Good Times Restaurants Inc.
Scott M. Somes	55	Manager and Chief Operating Officer of Bad Daddy's Franchise Development LLC
Michael F. Maloney	48	Director of Operations of BD of Colorado LLC

Directors

Boyd E. Hoback has served as our President and Chief Executive Officer and as a member of our Board of Directors since December 1992 and has been in the restaurant business since the age of 16. Mr. Hoback has been a vital part of the development of the Company and has been involved in developing and managing all areas of the Company. Mr. Hoback is an honors graduate of the University of Colorado in Finance.

Mr. Hoback was selected to serve on our Board of Directors in light of his in-depth understanding of our business and the restaurant industry and his position as our President and Chief Executive Officer. Pursuant to terms of the Operating Agreement of BDFD, we have also designated Mr. Hoback as one of five managers of BDFD.

Geoffrey R. Bailey has served as a member of our Board of Directors since 1996. He is also a director of The Erie County Investment Co., which owns 99% of The Bailey Company. The principal business of The Bailey Company is owning and operating 51 Arby's restaurants as a franchisee. The Bailey Company was also previously a franchisee and joint venture partner of the Company. Mr. Bailey joined The Erie County Investment Co. in 1979. Mr. Bailey is a graduate of the University of Denver with a Bachelor's degree in Business Administration.

Mr. Bailey was selected to serve on our Board of Directors in light of his substantial experience within the restaurant industry and his broad knowledge concerning corporate governance and management. Mr. Bailey also serves as a member of our Compensation Committee.

Neil Calvert has served as a member of our Board of Directors since 2012. He currently serves as an advisor to Lease Corporation International, a London-based helicopter leasing company (2011-present). Previously, Mr. Calvert held various executive positions in the CHC Group, and a subsidiary, Heli One, where he was responsible for flight operations and maintenance (1998-2011). As President of Heli One (2005-2011), he had direct oversight of a Chief Financial Officer, responsibility for preparation & accuracy of financial statements, communication with the company's auditors on all significant accounting policies and review of financials with the board. Additionally, he built the company into a $400 million business with over 1,000 employees around the world. He also served as Managing Director of the British operations for CHC UK (1999-2003).

Mr. Calvert was selected to serve on our Board of Directors in light of his various executive positions with major companies and his experience overseeing and assessing those companies' performance. He also serves as chairman of our Audit Committee.

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David L. Dobbin has served as director and Chairman of the Board since 2010. He also serves as Chairman of the Board of SII (2010-present). In addition, he serves as Chairman of the Board of Welaptega Marine Ltd. (2008-present), a leading supplier of offshore mooring inspection systems. Prior to March 2012, he also served as Chairman of the Boards of Terra Nova Pub Groups Ltd., and its subsidiaries and affiliates, including Elephant & Castle Group, Inc. (2007-2012). Previously, Mr. Dobbin served in several capacities with CHC Helicopter Corporation, the world's leading offshore helicopter services provider, and led Canadian Ocean Resource Associates Inc., a consulting firm specializing in international best practice reviews in various sectors, third world institutional support, and public/private partnerships. Mr. Dobbin holds a Bachelor of Commerce degree from Memorial University of Newfoundland.

Mr. Dobbin was selected to serve on our Board of Directors in light of his substantial experience in the restaurant industry and his experience as an investor in the transportation, service, real estate, and hospitality sectors.

Gary J. Heller has served as a member of our Board of Directors since 2010. He is currently President of Heathcote Capital LLC ("Heathcote"), which the Company has engaged to provide financial advisory services to the Company in connection with a possible strategic transaction. Mr. Heller also serves as Chief Operating Officer of Il Mulino New York, which operates and licenses fine dining Italian restaurants. Prior to March 2012, Mr. Heller also served as a director and executive officer of Elephant & Castle Group, Inc. Prior to his involvement in the restaurant industry, Mr. Heller served as a Managing Director of FTI Capital Advisors, LLC and a Director of Andersen Corporate Finance LLC. Mr. Heller holds a BA in Economics from the University of Pennsylvania and an MBA in Finance from New York University.

Mr. Heller was selected to serve on our Board of Directors in light of his substantial experience in the restaurant industry and his experience as a financial advisor and an investment banker. Prior to April 2012, Mr. Heller also served as a member of our Audit Committee and as chairman of our Compensation Committee.

Eric W. Reinhard has served as a member of our Board of Directors since 2005 and was previously the Chairman of the Board from 2005 to 2010. Mr. Reinhard serves as President of the Pepsi Cola Bottler's Association, a beverage association management and consulting association (2006-present). Prior to June 2004 he was the General Manager for the Pepsi Bottling Group's Great West Business Unit. While in this role, Mr. Reinhard was also a member of the Pepsi Bottling Group's Chairman's Operating Council, a member of the Food Service Strategic Planning Committee, and a member of The Dr. Pepper Bottler Marketing Committee. Mr. Reinhard joined Pepsi Cola in 1984 after four years with The Proctor & Gamble Distributing Company. Since 1984 he has held several field and headquarters positions including Vice President/General Manager Pepsi-Lipton Tea partnership (JV), General Manager Mid-Atlantic Business Unit, Area Vice President Retail Channels, Vice President On-Premise Operations and Area Vice President of Franchise Operations. Mr. Reinhard holds a BA from Michigan State University and has completed the Executive Business Program at the University of Michigan.

Mr. Reinhard was selected to serve on our Board of Directors in light of his substantial experience within the beverage industry and his broad knowledge concerning corporate governance and management. He also serves as a member of our Audit Committee and our Compensation Committee.

Alan A. Teran has served as a member of our Board of Directors since 2012. He previously served on our Board from 1994 to 2010. Mr. Teran is currently a principal in multiple private restaurants. Mr. Teran also served as a Director of Morton's Restaurant Group, Inc. from 1994 until February 2012. He served as president of the Cork & Cleaver restaurant chain from 1975 to 1981 and served as a Director for Boulder Valley National Bank and Charlie Brown's Restaurants. He was one of the first franchisees of Le Peep Restaurants. Mr. Teran graduated from the University of Akron in 1968 with a degree in business.

Mr. Teran was selected to serve on our Board of Directors in light of his substantial experience within the restaurant industry, his experience as an investor in multiple private restaurants, and his prior service on our Board. He also serves as a member of our Audit Committee and as chairman of our Compensation Committee. Pursuant to terms of the Operating Agreement of BDFD, we have also designated Mr. Teran as one of five managers of BDFD.

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Executive Officers and Key Employees

In addition to Mr. Hoback, our executive offices and key employees include:

Scott G. LeFever has been Vice President of Operations since August 1995, and has been involved in all phases of operations with direct responsibility for restaurant service performance, personnel and cost controls.

Susan M. Knutson has been Controller since 1993 with direct responsibility for overseeing the accounting department, maintaining cash controls, producing budgets, financials and quarterly and annual reports required to be filed with the SEC, acting as the principal financial officer of the Company, and preparing all information for the annual audit.

Scott M. Somes is the Chief Operating Officer of BDFD. Mr. Somes was the Chief Operating Officer of Lone Star Steakhouse and Saloon from 1990 to 1997, taking the chain from inception to over 250 restaurants. Prior to that, he was Regional Vice President of Operations for Pizza Hut-Coulter Enterprises, managing over 100 restaurants. He has been involved in other restaurant concepts and business enterprises and will devote his full time to BDFD.

Michael F. Maloney is the Director of Operations of BDC. Mr. Maloney has been in various executive and operational positions with Paragon Steakhouses, Lone Star Steakhouses and Jimmy John's in addition to owning and operating his own restaurant.

Family Relationships

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

Legal Proceedings Involving Our Directors

As set forth above, prior to March 2012, Messrs. Dobbin and Heller each served as a director and executive officer of Elephant & Castle Group, Inc. On June 28, 2011, Elephant & Castle Group, Inc. and related subsidiaries (collectively, the "Elephant & Castle Group") filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. The Elephant & Castle Group subsequently sold all of its assets in a sale under the bankruptcy proceedings.

Contractual Board Representation Rights

Geoffrey R. Bailey was originally elected to our Board of Directors pursuant to contractual board representation rights granted to The Bailey Company in connection with its investment in shares of our Series A Convertible Preferred Stock in 1996. Mr. Bailey has continued to serve on our Board pursuant to contractual board representation rights held by The Bailey Company and its affiliates ("The Bailey Group") in connection with our Series B Convertible Preferred Stock financing in February 2005 and the subsequent modification of those contractual rights in connection with the closing of our initial investment transaction with SII in December 2010, whereby The Bailey Group is entitled to designate one individual for election to our Board.

Eric W. Reinhard was originally elected to our Board of Directors pursuant to contractual board representation rights granted to certain investors in connection with our Series B Convertible Preferred Stock financing in February 2005 and the subsequent modification of those contractual rights in connection with the closing of our initial investment transaction with SII in December 2010, whereby Mr. Reinhard and his affiliates are entitled to designate one individual for election to our Board.

Messrs. Calvert, Dobbin, Heller, and Teran were originally elected to our Board of Directors pursuant to the director designation rights granted to SII under the Securities Purchase Agreement dated October 29, 2010 between the

Company and SII, which provides that, for so long as SII continues to own at least 50% of our outstanding capital stock, (i) our Board of Directors shall not consist of more than seven members, and (ii) SII shall have the right to designate four individuals for election to our Board. The Securities Purchase Agreement between the Company and SII dated June 13, 2012 reconfirms and continues SII's director designation rights as provided by the prior agreement. Pursuant to both agreements, SII has also agreed to vote its shares in any election of directors for one individual designated by The Bailey Group and one individual designated by Mr. Reinhard and his affiliates, in addition to SII's four director designees. Mr. Hoback is the seventh member of our Board.

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Director Independence

The Board has determined that of the current directors Messrs. Bailey, Calvert, Reinhard, and Teran are independent directors under the Nasdaq listing standards, while Messrs. Dobbin, Heller, and Hoback are not independent under such standards. The Board has also determined that each of the three current members of the Audit Committee is "independent" for purposes of Section 10A(m)(3) of the Exchange Act under the rules of the SEC promulgated thereunder. Further, the Board has determined that each of the three current members of the Compensation Committee is "independent" under the Nasdaq listing standards.

Board Committees

The standing committees of the Board are the Audit Committee and the Compensation Committee. There is no standing nominating committee of the Board and instead the Board as a whole acts as the nominating committee for the selection of nominees for election as directors.

Audit Committee

The Audit Committee currently consists of Messrs. Calvert (Chairman), Reinhard, and Teran. The Board has determined that all of the members of the Audit Committee are "independent," as defined by the Nasdaq listing standards and by applicable SEC rules. In addition, the Board has determined that Mr. Calvert is an audit committee financial expert, as that term is defined by the SEC rules, by virtue of having the following attributes through relevant experience: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves; (iii) experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions.

The function of the Audit Committee relates to oversight of the auditors, the auditing, accounting, and financial reporting processes, and the review of the Company's financial reports and information. In addition, the functions of this Committee have included, among other things, recommending to the Board the engagement or discharge of independent auditors, discussing with the auditors their review of the Company's quarterly results and the results of their audit, and reviewing the Company's internal accounting controls. The Audit Committee operates pursuant to a written charter adopted by the Board. A current copy of the Audit Committee Charter is available on our website at www.goodtimesburgers.com.

Compensation Committee

The Compensation Committee currently consists of Messrs. Bailey, Reinhard, and Teran (Chairman). The Board has determined that all of the members of the Compensation Committee are "independent," as defined by the Nasdaq listing standards. The function of the Compensation Committee is to consider and determine all matters relating to the compensation of the President and Chief Executive Officer and other executive officers, including matters relating to the employment agreement of our President and Chief Executive Officer.

The Compensation Committee does not have a written charter. The responsibility of the Compensation Committee is to review and approve the compensation and other terms of employment of our Chief Executive Officer and our other executive officers, including all of the executive officers named in the Summary Compensation Table under the heading "Executive Compensation" below (the "named executive officers"). Among its other duties, the Compensation

Committee oversees all significant aspects of the Company's compensation plans and benefit programs. The Compensation Committee annually reviews and approves corporate goals and objectives for the Chief Executive Officer's compensation and evaluates the Chief Executive Officer's performance in light of those goals and objectives. The Compensation Committee also recommends to the Board the compensation and benefits for members of the Board. The Compensation Committee has also been appointed by the Board to administer our 2008 Omnibus Equity Incentive Compensation Plan. The Compensation Committee does not delegate any of its authority to other persons.

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EXECUTIVE COMPENSATION

Executive Compensation: The following table sets forth compensation information for the fiscal years ended September 30, 2012 and September 30, 2011 with respect to the named executive officers:

Summary Compensation Table for fiscal years 2012 and 2011:

Name and Principal Position	Year	Salary $	Option Awards $3	All Other Compensation $	Total $
Boyd E. Hoback	2012	147,000	12,410	18,063[1]	177,473
President & Chief Executive Officer	2011	133,000	17,816	16,961[1]	167,777
Scott G. LeFever	2012	87,542	4,309	12,435[2]	104,286
Vice President of Operations	2011	75,000	9,565	12,470[2]	97,035

1 The amount indicated for Mr. Hoback includes an automobile allowance, long-term disability and personal expenses.
2 The amount indicated for Mr. LeFever includes an automobile allowance and long-term disability.
3 The value of stock option awards shown in this column includes all amounts expensed in the Company's financial statements in 2011 and 2012 for equity awards in accordance with the guidance of FASB ASC 718-10-30, Compensation – Stock Compensation, excluding any estimate for forfeitures. The Company’s accounting treatment for, and assumptions made in the valuations of, equity awards is set forth in Note 1 of the notes to the Company’s audited consolidated financial statements for the fiscal year ended September 30, 2012 included in this prospectus. There were no option awards re-priced in fiscal 2012.

There were no shares of SARs granted during fiscal 2012 or 2011 nor has there been any nonqualified deferred compensation paid to any named executive officers during fiscal 2012 or 2011. The Company does not have any plans that provide for specified retirement payments and benefits at, following or in connection with retirement.

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The following table sets forth information as of September 30, 2012 on all unexercised options previously awarded to the named executive officers:

Outstanding Equity Awards at 2012 Fiscal Year-End

	Option Awards				
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price $	Option Expiration Date
Boyd E. Hoback	1,250 (1)	_	_	$8.10	10/01/12
	1,300	_	_	$10.80	10/01/13
	4,000	_	_	$9.33	10/01/14
	2,833	_	_	$17.04	10/01/15
	6,333	_	_	$19.14	11/17/16
	9,501	_	_	$4.41	11/14/18
	4,551 (2)	_	_	$3.45	11/06/19
	0	10,647 (3)	_	$1.56	12/13/20
	5,000		_	$1.31	12/14/21
Scott G. LeFever	420	_	_	$8.10	10/01/12
	860	_	_	$10.80	10/01/13
	1,917	_	_	$9.33	10/01/14
	1,917	_	_	$17.04	10/01/15
	1,917	_	_	$19.14	11/17/16
	5,669	_	_	$4.41	11/14/18
	1,449 (2)	_	_	$3.45	11/06/19
	0	7,985 (3)	_	$1.56	12/13/20

1 The options expired on October 1, 2012, following the end of the fiscal year.
2 The options became fully exercisable on November 6, 2012, following the end of the fiscal year.
3 The options were granted on December 13, 2010. Assuming continued employment with the Company, the options will become fully exercisable on December 6, 2013.

(The numbers of options and the exercise prices shown in this table have been adjusted to effect the one for three reverse stock split that occurred on December 31, 2010.)

No stock awards were outstanding as of September 30, 2012.

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Employment Agreement

Mr. Hoback entered into an employment agreement with us in October 2001 and the terms of the agreement were revised effective October 2007 for compliance with Section 409A of the Internal Revenue Code. The revised agreement provides for his employment as president and chief executive officer for two years from the date of the agreement at a minimum salary of $190,000 per year, terminable by us only for cause. The agreement provides for payment of one year's salary and benefits in the event that change of ownership control results in a termination of his employment or termination other than for cause. This agreement renews automatically unless specifically not renewed by our Board of Directors. Mr. Hoback's compensation, including salary, expense allowance, bonus and any equity award, is reviewed and set annually by the Compensation Committee. Mr. Hoback's bonus, when applicable, is based on the Company's achieving certain Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") targets for the year.

As a condition to the closing of the initial SII investment transaction, Mr. Hoback agreed to waive certain rights under the employment agreement which would otherwise have accrued to him as a result of the change in ownership control of the Company as a result of the SII transaction, including his right to terminate his employment within one year of the change in control and trigger the severance payment described above and his right to accelerate the vesting of stock options upon the change in control. The waiver does not apply to any subsequent change of control of the Company.

Other Employment Arrangements

Mr. LeFever is employed as an "employee at will" and does not have a written employment agreement. His compensation, including salary, expense allowance, bonus and any equity awards, is reviewed and approved by the Compensation Committee annually. He participates in a bonus program that is based on both the Company's level of EBITDA for the year and achieving certain operating metrics and sales targets set by the Compensation Committee.

Heathcote Agreement

On April 6, 2012, the Company entered into a financial advisory services agreement with Heathcote, pursuant to which the Company engaged Heathcote to provide exclusive financial advisory services to the Company in connection with a possible strategic transaction. Gary J. Heller, a member of our Board of Directors, is the principal of Heathcote. On March 25, 2013, the Company and Heathcote modified this agreement to exclude any transactions involving the Maxim Group LLC and for Heathcote to continue to provide non-exclusive financial advisory services to the Company. The Company paid a total of $70,000 in fees to Heathcote under the agreement in connection with services provided in connection with the Bad Daddy's Transaction.

BDFD Compensation Arrangements

The BDFD Operating Agreement provides that BDFD may issue Class B Units which are intended to be issued as "profits interests" in BDFD. The Board of Managers of BDFD has authority to issue up to such number of Class B Units as is equal to an aggregate of 15% of the outstanding units of BDFD owned by all members. In addition to the provisions of the Operating Agreement, all Class B Units are subject to the terms and conditions of a grant agreement governing the terms of such Units. Initial grants of 5% each have been made to Messrs. Hoback and Somes pursuant to Class B Unit Grant Agreements between BDFD and such individuals dated April 9, 2013. The Class B Units are fully earned but subject to forfeiture, in all or in part, during the first 36 months after the grant date.

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Directors' Compensation

Each non-employee director receives $500 for each board meeting attended. Members of the Compensation and Audit Committees generally each receive $100 per meeting attended. However, where both Compensation and Audit Committee meetings are held at the same gathering, only $100 is paid to directors attending both committee meetings. Additionally, for the fiscal year ended September 30, 2012, each director, with the exception of Messrs. Calvert and Teran, received a non-statutory stock option to acquire 5,000 shares of common stock at an exercise price of $1.31 per share. Mr. Teran received a non-statutory stock option to acquire 2,000 shares of common stock at an exercise price of $2.12 per share in June 2012, upon his appointment to our Board. Mr. Calvert received a non-statutory stock option to acquire 2,000 shares of common stock at an exercise price of $1.46 per share in September 2012, upon his appointment to our Board.

The following table sets forth compensation information for the fiscal year ended September 30, 2012 with respect to directors:

Director Compensation Table for Fiscal Year 2012

Name	Fees Earned or Paid in Cash ($)	Option Awards ($) 1, 2	Total $
Geoffrey R. Bailey	1,700	5,281	6,981
David Dobbin	2,200	5,281	7,481
Gary Heller	2,100	5,281	7,381
Eric W. Reinhard	1,800	5,281	7,081
Keith Radford3	1,000	5,281	6,281
Alan Teran	1,800	3,574	5,374
Neil Calvert	800	2,469	3,269
Boyd E. Hoback 4	-	-	0

1 The value of stock option awards shown in this column includes all amounts expensed in the Company's financial statements in 2012 for equity awards in accordance with the guidance of FASB ASC 718-10-30, Compensation – Stock Compensation, excluding any estimate for forfeitures. The Company's accounting treatment for, and assumptions made in the valuation of equity awards are set forth in Note 1 of the notes to the Company's audited consolidated financial statements for the fiscal year ended September 30, 2012 included in this prospectus. There were no option awards re-priced in 2012.

2 As of September 30, 2012, the following directors held options to purchase the following number of shares of our common stock: Mr. Bailey 10,333 shares; Mr. Dobbin 5,667 shares; Mr. Heller 5,667 shares; Mr. Reinhard 11,167 shares; Mr. Teran 2,000 shares; Mr. Calvert 2,000; and Mr. Hoback 45,414 shares.

3 Mr. Radford resigned as a director effective as of June 30, 2012. Mr. Radford's options have expired and are no longer outstanding.

4 Mr. Hoback is an employee director and does not receive additional fees for service as a member of our Board of Directors.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Bailey Company

Our corporate headquarters are located in a building owned by The Bailey Company and in which The Bailey Company also has its corporate headquarters. We currently lease approximately 3,700 square feet of space for our executive offices in Golden, Colorado for approximately $69,000 per year under a lease agreement, as amended, which expires in December 2013.

The Bailey Company was the owner of one franchised Good Times Burgers & Frozen Custard restaurant located in Loveland, Colorado. The Company purchased this restaurant in August 2012 for a purchase price of approximately $100,000. The Bailey Company was also previously the owner of one franchised restaurant in Thornton, Colorado which was closed in October 2009. The Bailey Company had entered into two franchise and management agreements with us. Franchise royalties and management fees paid under those agreements totaled approximately $44,000 and $53,000 for the fiscal years ending September 30, 2012 and 2011, respectively.

Golden Bridge Loan

In December 2010, the Company repaid an outstanding loan from Golden Bridge, LLC ("Golden Bridge"), in the principal amount of $185,000 plus accrued interest thereon in the amount of $18,000. Directors Eric Reinhard and Alan Teran and former directors Ron Goodson, David Grissen, and Richard Stark, who are all stockholders of the Company, are the sole members of Golden Bridge, and Eric Reinhard is the sole manager of Golden Bridge. The Company's repayment of the Golden Bridge loan was duly approved in advance by our Board by the affirmative vote of members thereof who did not have an interest in the transaction.

Heathcote Financial Advisory Services Agreement

On April 6, 2012, the Company entered into a financial advisory services agreement with Heathcote, pursuant to which the Company engaged Heathcote to provide exclusive financial advisory services to the Company in connection with a possible strategic transaction. Gary J. Heller, a member of our Board of Directors, is the principal of Heathcote. Accordingly, the Company's agreement with Heathcote constitutes a related party transaction and was reviewed and approved by the Audit Committee of the Company's Board of Directors. Mr. Heller did not participate in the Audit Committee's consideration of the agreement and abstained from the committee's vote to approve the agreement. Concurrently with the Company's engagement of Heathcote, Mr. Heller resigned as a member of the Audit Committee and as Chairman of the Compensation Committee, though he continues to serve on our Board.

On March 25, 2013, the Company and Heathcote modified this agreement to exclude any transactions involving the Maxim Group LLC and for Heathcote to continue to provide non-exclusive financial advisory services to the Company. The Company paid a total of $70,000 in fees to Heathcote under the agreement for services provided in connection with the Bad Daddy's Burger Bar transaction.

SII Investment Transaction

On June 13, 2012, the Company entered into a Securities Purchase Agreement with SII, pursuant to which the Company agreed to issue and sell to SII, and SII agreed to purchase, 473,934 shares of newly designated Series C Convertible Preferred Stock for an aggregate purchase price of $2,000,001.48 (i.e., $4.22 per share), subject to the satisfaction of certain conditions precedent set forth in the purchase agreement. At the time the Company and SII entered into the purchase agreement, SII held 50.8% of our outstanding common stock. In addition, David L. Dobbin, the Chairman of our Board, is a principal of SII. Accordingly, the agreement constitutes a related party transaction and was reviewed and approved by the Audit Committee.

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On September 28, 2012, we completed the sale and issuance of 355,451 shares of Series C Convertible Preferred Stock to SII for an aggregate purchase price of $1,500,000. As a result of this issuance, SII's beneficial ownership interest in the Company increased from 50.8% to 60.9%. We also entered into a Supplemental Agreement with SII, dated September 28, 2012, and further amended on October 16, 2012, pursuant to which we extended the time period for SII to complete its purchase of the remaining shares of Series C Convertible Preferred Stock. Pursuant to the Supplemental Agreement, as amended, SII agreed to complete its purchase of an additional 118,483 shares of Series C Convertible Preferred Stock, for an additional aggregate purchase price of $500,000, on or before March 31, 2013, at such time as the Company's Board of Directors reasonably determines, with 45 days' prior notice to SII, that the Company requires such funds to maintain the minimum stockholders' equity required under Nasdaq Listing Rule 5550(b) for continued listing on the Nasdaq Capital Market. The Company's Board of Directors determined that it will not require such funds to maintain the minimum stockholders' equity requirement. As a result, SII did not complete its purchase of the additional 118,483 shares of Series C Convertible Preferred Stock.

Each share of Series C Convertible Preferred Stock is convertible at the option of the holder into two shares of common stock, subject to certain anti-dilution provisions. The shares of Series C Convertible Preferred Stock will accrue dividends at the rate of 8% per annum of the original issue price of $4.22 per share, with such accrued dividends payable quarterly. In the event the Series C Convertible Preferred Stock has not been converted to common stock within 18 months following the issuance thereof, thereafter (i) the rate of the accrued dividends shall increase to 15% per annum from the date that is 18 months after the issuance thereof until converted or redeemed by the Company, and (ii) the Company may upon the approval of a majority of the disinterested members of the Board of Directors redeem all or from time to time a portion of the Series C Convertible Preferred Stock by payment of its liquidation preference. The shares of Series C Convertible Preferred Stock also have additional voting rights, restrictions and provisions as described under the heading "Series C Convertible Preferred Stock" in the section of this prospectus entitled "Description of Securities."

The June 13, 2012 Securities Purchase Agreement between the Company and SII reconfirms and continues the director designation rights granted to SII in connection with its initial investment in the Company. Both purchase agreements provide that, for so long as SII continues to own at least 50% of the Company's outstanding capital stock, (i) our Board of Directors shall not consist of more than seven members, and (ii) SII shall have the right to designate four individuals for election to our Board. Pursuant to the purchase agreements, SII has also agreed to vote its shares in any election of directors for one individual designated by The Bailey Group and one individual designated by Mr. Reinhard and his affiliates, in addition to SII's four director designees. If either The Bailey Group or Mr. Reinhard and his affiliates cease to own at least 600,000 shares of the Company's common stock (adjusted for any stock splits, reverse splits, or similar capital stock transactions), then the foregoing designation rights will cease, and SII has agreed to vote its shares in any election of directors in favor of a person, other than an SII designee, who receives the majority of votes of holders of common stock other than SII.

Neil Calvert, David L. Dobbin, Gary J. Heller, and Alan A. Teran are the current directors designated by SII. Geoffrey R. Bailey is the current director designated by The Bailey Group, and Eric W. Reinhard is the current director designated by Mr. Reinhard and his affiliates.

The June 13, 2012 Securities Purchase Agreement between the Company and SII further provides that, for so long as SII continues to hold at least 75% of the shares of Series C Convertible Preferred Stock and/or the shares of common stock issuable upon conversion thereof, SII will have a right of first refusal to purchase additional securities which are offered by the Company on the same terms as offered for the purpose of maintaining its percentage ownership interest in the Company. SII has agreed to waive its right to purchase any of the shares of common stock and Warrants covered by this prospectus.

Bad Daddy's Transaction

On April 9, 2013, the Company entered into a series of agreements with BDI and BDFD to acquire the exclusive development rights for Bad Daddy's Burger Bar restaurants in Colorado, additional restaurant development rights for Arizona and Kansas, and a 48% voting ownership interest in the franchisor entity, BDFD. Each of the material agreements relating to the Bad Daddy's Transaction is summarized in the "Business-Recent Developments-Bad Daddy's Burger Bar" section beginning on page 43 of this prospectus.

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PRINCIPAL STOCKHOLDERS

The following table shows the beneficial ownership of shares of the Company's common stock as of May 30, 2013 by each person known by the Company to be the beneficial owner of more than five percent of the shares of the Company's common stock, each director and each executive officer named in the Summary Compensation Table above, and all directors and executive officers as a group. The address for the principal stockholders and the directors and officers is 601 Corporate Circle, Golden, CO 80401.

Holder	Number of shares beneficially owned**		Percent of class1	
Principal stockholders:				
Small Island Investments Ltd.	2,094,236	2	60.9	%
The Bailey Company	273,837	3	10.0	%
The Erie County Investment Co.	338,730	3	12.4	%
Directors and Officers:				
Geoffrey R. Bailey-Director	16,766	4	*	
David L. Dobbin-Director	2,101,903	5	61.0	%
Gary J. Heller-Director	7,667	6	*	
Boyd E. Hoback-Director/Officer	43,964	7	1.6	%
Sue M. Knutson-Officer	6,847	8	*	
Scott G. Lefever-Officer	12,279	9	*	
Alan A. Teran – Director	31,235	10	1.1	%
Eric Reinhard-Director	99,034	11	3.6	%
Neil Calvert-Director	4,000	12	*	
All directors and executive officers as a group (9 persons including all those named above)	2,323,695	13	63.6	%

1 Based on 2,726,214 shares of common stock outstanding as of May 30, 2013.

2 Small Island Investments Ltd. is owned and controlled by director David L. Dobbin and members of his family. Includes 710,902 shares of common stock which may be issued upon conversion of outstanding shares of Series C Convertible Preferred Stock.

3 The Bailey Company is 99% owned by The Erie County Investment Co., which should be deemed the beneficial owner of the Company's Common Stock held by The Bailey Company. The Erie County Investment Co. also owns 64,893 shares of the Company's Common Stock in its own name. Geoffrey R. Bailey is a director and executive officer of The Erie County Investment Co. Because of his ownership of only 26% of the voting shares of The Erie County Investment Co., Paul T. Bailey disclaims beneficial ownership of the shares of Common Stock held by The Bailey Company and The Erie County Investment Co.

4 Includes 12,333 shares underlying presently exercisable stock options.

5 Includes shares of Common Stock held beneficially by Small Island Investments Ltd. Also includes 7,667 shares underlying presently exercisable stock options held by Mr. Dobbin.

6 Includes 7,667 shares underlying presently exercisable stock options.

7 Includes 28,967 shares underlying presently exercisable stock options.

8 Includes 6,847 shares underlying presently exercisable stock options.

9 Includes 12,279 shares underlying presently exercisable stock options.

10 Includes 4,000 shares underlying presently exercisable stock options.

11 Includes 13,167 shares underlying presently exercisable stock options.

12 Includes 4,000 shares underlying presently exercisable stock options.

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Does not include shares of Common Stock held beneficially by The Bailey Company and The Erie County Investment Co. If those shares were included, the number of shares of Common Stock beneficially held by all directors and executive officers as a group would be 2,662,425 and the percentage of the class would be 72.9%.

* Less than one percent.

** Under SEC rules, beneficial ownership includes shares over which the individual or entity has voting or investment power and any shares which the individual or entity has the right to acquire within sixty days.

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DESCRIPTION OF SECURITIES

General

Our authorized capital stock consists of 50,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $0.001 par value per share.

Common Stock

As of May 30, 2013, 2,726,214 shares of our common stock were issued and outstanding. All outstanding shares of common stock are validly issued, fully paid and nonassessable.

The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of stockholders and our articles of incorporation do not provide for cumulative voting in the election of directors unless required by applicable law. Subject to preferences that may be applicable to any outstanding series of preferred stock, the holders of our common stock will receive ratably any dividends declared by our Board of Directors out of funds legally available for the payment of dividends. In the event of our liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of or provision for any liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

Preferred Stock

Our articles of incorporation provide that our Board of Directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock. Our Board of Directors will be able to issue preferred stock in one or more series and determine the voting powers, preferences and relative, participating, optional and other special rights of the shares of any such series of preferred stock, and the qualifications, limitations, and restrictions of such shares, any or all of which may be greater than the rights of our common stock. Issuances of preferred stock could adversely affect the voting power of common stock and reduce the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation. Any issuance of preferred stock also could have the effect of decreasing the market price for our common stock and could delay, deter or prevent a change in control of the Company.

Series Preferred Stock

Our Board of Directors previously designated 1,000,000 shares of preferred stock as “Series A Convertible Preferred Stock,” 1,000,000 shares of preferred stock as “Series B Convertible Preferred Stock,” and 473,934 shares of preferred stock as “Series C Convertible Preferred Stock.” No shares of Series A Convertible Preferred Stock or Series B Convertible Preferred Stock are currently outstanding.

Series C Convertible Preferred Stock

As of May 30, 2013, 355,451 shares of our Series C Convertible Preferred Stock were issued and outstanding. All outstanding shares of Series C Convertible Preferred Stock are validly issued, fully paid and nonassessable.

Shares of our Series C Convertible Preferred Stock have the rights, preferences, and privileges, and the qualifications, limitations and restrictions, set forth in the Certificate of Designations, Preferences, and Rights of Series C Convertible Preferred Stock (“Certificate of Designations”) filed by the Company with the Nevada Secretary of State on September 17, 2012, including the following:

- Dividends shall accrue on shares of Series C Convertible Preferred Stock at the rate of 8% per annum of the original issue price of $4.22 per share. The accrued dividends on shares of Series C Convertible Preferred Stock are payable quarterly and shall be payable prior and in preference to any dividends on the Company's common stock. In the event the Series C Convertible Preferred Stock has not been converted to common stock within 18 months following the issuance thereof, thereafter (i) the rate of the accrued dividends shall increase to 15% per annum from the date that is 18 months after the issuance thereof until converted or redeemed by the Company, and (ii) the Company may upon the approval of a majority of the disinterested members of the Board of Directors redeem all or from time to time a portion of the Series C Convertible Preferred Stock by payment of its liquidation preference.

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- In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, or a transaction which is deemed to be a liquidation pursuant to the Certificate of Designations, holders of Series C Convertible Preferred Stock shall be entitled to receive a preference payment equal to the original issue price of $4.22 per share, plus any accrued but unpaid dividends, before any assets of the Company are distributed to holders of the Company’s common stock.

- Shares of Series C Convertible Preferred Stock shall vote together with the common stock on an as-if-converted basis. In addition, shares of Series C Convertible Preferred Stock shall have the right to vote, as a separate class, on certain major corporate transactions, such as a liquidation or dissolution, a consolidation or merger, or a sale, lease, transfer or other disposition of all or substantially all of the Company’s assets; a material agreement for the acquisition of another entity outside of its core business operations; an amendment, alteration or repeal of the Company’s articles of incorporation; an increase in the outstanding shares of preferred stock of the Company at a price below $3.00 per share; a redemption, repurchase or other acquisition for value of any of the Company’s equity securities; an amendment to the Company’s bylaws that is directly detrimental to the rights and preferences of the Series C Convertible Preferred Stock; any debt agreement in excess of $500,000; or any increase in the maximum number of directors constituting the Company’s Board of Directors in excess of seven.

- Shares of Series C Convertible Preferred Stock shall be convertible into shares of common stock at any time, at a conversion ratio equal to two shares of common stock for each share of Series C Convertible Preferred Stock converted (subject to adjustment in the event of any stock split, combination, reorganization, or reclassification of the common stock).

- The Company may require the conversion of all outstanding shares of Series C Convertible Preferred Stock into shares of common stock at the above conversion ratio at any time after 36 months following the issuance of the Series C Convertible Preferred Stock based upon the public trading price and the trading volume of the common stock. In addition, the Series C Convertible Preferred Stock shall automatically convert to common stock upon a qualified public offering of the Company’s common stock based upon the size and price of such public offering or a sale of all or substantially of the Company’s assets.

Warrants to be Issued in This Offering

In connection with the purchase of one share of common stock, we will also issue a Warrant. Each two Warrants entitle the registered holder to purchase one share of our common stock at an exercise price of [$____] per share. We may, in our sole discretion, by notice to registered holders lower the exercise price of the Warrants at any time prior to their expiration date for a specified period of not less than 20 business days. The Warrants may only be exercised for cash. The Warrants will expire five years from the date of this prospectus at 5:00 p.m., New York City time. We may extend the duration of the Warrants by delaying the expiration date upon not less than 20 days’ notice to registered holders of the Warrants. We may call all, but not less than all, of the outstanding Warrants for redemption as follows:

- at a price of $0.005 for each Warrant at any time while the Warrants are exercisable, so long as a registration statement relating to the common stock issuable upon exercise of the Warrants is effective and current;

- upon not less than 30 days prior written notice of redemption to each Warrant holder; and

- if, and only if, the reported last sale price of a share of common stock equals or exceeds 150% of the warrant exercise price for any 20 trading days within a 30 consecutive trading day period ending on the third business day prior to the notice of redemption to Warrant holders.

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If the foregoing conditions are satisfied and we call the Warrants for redemption, each Warrant holder will then be entitled to exercise his, her or its Warrant prior to the date scheduled for redemption. However, there can be no assurance that the price of the common stock will exceed the call price or the Warrant exercise price after the redemption call is made.

You should review a copy of the form of Warrant certificate, which has been filed as an exhibit to the registration statement of which this prospectus is a part, for a complete description of the terms and conditions applicable to the Warrants.

The exercise price and number of shares of common stock issuable upon exercise of the Warrants may be adjusted in certain circumstances, including but not limited to in the event of a stock split, stock dividend, recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for the issuances of common stock or securities convertible or exercisable into common stock at a price below the then current exercise price of the Warrants.

The Warrants may be exercised upon surrender of the Warrant certificate on or prior to the expiration date at our principal executive office, with the exercise form at the end of the Warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to us or by wire transfer of immediately available funds to an account designated by us, for the number of Warrants being exercised. If, and only if, at the time of exercise of the Warrants there is no effective registration statement covering the issuance of the shares of common stock acquirable by exercise of the Warrants, then the holders of the Warrants may elect to exercise the Warrants, in whole or in part, by means of a "cashless exercise" provision, pursuant to which a holder may elect to pay the exercise price of the Warrants by surrendering without exercise a portion of the Warrants for cancellation, with each two surrendered Warrants deemed to have a value equal to the excess of the fair market value of a share of common stock over the exercise price of two Warrants.

The Warrant holders do not have the rights or privileges of holders of common stock or any voting rights until they exercise their Warrants and receive shares of common stock. After issuance of shares of common stock upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Currently, no public market exists for our Warrants. We do not intend to apply for the listing of the Warrants on any national securities exchange. The shares of common stock and Warrants are immediately separable and will be issued separately, but will be purchased together in this offering.

Provisions of Our Articles of Incorporation and Bylaws and Nevada Law that May Have an Anti-Takeover Effect

We are subject to anti-takeover laws for Nevada corporations. These anti-takeover laws prevent a Nevada corporation from engaging in a business combination with any stockholder, including all affiliates and associates of the stockholder, who owns 10% or more of the corporation's outstanding voting stock, for two years following the date that the stockholder acquired 10% or more of the corporation's voting stock, unless specified conditions are met.

Our articles of incorporation and our bylaws contain a number of provisions that may deter or impede takeovers or changes of control or management. These provisions:

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- authorize our Board of Directors to establish one or more series of preferred stock the terms of which can be determined by the Board of Directors at the time of issuance;
- do not allow for cumulative voting in the election of directors unless required by applicable law. Under cumulative voting a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors;
- state that special meetings of our stockholders may be called only by the Chairman of the Board, the president or any two directors and must be called by the president upon the written request of the holders of 25 percent of the outstanding shares of capital stock entitled to vote at such special meeting; and
- provide that the authorized number of directors is no more than seven as determined by our Board of Directors.

These provisions, alone or in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to stockholders for their common stock.

In addition, the terms of the Series C Convertible Preferred Stock and our Securities Purchase Agreements with SII restrict our ability to increase the size of our Board of Directors in excess of seven directors without SII's consent.

Limitations on Liability and Indemnification of Officers and Directors

Nevada law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors. Our articles of incorporation and bylaws include provisions that eliminate, to the extent allowable under Nevada law, the personal liability of directors or officers for monetary damages for actions taken as a director or officer, as the case may be. Our articles of incorporation and bylaws also provide that we must indemnify and advance reasonable expenses to our directors and officers to the fullest extent permitted by Nevada law. We are also expressly authorized to carry directors' and officers' insurance for our directors, officers, employees and agents for some liabilities. We do not currently maintain directors' and officers' insurance covering certain liabilities that may be incurred by directors and officers in the performance of their duties

The limitation of liability and indemnification provisions in our articles of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, we pay the costs of settlement and damage awards against directors and officers pursuant to the indemnification provisions in our articles of incorporation and bylaws.

There is currently no pending litigation or proceeding involving any of directors, officers or employees for which indemnification is sought.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. Nevada law does not require stockholder approval for any issuance of authorized shares. However, the Nasdaq listing requirements require stockholder approval of certain issuance equal to or exceeding 20% of the then-outstanding voting power or the then-outstanding number of shares of common stock. No assurances can be given that our shares will remain so listed. We may use additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions, and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

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Listing of our Common Stock

Our common stock is listed on the Nasdaq Capital Market under the symbol "GTIM." On May 30, 2013, the last reported sale price for our common stock as reported on the Nasdaq Capital Market was $3.06 per share.

Transfer Agent

Our transfer agent is Computershare Trust Company, 250 Royall Street, Canton, Massachusetts 02021. Computershare Trust Company will also act as transfer agent for the Warrants.

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have outstanding an aggregate of [________] shares of common stock ([________] shares if the underwriters' over-allotment option is exercised in full). In addition, we have reserved:

- 710,902 shares of our common stock issuable upon the conversion of 355,351 shares of our Series C Convertible Preferred Stock outstanding as of May 30, 2013, at a conversion ratio of two shares of common stock for each share of Series C Convertible Preferred Stock;

- 293,854 shares of our common stock issuable upon the exercise of stock options outstanding under 2008 Omnibus Equity Incentive Compensation Plan as of May 30, 2013, of which options to purchase 130,200 shares were exercisable as of such date;

- [________] shares of our common stock issuable upon exercise of the Warrants issued to the public in connection with this offering;

- [________] shares of our common stock underlying Warrants to be received by the underwriters in connection with this offering; and

- 206,146 additional shares of our common stock to be reserved for future issuance under our 2008 Omnibus Equity Incentive Compensation Plan following this offering.

Of these shares, the [______] shares sold in this offering ([________] shares if the underwriters' over-allotment option is exercised in full) and the [_______] shares of common stock underlying the Warrants sold in this offering ([________] shares if the underwriters' over-allotment option is exercised in full) will be freely transferrable without restriction or further registration under the Securities Act, except for any shares that are acquired by affiliates as that term is defined in Rule 144. Shares of common stock held by our affiliates and our officers and directors are "restricted securities" as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if an exemption from registration is available, including the exemption provided by Rule 144 or Rule 701 under the Securities Act, each of which is summarized below. Upon the completion of this offering, we believe that approximately 2,323,695 shares of our common stock will be "restricted securities," as that term is defined in Rule 144 under the Securities Act.

Rule 144

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

An affiliate of ours who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of shares of our common stock then outstanding; or

- the average weekly trading volume of shares of our common stock on the Nasdaq Capital Market during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to manner of sale provisions, notice requirements and the availability of current public information about us. As of May 30, 2013, our affiliates owned 2,323,695 shares of common stock.

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Rule 701

Under Rule 701, common stock acquired upon the exercise of certain currently outstanding options or pursuant to other rights granted under our stock plans may be resold, to the extent not subject to lock-up agreements, (a) by persons other than affiliates, beginning 90 days after the effective date of this offering, subject only to the manner-of-sale provisions of Rule 144, and (b) by affiliates, subject to the manner-of-sale, current public information and filing requirements of Rule 144, in each case, without compliance with the holding period requirement of Rule 144. The Rule 701 shares held by our executive officers, directors and certain of our stockholders are, however, subject to lock-up agreements and will only become eligible for sale upon the expiration of the contractual lock-up agreements. The underwriters may release all or any portion of the securities subject to lock-up agreements.

Series C Convertible Preferred Stock

As of May 30, 2013, 355,451 shares of our Series C Convertible Preferred Stock were issued and outstanding. The outstanding shares of Series C Convertible Preferred Stock are convertible into shares of common stock at any time, at a conversion ratio equal to two shares of common stock for each share of Series C Convertible Preferred Stock converted (subject to adjustment in the event of any stock split, combination, reorganization, or reclassification of the common stock.) In addition, the Company may require the conversion of all outstanding shares of Series C Convertible Preferred Stock into shares of common stock at the above conversion ratio at any time after 36 months following the issuance of the Series C Convertible Preferred Stock based upon the public trading price and the trading volume of the common stock. In addition, the Series C Convertible Preferred Stock shall automatically convert to common stock in the event of (A) an underwritten public offering of shares of the Company's common stock at a per-share offering price (prior to underwriting commissions and expenses) of not less than $3.00 per share (as adjusted for stock splits and combinations) and for total gross offering proceeds of not less than $10,000,000 (a "Qualified Public Offering"), or (B) a sale of all or substantially all of the assets of the Company which has the effect of valuing the common stock of the Company at not less than $3.00 per share. The offering of shares of common stock and Warrants pursuant to this prospectus for total gross offering proceeds of [$_______] does not constitute a Qualified Public Offering and thus will not result in the automatic conversion of our outstanding Series C Convertible Preferred Stock.

Registration Rights

Under the terms of the Registration Rights Agreement dated December 13, 2010 between us and SII, SII has rights to require us to file registration statements under the Securities Act, subject to limitations and restrictions, or request that its 1,400,000 shares of common stock be covered by a registration statement that we are otherwise filing, subject to specified exceptions.

In addition, under the Registration Rights Agreement, SII has also been granted "piggyback" registration rights with respect to its 1,400,000 shares of common stock. These rights entitle SII to elect to be included in registration statements to be filed by us. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement. In connection with this offering SII has agreed to waive its "piggyback" registration rights.

In connection with this offering SII has agreed, subject to certain exceptions, not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any shares of our common stock or other securities convertible into or exercisable or exchangeable for shares of our common stock for a period of six (6) months after the effective date of the registration statement of which this prospectus is a part without the prior written consent of Maxim Group LLC. See "-Lock-Up Agreements."

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Form S-8 Registration Statement

On December 18, 2008, we filed a registration statement on Form S-8 under the Securities Act to register up to 450,000 shares of common stock (or 150,000 shares after adjustment for the reverse stock split of the Company's common stock effected on December 31, 2010) that are issuable pursuant to our 2008 Omnibus Equity Incentive Compensation Plan. Subject to the lock-up agreements described below and any applicable vesting restrictions, shares registered under this registration statement are available for resale in the public market immediately, except with respect to Rule 144 volume limitations that apply to our affiliates.

Lock-up Agreements

We and each of our officers, directors, and certain existing stockholders aggregating at least 65% of our outstanding shares, have agreed, subject to certain exceptions, not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any shares of our common stock or other securities convertible into or exercisable or exchangeable for shares of our common stock for a period of six (6) months after the effective date of the registration statement of which this prospectus is a part without the prior written consent of Maxim Group LLC.

Maxim Group LLC may in its sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the lock-up period. When determining whether or not to release shares from the lock-up agreements, the representative will consider, among other factors, the securityholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

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UNDERWRITING

We have entered into an underwriting agreement with Maxim Group LLC acting as representative for the underwriters named below. Subject to the terms and conditions of the underwriting agreement, the underwriters named below have agreed to purchase, and we have agreed to sell to them, the number of shares and warrants at the public offering price, less the underwriting discounts and commissions, as set forth on the cover page of this prospectus and as indicated below:

Underwriter	Number of Shares
Maxim Group LLC	
Total	

The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the shares and warrants offered by this prospectus are subject to the approval of certain legal matters by their counsel and to other conditions. The underwriters are obligated to take and pay for all of the shares and warrants offered by this prospectus if any such shares and warrants are taken, other than those shares and warrants covered by the over-allotment option described below.

Over-Allotment Option

We have granted to the underwriters an option, exercisable not later than 45 days after the effective date of the registration statement, to purchase up to $__________ of additional shares and warrants (or _____ shares assuming a $_____ per share public offering price) at the public offering price less the underwriting discounts and commissions set forth on the cover of this prospectus. The underwriters may exercise this option only to cover over-allotments made in connection with this offering. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of these additional shares and warrants as the number of shares and warrants to be purchased by it in the above table bears to the total number of shares and warrants offered by this prospectus. We will be obligated, pursuant to the option, to sell these additional shares and warrants to the underwriters to the extent the option is exercised. If any additional shares and warrants are purchased, the underwriters will offer the additional shares and warrants on the same terms as those on which the other shares and warrants are being offered hereunder.

Commissions

We have agreed to pay the underwriters (i) a cash fee equal to seven percent of the aggregate gross proceeds raised in this offering and (ii) warrants to purchase that number of shares of our common stock equal to seven percent of the aggregate number of shares of common stock sold in this offering (excluding shares underlying the warrants sold). Such warrants shall have an exercise price equal to 125% of the offering price, terminate three years after issuance, have a cashless exercise provision and otherwise have the same terms as the warrants sold in this offering. Such warrants will be subject to FINRA Rule 5110(g)(1) in that for a period of 180 days following the effectiveness of the registration statement, of which this prospectus forms a part, neither the underwriters' warrants nor any warrant shares issued upon exercise of the underwriters' warrants shall be (A) sold, transferred, assigned, pledged, or hypothecated, or (B) the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness of such registration statement, except the transfer of any security as permitted by FINRA rules.

The representative has advised us that the underwriters propose to offer the shares and warrants directly to the public at the public offering price set forth on the cover of this prospectus. In addition, the representative may offer some of the shares and warrants to other securities dealers at such price less a concession of up to $___ per share. After the offering to the public, the offering price and other selling terms may be changed by the representative without changing the Company's proceeds from the underwriters' purchase of the shares and warrants.

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The following table summarizes the public offering price, underwriting commissions and proceeds before expenses to us assuming both no exercise and full exercise of the underwriters' option to purchase additional shares and warrants. The underwriting commissions are equal to the public offering price per share less the amount per share the underwriters pay us for the shares.

	Per Unit	Total Without Over Allotment	Total With Over-Allotment
Public Offering price			
Underwriting discounts and commissions			
Proceeds, before expenses, to us			

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, will be approximately $__________, all of which are payable by us.

Lock-Up Agreements

We and each of our officers, directors, and certain existing stockholders aggregating at least 65% of our outstanding shares, have agreed, subject to certain exceptions, not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any shares of our common stock or other securities convertible into or exercisable or exchangeable for shares of our common stock for a period of six (6) months after the effective date of the registration statement of which this prospectus is a part without the prior written consent of Maxim Group LLC.

Maxim Group LLC may in its sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the lock-up period. When determining whether or not to release shares from the lock-up agreements, the representative will consider, among other factors, the securityholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

Price Stabilization, Short Positions and Penalty Bids

In connection with this offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. Specifically, the underwriters may over-allot in connection with this offering by selling more shares and warrants than are set forth on the cover page of this prospectus. This creates a short position in our common stock for its own account. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares and warrants over-allotted by the underwriters is not greater than the number of shares and warrants that it may purchase in the over-allotment option. In a naked short position, the number of shares and warrants involved is greater than the number of shares and warrants in the over-allotment option. To close out a short position, the underwriters may elect to exercise all or part of the over-allotment option. The underwriters may also elect to stabilize the price of our common stock or reduce any short position by bidding for, and purchasing, common stock in the open market. Since the warrants will not be listed and are not expected to trade, the underwriters cannot purchase the warrants in the open market and, as a result, the underwriters cannot and will not enter into naked short positions.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter or dealer repays selling concessions allowed to it for distributing a security in this offering because the underwriter repurchases that security in stabilizing or short covering transactions.

Finally, the underwriters may bid for, and purchase, shares of our common stock in market making transactions, including “passive” market making transactions as described below.

These activities may stabilize or maintain the market price of our common stock at a price that is higher than the price that might otherwise exist in the absence of these activities. The underwriters are not required to engage in these activities, and may discontinue any of these activities at any time without notice. These transactions may be effected on The Nasdaq Capital Market, in the over-the-counter market, or otherwise.

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In connection with this offering, the underwriters and selling group members, if any, or their affiliates may engage in passive market making transactions in our common stock on The Nasdaq Capital Market immediately prior to the commencement of sales in this offering, in accordance with Rule 103 of Regulation M under the Exchange Act. Rule 103 generally provides that:

- a passive market maker may not effect transactions or display bids for our common stock in excess of the highest independent bid price by persons who are not passive market makers;
- net purchases by a passive market maker on each day are generally limited to 30% of the passive market maker's average daily trading volume in our common stock during a specified two-month prior period or 200 shares, whichever is greater, and must be discontinued when that limit is reached; and
- passive market making bids must be identified as such.

Other Terms

For a period of 12 months from the consummation of this offering, we have granted Maxim a right of first refusal to act as lead managing underwriter and book runner or minimally as a co-lead manager and co-book runner and/or co-lead placement agent with at least 50.0% of the economics; or, in the case of a three-handed deal, 33.0% of the economics, for any equity, equity-linked or debt (excluding commercial bank debt) offerings undertaken by the Company or any subsidiary of the Company during such period.

In addition, we have agreed to reimburse the underwriters for all reasonable out-of-pocket expenses without a limitation on the amount of such expenses, including but not limited to reasonable legal fees, incurred by the underwriters in connection with the offering. Any expenses in excess of $10,000, excluding fees for legal counsel, shall be subject to the prior approval of the Company, which such approval shall not be unreasonably withheld. The Company shall reimburse the underwriters for all such expenses regardless of whether the offering is consummated.

The underwriters and their affiliates may in the future provide various investment banking and other financial services for us, for which they may receive, in the future, customary fees.

Indemnification

We have agreed to indemnify the underwriters against liabilities relating to the offering arising under the Securities Act, liabilities arising from breaches of some or all of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Electronic Distribution

A prospectus in electronic format may be made available on a website maintained by the representatives of the underwriters and may also be made available on a website maintained by other underwriters. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives of the underwriters to underwriters that may make Internet distributions on the same basis as other allocations. In connection with the offering, the underwriters or syndicate members may distribute prospectuses electronically. No forms of electronic prospectus other than prospectuses that are printable as Adobe® PDF will be used in connection with this offering.

The underwriters have informed us that they do not expect to confirm sales of shares and warrants offered by this prospectus to accounts over which they exercise discretionary authority.

Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter in its capacity as underwriter and should not be relied upon by investors.

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LEGAL MATTERS

Snell & Wilmer L.L.P. has rendered an opinion regarding the legality of the issuance of the shares of common stock and Warrants being registered in this prospectus. Certain legal matters in connection with this offering will be passed upon for the underwriters by Ellenoff Grossman & Schole LLP.

EXPERTS

The financial statements included in this prospectus have been so included in reliance on the report of Hein & Associates LLP, the Company's independent registered public accounting firm, given on the authority of said firm as an expert in auditing and accounting.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the securities 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 or the exhibits filed therewith. For further information about us and the securities offered hereby, reference is made to the registration statement and the exhibits filed therewith. We are also subject to the reporting requirements of the Exchange Act. The registration statement, as well as reports filed with the SEC pursuant to the Exchange Act, including proxy statements, annual and quarterly reports, and other reports filed by us, can be inspected and copied at the public reference facilities maintained by the SEC at the Headquarters Office, 100 F Street N.E., Room 1580, Washington, D.C. 20549. The reader may obtain information on the operations of the public reference room by calling the SEC at 1-800-SEC-0330. The reader can request copies of these documents upon payment of a duplicating fee by writing to the SEC. Our filings are also available on the SEC's internet site at http://www.sec.gov.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

The Company is a Nevada corporation. The corporate laws of the State of Nevada, Nevada Revised Statutes Chapter 78, contain provisions for the indemnification and insurance of directors, officers, employees and agents of a Nevada corporation against liabilities which they may incur in their capacities as such. These provisions have the following general effects:

- Under Subsection 1 of Section 78.7502 of the Nevada Revised Statutes, a Nevada corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, except an action by or in the right of the corporation, because the person is or was a director, officer, employee or agent of the corporation, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with the action, suit or proceeding if he (i) is not liable to the corporation or its stockholders under Section 78.138 of the Nevada Revised Statutes, or (ii) acted in good faith and in a manner which he 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 his conduct was unlawful. Section 78.138 provides that, with certain exceptions, a director or officer is not individually liable to the corporation or its stockholders for any damages as a result of any act or failure to act in his capacity as a director or officer unless it is proven that (i) his act or failure to act constituted a breach of his fiduciary duties as a director or officer, and (ii) his breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

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Under Subsection 2 of Section 78.7502, a Nevada corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred in connection with the defense or settlement of the action or suit if he (i) is not liable to the corporation or its stockholders under Section 78.138, or (ii) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made for any claim, issue or matter as to which such person has been adjudged by a court to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which such action or suit was brought determines that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnification for such expenses as the court deems proper.

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- Under Subsection 3 of Section 78.7502, a Nevada corporation must indemnify a director, officer, employee or agent to the extent that he has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, against expenses, including attorneys' fees actually and reasonably incurred by him in connection with the defense.

- Under Section 78.752, a Nevada 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 against liability asserted against or incurred by the person in that capacity or arising from his or her status as a director, officer, employee or agent, whether or not the corporation has the authority to indemnify him against such liabilities and expenses.

Article IX of the Company's articles of incorporation provides as follows:

The Corporation shall indemnify all officers, directors, and agents of the Corporation to the fullest extent permitted by Nevada law, as the same exists or may hereafter be amended. Such indemnification shall include, but not be limited to, indemnification against monetary damages for breach of fiduciary duty.

In addition, Article IX of the Company's bylaws contains detailed provisions which have the general effect of providing for indemnification of directors and officers to the fullest extent permitted by Nevada law. The bylaws also provide that the Board of Directors may direct that the Company purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company.

The Company does not currently maintain directors' and officers' insurance covering certain liabilities that may be incurred by directors and officers in the performance of their duties.

We have agreed to indemnify the underwriters against liabilities relating to the offering arising under the Securities Act, liabilities arising from breaches of some or all of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

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

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FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

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GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	March 31, 2013	September 30, 2012
CURRENT ASSETS:		
Cash and cash equivalents	$1,413,000	$ 616,000
Preferred stock sale receivable	-	1,500,000
Assets held for sale	-	1,380,000
Receivables, net of allowance for doubtful accounts of $0	134,000	145,000
Prepaid expenses and other	319,000	53,000
Inventories	179,000	159,000
Notes receivable	2,000	5,000
Total current assets	2,047,000	3,858,000
PROPERTY, EQUIPMENT AND CAPITAL LEASES		
Land and building	4,710,000	4,887,000
Leasehold improvements	3,211,000	3,241,000
Fixtures and equipment	7,562,000	7,369,000
	15,483,000	15,497,000
Less accumulated depreciation and amortization	(12,573,000)	(12,415,000)
	2,910,000	3,082,000
OTHER ASSETS:		
Notes receivable, net of current portion	15,000	15,000
Goodwill	96,000	-
Deposits and other assets	15,000	106,000
	126,000	121,000
TOTAL ASSETS	$5,083,000	$ 7,061,000

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations, net of discount of $0 and $7,000, respectively	$41,000	$1,586,000
Accounts payable	610,000	493,000
Deferred income	30,000	75,000
Other accrued liabilities	1,042,000	856,000
Total current liabilities	1,723,000	3,010,000
LONG-TERM LIABILITIES:		
Capital lease obligations due after one year	88,000	102,000
Long-term debt due after one year	29,000	37,000
Deferred and other liabilities	653,000	652,000
Total long-term liabilities	770,000	791,000
STOCKHOLDERS' EQUITY:		
Good Times Restaurants Inc stockholders' equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized, 355,451 issued and outstanding as of March 31, 2013 and September 30, 2012 (liquidation preference $1,500,000)	1,000	1,000

Common stock, $.001 par value; 50,000,000 shares authorized, 2,726,214 shares issued and outstanding as of March 31, 2013 and September 30, 2012	3,000	3,000
Capital contributed in excess of par value	21,558,000	21,510,000
Accumulated deficit	(19,182,000)	(18,457,000)
Total Good Times Restaurants Inc stockholders' equity	2,380,000	3,057,000
Non-controlling interest in partnerships	210,000	203,000
Total stockholders’ equity	2,590,000	3,260,000
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$5,083,000	$7,061,000

See accompanying notes to condensed consolidated financial statements

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GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012
NET REVENUES:				
Restaurant sales	$4,977,000	$4,469,000	$9,698,000	$9,216,000
Franchise royalties	78,000	101,000	173,000	200,000
Total net revenues	5,055,000	4,570,000	9,871,000	9,416,000
RESTAURANT OPERATING COSTS:				
Food and packaging costs	1,753,000	1,551,000	3,354,000	3,213,000
Payroll and other employee benefit costs	1,842,000	1,624,000	3,579,000	3,307,000
Restaurant occupancy and other operating costs	1,062,000	964,000	2,030,000	1,999,000
Depreciation and amortization	167,000	199,000	369,000	406,000
Total restaurant operating costs	4,824,000	4,338,000	9,332,000	8,925,000
General and administrative costs	396,000	352,000	782,000	694,000
Advertising costs	218,000	222,000	428,000	433,000
Franchise costs	16,000	14,000	31,000	28,000
Gain on restaurant asset sale	(74,000)	(6,000)	(80,000)	(21,000)
Loss From Operations	(325,000)	(350,000)	(622,000)	(643,000)
Other Income (Expenses):				
Interest expense, net	(11,000)	(50,000)	(42,000)	(104,000)
Other income (expense)	(1,000)	(1,000)	(2,000)	(12,000)
Unrealized income on interest rate swap	-	5,000	-	12,000
Total other expenses, net	(12,000)	(46,000)	(44,000)	(104,000)
NET LOSS	$(337,000)	$(396,000)	$(666,000)	$(747,000)
Income attributable to non-controlling interests	12,000	1,000	2,000	(16,000)
NET LOSS ATTRIBUTABLE TO GOOD TIMES RESTAURANTS, INC	$(325,000)	$(395,000)	$(664,000)	$(763,000)
Preferred stock dividends	(30,000)	-	(60,000)	-
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$(355,000)	$(395,000)	$(724,000)	$(763,000)
BASIC AND DILUTED LOSS PER SHARE:				
Net loss attributable to Common Shareholders	$(.13)	$(.14)	$(.27)	$(.28)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic and Diluted	2,726,214	2,726,214	2,726,214	2,726,214

See accompanying notes to condensed consolidated financial statements

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GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(666,000)	$(747,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	369,000	406,000
Accretion of deferred rent	19,000	-
Amortization of debt issuance costs	6,000	13,000
Stock based compensation expense	49,000	31,000
Unrealized gain on interest rate swap	-	(12,000)
Recognition of deferred gain on sale of restaurant building	(12,000)	(12,000)
Gain on disposal of property and equipment	(68,000)	(9,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables and other	(32,000)	19,000
Inventories	(20,000)	8,000
Deposits and other	(71,000)	(3,000)
(Decrease) increase in:		
Accounts payable	117,000	(7,000)
Accrued liabilities and deferred income	(22,000)	137,000
Net cash used in operating activities	(331,000)	(176,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of fixed assets	-	305,000
Proceeds from sale leaseback transaction	3,329,000	-
Payments for the purchase of property and equipment	(2,140,000)	(120,000)
Payments received (loans made) to franchisees and to others	3,000	(15,000)
Net cash provided by investing activities	1,192,000	170,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from preferred stock sale	1,499,000	-
Principal payments on notes payable and long-term debt	(1,571,000)	(231,000)
Net distributions paid to non-controlling interests	8,000	(24,000)
Net cash used in financing activities	(64,000)	(255,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	797,000	(261,000)
CASH AND CASH EQUIVALENTS, beginning of period	$616,000	$847,000
CASH AND CASH EQUIVALENTS, end of period	$1,413,000	$586,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$48,000	$92,000

Preferred dividends declared	$60,000	-

See accompanying notes to condensed consolidated financial statements

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GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all of the normal recurring adjustments necessary to present fairly the financial position of the Company as of March 31, 2013 and the results of its operations and its cash flows for the three and six month periods ended March 31, 2013. Operating results for the three and six month periods ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending September 30, 2013. The condensed consolidated balance sheet as of September 30, 2012 is derived from the audited financial statements, but does not include all disclosures required by generally accepted accounting principles. As a result, these condensed consolidated financial statements should be read in conjunction with the Company's Form 10-K for the fiscal year ended September 30, 2012.

Commencing in 2011, the Company began analyzing it operations on a regional basis, when evaluating closed restaurant operations for consideration as to the classification between continuing operations and discontinued operations. During fiscal 2011 and 2012 the Company closed a total of four restaurants. The Company had minimal gains in connection with the sales of each of these restaurants and combined operating losses were approximately $27,000 in fiscal 2012. Prior to 2010 the Company evaluated operations at the restaurant level. In its reevaluation the Company determined that as most of the Company's restaurants are within the Denver metropolitan region and share common advertising, distribution, supervision, and to a certain extent even customers, it would be more appropriate to perform its analysis on a regional basis.

During the six month periods ended March 31, 2013 and 2012 the Company incurred expenses of $2,000 and $12,000, respectively, and has a remaining lease liability of $75,000 as of March 31, 2013, related to a restaurant that was closed prior to 2011 and was previously classified as discontinued operations. Due to the insignificance of the amounts, the Company has reclassified such amounts as other expense in operations and as other liabilities on the condensed consolidated balance sheet.

Reclassification – Certain prior year balances have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the net income or loss.

Note 2. Recent Developments

On April 26, 2013 we filed an S1 Registration Statement with the Securities and Exchange Commission for the sale of units consisting of one share of common stock and one warrant, with each warrant being exercisable for one-half share of common stock.

As previously disclosed in the Company's current report on Form 8-K filed April 15, 2013, on April 9, 2013, we entered into a series of agreements with Bad Daddy's International, LLC, a North Carolina limited liability company ("BDI"), and Bad Daddy's Franchise Development, LLC, a North Carolina limited liability company ("BDFD"), to acquire the exclusive development rights for Bad Daddy's Burger Bar restaurants in Colorado, additional restaurant development rights for Arizona and Kansas, and a 48% voting ownership interest in the franchisor entity, BDFD (collectively, the "Bad Daddy's Transaction").

Additionally, in April 2013, we executed a Subscription Agreement for the purchase of 4,800 Class A Units of BDFD, representing a 48% voting membership interest in BDFD, for the aggregate subscription price of $750,000. The subscription price is payable in two equal installments, the first $375,000 installment was paid on the date of execution of the Subscription Agreement, and the remaining $375,000 installment will be due on or before the six month anniversary of the date of execution of the Subscription Agreement.

On September 28, 2012, we closed on a private placement of 355,451 shares of Series C Convertible Preferred Stock to Small Island Investments Limited ("SII") for an aggregate purchase price of $1,500,000 (or $4.22 per share), pursuant to the terms of the Securities Purchase Agreement between the Company and SII dated June 13, 2012 and supplemented on September 28, 2012 and October 16, 2012 (collectively, the "Purchase Agreement"). SII remains obligated, under the Purchase Agreement, to close on the purchase of an additional 118,483 shares of Series C Convertible Preferred Stock, for the additional aggregate purchase price of $500,000 (or $4.22 per share), on or before March 31, 2013, at such time as the Company's Board of Directors reasonably determines, with 45 days' prior notice to SII, that the Company requires such funds to maintain the minimum stockholders' equity required under NASDAQ Listing Rule 5550(b) for continued listing on The NASDAQ Capital Market. Each share of Series C Convertible Preferred Stock is convertible at the option of the holder into two shares of Common Stock, subject to certain anti-dilution provisions. The shares of Series C Convertible

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Preferred Stock will accrue dividends at the rate of 8.0% per annum of the original issue price of $4.22 per share, with such accrued dividends payable quarterly beginning in February 2013. In the event the Series C Convertible Preferred Stock has not been converted to Common Stock on or before March 28, 2014, thereafter (i) the rate of the accrued dividends shall increase to 15.0% per annum from March 28, 2014 until converted or redeemed by the Company, and (ii) the Company may upon the approval of a majority of the disinterested members of the Board of Directors redeem all or from time to time a portion of the Series C Convertible Preferred Stock by payment of its liquidation preference. The shares of Series C Convertible Preferred Stock also have additional voting rights, restrictions and provisions as disclosed in our Proxy Statement filed on August 10, 2012.

At September 30, 2012 we classified $1,380,000 of net assets as held for sale in the accompanying consolidated balance sheet. The costs were related to a site in Firestone, Colorado which had been fully developed. On November 30, 2012 we completed a sale lease-back transaction on the property. The net sale leaseback proceeds of $1,377,000 were used to reduce the PFGI II term loan by $765,000 and to increase our working capital.

On November 30, 2012 we purchased the real estate underlying an existing restaurant from our landlord for $760,000. In connection with the real estate purchase we entered into a sale leaseback agreement that was completed on January 25, 2013 with net proceeds of $870,000. The net proceeds were used to pay in full the remaining PFGI II term loan of $531,000 and to increase our working capital.

On December 31, 2012 we purchased a restaurant from a franchisee for total consideration of $1,256,000, including the real estate and operating business. We paid $656,000 in cash and issued a short term note of $600,000. We completed a sale leaseback transaction on March 1, 2013 for the real estate with net proceeds of $1,085,000. The net proceeds were used to pay in full the $600,000 short term note and to increase our working capital.

On May 1, 2013 we purchased a restaurant in Castle Rock, Colorado from a franchisee for total consideration of approximately $75,000, including the leasehold improvements, equipment and operating business.

In fiscal 2012 we sold two Company-operated restaurants and two franchise restaurants closed. In December, 2012 two cobranded test restaurants with Taco Johns terminated their franchise agreements and the test is now limited to three franchised restaurants in Wyoming and North Dakota. We continue to evaluate the near term realizable asset value of each restaurant compared to its longer term cash flow value and we may choose to sell, sublease or close a limited number of additional lower performing restaurants in fiscal 2013 as we position the company for growth in new store development and reposition our stores away from trade areas that may have shifted demographically or from our current concept direction. We will require additional capital sources to develop additional company-owned restaurants. We anticipate that the sale of a limited number of lower volume restaurants will improve our average unit sales, operating margins as a percentage of revenue and may provide cash resources for reinvestment into existing restaurants, new restaurant development and to increase our working capital.

Note 3. Stock-Based Compensation

Stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant).

The Company measures the compensation cost associated with share-based payments by estimating the fair value of stock options as of the grant date using the Black-Scholes option pricing model. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options granted during all years presented. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the employees who receive equity awards.

Our net loss for the six months ended March 31, 2013 and March 31, 2012 includes $49,000 and $31,000, respectively, of compensation costs related to our stock-based compensation arrangements.

On January 1, 2013 the Company granted 12,000 non-statutory stock options and 110,421 incentive stock options with exercise prices of $2.31. The per-share weighted average fair value was $1.96 for both the non-statutory stock option grants and incentive stock option grants.

During the six months ended March 31, 2012, we granted 30,000 non-statutory stock options with an exercise price of $1.31 and a per-share weighted average fair value was $1.07.

In addition to the exercise and grant date prices of the awards, certain weighted average assumptions that were used to estimate the fair value of stock option grants are listed in the following table:

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	December 2011 Non-Statutory Stock Options	January 2013 Non-Statutory Stock Options	January 2013 Incentive Stock Options
Expected term (years)	7.5	7.1	6.5
Expected volatility	95.71%	105.96%	110.53%
Risk-free interest rate	1.47%	1.28%	1.13%
Expected dividends	0	0	0

We estimate expected volatility based on historical weekly price changes of our common stock for a period equal to the current expected term of the options. The risk-free interest rate is based on the United States treasury yields in effect at the time of grant corresponding with the expected term of the options. The expected option term is the number of years we estimate that options will be outstanding prior to exercise considering vesting schedules and our historical exercise patterns.

A summary of stock option activity under our share-based compensation plan for the six months ended March 31, 2013 is presented in the following table:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value
Outstanding-beg of year	175,289	$ 6.18		
Granted	122,421	$ 2.31		
Exercised	-			
Forfeited	-			
Expired	(3,857)	$ 8.10		
Outstanding Mar 31, 2013	293,853	$ 4.54	7.5	$ 181,000
Exercisable Mar 31, 2013	130,200	$ 7.65	5.6	$ 53,000

As of March 31, 2013, the total remaining unrecognized compensation cost related to unvested stock-based arrangements was $213,000 and is expected to be recognized over a period of 2.75 years.

There were no stock options exercised during the six months ended March 31, 2013.

Note 4. Comprehensive Income (Loss)

Comprehensive income includes net income or loss, changes in certain assets and liabilities that are reported directly in equity such as adjustments resulting from unrealized gains or losses on held-to-maturity investments and certain hedging transactions. The Company’s comprehensive loss is equal to its net loss.

Note 5. Contingent Liabilities and Liquidity

We remain contingently liable on various leases underlying restaurants that were previously sold to franchisees. We have never experienced any losses related to these contingent lease liabilities, however if a franchisee defaults on the payments under the leases, we would be liable for the lease payments as the assignor or sublessor of the lease. Currently we have not been notified nor are we aware of any leases in default by the franchisees, however there can be no assurance that there will not be in the future which could have a material effect on our future operating results.

Note 6. Related Party Transactions

In April 2012 the Company entered into a financial advisory services agreement with Heathcote Capital LLC pursuant to which they provided the Company with exclusive financial advisory services in connection with a possible strategic transaction. Gary J. Heller, a member of the Company's Board of Directors, is the principal of Heathcote Capital LLC. Accordingly, the agreement constitutes a related party transaction and was reviewed and approved by the Audit Committee of the Company's Board of Directors. Total amounts paid to Heathcote Capital LLC in fiscal 2012 and 2013 were $48,600 and $5,000, respectively, which are deferred and included in other current assets.

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Note 7. Impairment of Long-Lived Assets and Goodwill

Long-Lived Assets

We review our long-lived assets for impairment, including land, property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the capitalized costs of the assets to the future undiscounted net cash flows expected to be generated by the assets and the expected cash flows are based on recent historical cash flows at the restaurant level (the lowest level that cash flows can be determined).

An analysis was performed on a restaurant by restaurant basis at March 31, 2013. Assumptions used in preparing expected cash flows were as follows:

- Sales projections are as follows: Fiscal 2013 sales are projected to increase 6% with respect to fiscal 2012 and for fiscal years 2014 to 2027 we have used annual increases of 2% to 3%. The 6% increase in fiscal 2013 is due to the addition of breakfast sales. We believe the 2% to 3% increase in the fiscal years beyond 2013 is a reasonable expectation of growth and that it would be unreasonable to expect no growth in our sales. These increases include menu price increases in addition to any real growth. Historically our weighted menu prices have increased 1.5% to 6%.

- Our variable and semi-variable restaurant operating costs are projected to increase proportionately with the sales increases as well as increasing an additional 1.5% per year consistent with inflation.

- Our other fixed restaurant operating costs are projected to increase 1.5% to 2% per year.

- Food and packaging costs are projected to decrease approximately .5% as a percentage of sales in relation to our fiscal 2012 food and packaging costs as a result of menu price increases and other menu initiatives.

- Salvage value has been estimated on a restaurant by restaurant basis considering each restaurant's particular equipment package and building size.

Given the results of our impairment analysis at March 31, 2013 there are no restaurants which are impaired as their projected undiscounted cash flows show recoverability of their asset values.

Our impairment analysis included a sensitivity analysis with regard to the cash flow projections that determine the recoverability of each restaurant's assets. The results indicate that even with a 15% decline in our projected cash flows we would still not have any potential impairment issues. However if we elect to sublease, close or otherwise exit a restaurant location impairment could be required.

Each time we conduct an impairment analysis in the future we will compare actual results to our projections and assumptions, and to the extent our actual results do not meet expectations, we will revise our assumptions and this could result in impairment charges being recognized.

All of the judgments and assumptions made in preparing the cash flow projections are consistent with our other financial statement calculations and disclosures. The assumptions used in the cash flow projections are consistent with other forward-looking information prepared by the company, such as those used for internal budgets, discussions with third parties, and/or reporting to management or the board of directors.

Projecting the cash flows for the impairment analysis involves significant estimates with regard to the performance of each restaurant, and it is reasonably possible that the estimates of cash flows may change in the near term resulting in the need to write down operating assets to fair value. If the assets are determined to be impaired, the amount of impairment recognized is the amount by which the carrying amount of the assets exceeds their fair value. Fair value would be determined using forecasted cash flows discounted using an estimated average cost of capital and the impairment charge would be recognized in income from operations.

Goodwill

The Company is required to test goodwill for impairment on an annual basis or whenever indications of impairment arise including, but not limited to, a significant decline in cash flows from store operations. Such tests could result in impairment charges. As of March 31, 2013, the Company had $96,000 of goodwill related to the purchase of a franchise operation on December 31, 2012.

Note 8. Income Taxes

We account for income taxes using the liability method, whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value. The deferred tax assets are reviewed periodically for recoverability, and valuation allowances are adjusted as necessary.

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The Company is subject to taxation in various jurisdictions. The Company continues to remain subject to examination by U.S. federal authorities for the years 2009 through 2012. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Therefore, no reserves for uncertain income tax positions have been recorded. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. No accrual for interest and penalties was considered necessary as of March 31, 2013.

Note 9. Non-controlling Interests

Non-controlling interests are presented as a separate item in the equity section of the condensed consolidated balance sheet. The amount of consolidated net income or loss attributable to non-controlling interests is presented on the face of the condensed consolidated statement of operations. Changes in a parent’s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions, while changes in ownership interest that do result in deconsolidation of a subsidiary require gain or loss recognition in net income based on the fair value on the deconsolidation date.

Note 10. Subsequent Events

On April 26, 2013 we filed an S1 Registration Statement with the Securities and Exchange Commission for the sale of units consisting of one share of common stock and one warrant, with each warrant being exercisable for one-half share of common stock.

As previously disclosed in the Company’s current report on Form 8-K filed April 15, 2013, on April 9, 2013, we entered into a series of agreements with Bad Daddy’s International, LLC, a North Carolina limited liability company (“BDI”), and Bad Daddy’s Franchise Development, LLC, a North Carolina limited liability company (“BDFD”), to acquire the exclusive development rights for Bad Daddy’s Burger Bar restaurants in Colorado, additional restaurant development rights for Arizona and Kansas, and a 48% voting ownership interest in the franchisor entity, BDFD (collectively, the “Bad Daddy’s Transaction”).

Additionally, in April 2013, we executed a Subscription Agreement for the purchase of 4,800 Class A Units of BDFD, representing a 48% voting membership interest in BDFD, for the aggregate subscription price of $750,000. The subscription price is payable in two equal installments, the first $375,000 installment on the date of execution of the Subscription Agreement, and the remaining $375,000 installment on or before the six month anniversary of the date of execution of the Subscription Agreement.

On May 1, 2013 we purchased a restaurant in Castle Rock, Colorado from a franchisee for total consideration of approximately $75,000, including the leasehold improvements, equipment and operating business.

Note 11. Recent Accounting Pronouncements

There are no current pronouncements that affect the Company.

Note 12. Stock Transactions

None.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Good Times Restaurants, Inc.

We have audited the accompanying consolidated balance sheets of Good Times Restaurants, Inc. and subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity, 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 financial statement presentation. 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 Good Times Restaurants, Inc. and subsidiaries as of September 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Hein & Associates LLP

/s/ Hein & Associates LLP

Denver, Colorado

December 28, 2012

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Good Times Restaurants Inc. and Subsidiary
Consolidated Balance Sheets

	September 30, 2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$616,000	$847,000
Preferred stock sale receivable	$1,500,000	-
Assets held for sale	1,380,000	-
Receivables, net of allowance for doubtful accounts of $0	145,000	106,000
Prepaid expenses and other	53,000	47,000
Inventories	159,000	191,000
Notes receivable	5,000	5,000
Total current assets	3,858,000	1,196,000
PROPERTY AND EQUIPMENT		
Land and building	4,887,000	6,969,000
Leasehold improvements	3,241,000	3,617,000
Fixtures and equipment	7,369,000	7,669,000
	15,497,000	18,255,000
Less accumulated depreciation and amortization	(12,415,000)	(12,533,000)
	3,082,000	5,722,000
OTHER ASSETS:		
Notes receivable, net of current portion	15,000	10,000
Deposits and other assets	106,000	71,000
	121,000	81,000
TOTAL ASSETS	$7,061,000	$6,999,000

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations, net of discount of $7,000 and $26,000, respectively	$1,586,000	$195,000
Accounts payable	493,000	496,000
Deferred income	75,000	101,000
Other accrued liabilities	856,000	892,000
Total current liabilities	3,010,000	1,684,000
LONG-TERM LIABILITIES:		
Debt and capital lease obligations, net of current portion and net of discount of $0 and $7,000, respectively	139,000	2,067,000
Deferred and other liabilities	652,000	728,000
Total long-term liabilities	791,000	2,795,000
COMMITMENTS AND CONTINGENCIES (Notes 5 and 7)		
STOCKHOLDERS' EQUITY:		
Good Times Restaurants Inc stockholders' equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized, 355,451 and 0 issued and outstanding as of September 30, 2012 and 2011, respectively (liquidation preference $1,500,000)	1,000	-
Common stock, $.001 par value;	3,000	3,000

50,000,000 shares authorized, 2,726,214 as of September 30, 2012 and 2011 shares issued and outstanding		
Capital contributed in excess of par value	21,510,000	19,982,000
Accumulated deficit	(18,457,000)	(17,680,000)
Total Good Times Restaurants Inc stockholders' equity	3,057,000	2,305,000
Non-controlling interest in partnerships	203,000	215,000
Total stockholders’ equity	3,260,000	2,520,000
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$7,061,000	$6,999,000

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Good Times Restaurants Inc. and Subsidiary
Consolidated Statements of Operations

	FOR THE YEARS ENDED September 30, 2012	2011
NET REVENUES:		
Restaurant sales	$ 19,274,000	$ 20,183,000
Area development and franchise fees	18,000	1,000
Franchise royalties	414,000	419,000
Total net revenues	19,706,000	20,603,000
RESTAURANT OPERATING COSTS:		
Food and packaging costs	6,592,000	7,241,000
Payroll and other employee benefit costs	6,691,000	7,043,000
Restaurant occupancy costs	2,999,000	3,220,000
Other restaurant operating costs	940,000	952,000
Depreciation and amortization	795,000	888,000
Total restaurant operating costs	18,017,000	19,344,000
General and administrative costs	1,358,000	1,281,000
Advertising costs	796,000	757,000
Franchise costs	60,000	70,000
Gain on restaurant asset sale	(51,000)	(184,000)
LOSS FROM OPERATIONS	(474,000)	(665,000)
OTHER INCOME (EXPENSES):		
Interest income	4,000	1,000
Interest expense	(203,000)	(280,000)
Other income (expense)	(15,000)	22,000
Unrealized income on interest rate swap	20,000	27,000
Total other expenses, net	(194,000)	(230,000)
NET LOSS	$ (668,000)	$ (895,000)
Income attributable to non-controlling interests	(109,000)	(118,000)
NET LOSS ATTRIBUTABLE TO GOOD TIMES RESTAURANTS, INC	$ (777,000)	$ (1,013,000)
BASIC AND DILUTED LOSS PER SHARE:		
Net loss attributable to Good Times Restaurants, Inc	$ (.29)	$ (.42)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and Diluted	2,726,214	2,440,860

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Good Times Restaurants Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
For the period from October 1, 2010 through September 30, 2012

	Preferred Stock		Common Stock				
	Issued Shares	Par Value	Issued Shares (1)	Par Value (1)	Capital Contributed in Excess of Par Value (1)	Non-controlling interest in Partnerships	Accumulated Deficit
BALANCES, October 1, 2010	-	$0	1,299,520	$1,000	$18,156,000	$274,000	$(16,737,000)
Stock option compensation cost					61,000		
Stock issued			1,426,695	2,000	1,765,000		
Non-controlling interest in Partnerships						(59,000)	70,000
Net Loss and comprehensive loss							(1,013,000)
BALANCES, September 30, 2011	-	$0	2,726,214	$3,000	$19,982,000	$215,000	$(17,680,000)
Stock issued	355,451	-			1,460,000		
Stock option compensation cost					69,000		
Non-controlling interest in Partnerships						(12,000)	
Net Loss and comprehensive loss							(777,000)
BALANCES, September 30, 2012	355,451	$1,000	2,726,214	$3,000	$21,510,000	$203,000	$(18,457,000)

(1) Adjusted to effect a 1 for 3 reverse stock split on December 31, 2010

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Good Times Restaurants Inc. and Subsidiary
Consolidated Statements of Cash Flows

	FOR THE YEARS ENDED September 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (668,000)	$ (895,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	795,000	888,000
Amortization of debt issuance costs	26,000	48,000
Accretion of deferred rent	(38,000)	(62,000)
Write off of note receivable	-	4,000
Gain on disposal of property, restaurants and equipment	(51,000)	(184,000)
Stock option compensation cost	69,000	61,000
Unrealized income on interest rate swap agreement	(20,000)	(27,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Other receivables	(47,000)	51,000
Inventories	32,000	10,000
Prepaid expenses and other	(6,000)	(9,000)
Deposits and other assets	(63,000)	(43,000)
(Decrease) increase in:		
Accounts payable	(11,000)	(220,000)
Accrued and other liabilities	(40,000)	(161,000)
Net cash used in operating activities	(22,000)	(539,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of property and equipment	(314,000)	(189,000)
Proceeds from the sale of assets	913,000	1,143,000
Loans made to franchisees and to others	(16,000)	-
Payments received on loans to franchisees and to others	11,000	-
Net cash provided by investing activities	594,000	954,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable, capital leases, and long-term debt	(650,000)	(1,617,000)
Proceeds (costs) from stock sale	(32,000)	1,727,000
Distributions to minority interest partner	(121,000)	(107,000)
Net cash provided by (used in) financing activities	(803,000)	3,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(231,000)	418,000
CASH AND CASH EQUIVALENTS, beginning of year	847,000	429,000
CASH AND CASH EQUIVALENTS, end of year	$ 616,000	$ 847,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 171,000	$ 240,000
Purchase of equipment with debt and capital leases	$ 87,000	$ 124,000

Receivable from sale of preferred stock	$ 1,500,000	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies (policies):

Organization – Good Times Restaurants Inc. (Good Times or the Company) is a Nevada corporation. The Company operates through its wholly owned subsidiary Good Times Drive Thru Inc. (Drive Thru).

Drive Thru commenced operations in 1986 and, as of September 30, 2012, operates twenty four company-owned and joint venture drive-thru fast food hamburger restaurants. The Company's restaurants are located in Colorado. In addition, Drive Thru has seventeen franchises, fourteen operating in Colorado, two in Wyoming and one in North Dakota, and is offering franchises for development of additional Drive Thru restaurants.

We follow accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "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.

Principles of Consolidation – The consolidated financial statements include the accounts of Good Times, its subsidiary and one limited partnership, in which the Company exercises control as general partner. The Company owns an approximate 51% interest in the limited partnership, is the sole general partner and receives a management fee prior to any distributions to the limited partner. Because the Company owns an approximate 51% interest in the partnership and exercises complete management control over all decisions for the partnership, except for certain veto rights, the financial statements of the partnership are consolidated into the Company's financial statements. The equity interest of the unrelated limited partner is shown on the accompanying consolidated balance sheet in the stockholders' equity section as a non-controlling interest and is adjusted each period to reflect the limited partner's share of the net income or loss as well as any cash distributions to the limited partner for the period. The limited partner's share of the net income or loss in the partnership is shown as non-controlling interest income or expense in the accompanying consolidated statement of operations. All inter-company accounts and transactions are eliminated.

Basis of Presentation– The Company analyzes its operations on a regional basis, when evaluating closed restaurant operations for consideration as to the classification between continuing operations and discontinued operations. As most of the Company's restaurants are within the Denver metropolitan region and share common advertising, distribution, supervision, and to a certain extent even customers, the Company believes it appropriate to perform its analysis on a regional basis. During 2011 the Company closed two restaurants and in 2012, the Company has closed an additional two restaurants. The operations related to these restaurants are reflected as part of continuing operations as they were within one continuing operating region. The Company had minimal gains in connection with the sales of each of these restaurants and their combined operating losses were approximately $275,000 in 2011 and $158,000 in 2012.

Accounting Estimates – The preparation of consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Reclassification – Certain prior year balances have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the net income or loss.

During the years ended September 30, 2012 and 2011 the Company incurred expenses of $15,000 and income of $22,000, respectively, and has a remaining lease liability of $82,000 as of September 30, 2012, related to a restaurant that was closed prior to 2011 and was previously classified as discontinued operations. Due to the insignificance of the amounts, the Company has reclassified such amounts as other expense in operations and as other liabilities on the condensed consolidated balance sheet.

Cash and Cash Equivalents – The Company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable include uncollateralized receivables from our franchisees and our advertising fund, due in the normal course of business, generally requiring payment within thirty days of the invoice date. On a periodic basis the Company monitors all accounts for delinquency and provides for estimated losses of uncollectible accounts. Currently and historically there have been no allowances for unrecoverable accounts receivable.

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Inventories – Inventories are stated at the lower of cost or market, determined by the first-in first-out method, and consist of restaurant food items and related packaging supplies.

Property and Equipment – Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets, generally three to eight years. Property and equipment under capital leases are stated at the present value of minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the term of the lease or the estimated useful life of the asset.

Maintenance and repairs are charged to expense as incurred, and expenditures for major improvements are capitalized. When assets are retired, or otherwise disposed of, the property accounts are relieved of costs and accumulated depreciation with any resulting gain or loss credited or charged to income.

At September 30, 2012 we classified $1,380,000 as assets held for sale in the accompanying consolidated balance sheet. These costs are related to a site in Firestone, Colorado which has been fully developed. Subsequent to September 30, 2012 we completed a sale lease-back transaction on the property. The $1,380,000 represents the fair market value of the assets. A charge of $61,000 is included in the accompanying consolidated statement of operations to adjust the assets to their fair market value. The net proceeds of $1,380,000 were used to pay down the PFGI II, LLC note payable by $765,000 and to purchase the real estate underlying an existing company-owned restaurant in Wheat Ridge, Colorado.

Impairment of Long-Lived Assets – We review our long-lived assets including land, property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the capitalized costs of the assets to the future undiscounted net cash flows expected to be generated by the assets and the expected cash flows are based on recent historical cash flows at the restaurant level

An analysis was performed for impairment at September 30, 2012 and given the results of our analysis there were no restaurants which are impaired.

Sales of Restaurants and Restaurant Equity Interests – Sales of restaurants or non-controlling equity interests in restaurants developed by the Company are recorded under either the full accrual method or the installment method of accounting. Under the full accrual method, a gain is not recognized until the collectability of the sales price is reasonably assured and the earnings process is virtually complete without further contingencies. When a sale does not meet the requirements for income recognition, the related gain is deferred until those requirements are met. Under the installment method, the gain is incrementally recognized as principal payments on the related notes receivable are collected. If the initial payment is less than specified percentages, use of the installment method is followed.

The Company accounts for the sale of restaurants when the risks and other incidents of ownership have been transferred to the buyer. Specifically, a) no continuing involvement by the Company exists in restaurants that are sold, b) sales contracts and related income recognition are not dependant on the future successful operations of the sold restaurants, and c) the Company is not involved as a guarantor on the purchasers' debts.

Deferred Liabilities – Rent expense is reflected on a straight-line basis over the term of the lease for all leases containing step-ups in base rent. An obligation representing future payments (which totaled $283,000 as of September 30, 2012) is reflected in the accompanying consolidated balance sheet as a deferred liability. Also included in the $652,000 deferred and other liabilities balance is a $282,000 deferred gain on the sale of the building and improvements of one Company-owned restaurant in a sale leaseback transaction. The building and improvements were subsequently leased back from the third party purchaser. The gain will be recognized in future periods in proportion to the rents paid on the twenty year lease.

Opening Costs – Restaurant opening costs are expensed as incurred.

Advertising – The Company incurs advertising expenses in connection with the marketing of its restaurant operations. Advertising costs are expensed when the related advertising begins.

Franchise and Area Development Fees – Individual franchise fee revenue is deferred when received and is recognized as income when the Company has substantially performed all of its obligations under the franchise agreement and the franchisee has commenced operations. The Company's commitments and obligations pursuant to the franchise agreements consist of a) development assistance; including site selection, building specifications and equipment purchasing and b) operating assistance; including training of personnel and preparation and distribution of manuals and operating materials. All of these obligations are effectively complete upon the opening of the restaurant at which time the franchise fee and the portion of any development fee allocable to that restaurant is recognized. There are no additional material commitments or obligations.

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The Company has not recognized any franchise fees that have not been collected. The Company segregates initial franchise fees from other franchise revenue in the statement of operations. Revenues and costs related to company-owned restaurants are segregated from revenues and costs related to franchised restaurants in the statement of operations.

Continuing royalties from franchisees, which are a percentage of the gross sales of franchised operations, are recognized as income when earned. Franchise development expenses, which consist primarily of legal costs and restaurant opening expenses associated with developing and opening franchise restaurants, are expensed against the related franchise fee income.

Income Taxes – We account for income taxes under the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value. The deferred tax assets are reviewed periodically for recoverability, and valuation allowances are adjusted as necessary. We believe it is more likely than not that the recorded deferred tax assets will be realized.

The Company is subject to taxation in various jurisdictions. The Company continues to remain subject to examination by U.S. federal authorities for the years 2009 through 2012. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Therefore, no reserves for uncertain income tax positions have been recorded. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. No accrual for interest and penalties was considered necessary as of September 30, 2012.

Net Income (Loss) Per Common Share – Basic Earnings per Share is calculated by dividing the income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Options for 175,289 and 166,022 shares of common stock, and warrants for 70,871 and 101,704 shares of common stock, were not included in computing diluted EPS for 2012 and 2011, respectively, because their effects were anti-dilutive.

Financial Instruments and Concentrations of Credit Risk – Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly effected by changes in economic or other conditions. Financial instruments with off-balance-sheet risk to the Company include lease liabilities whereby the Company is contingently liable as a guarantor of certain leases that were assigned to third parties in connection with various sales of restaurants to franchisees (see Note 5).

Financial instruments potentially subjecting the Company to concentrations of credit risk consist principally of receivables. At September 30, 2012 notes receivable totaled $20,000 and are due from two entities. The Company has a $1,500,000 current receivable related to the preferred stock sale that occurred on September 28, 2012. The full $1,500,000 was received on October 1, 2012. Additionally, the Company has other current receivables totaling $145,000, which includes $64,000 of franchise receivables and $63,000 for a receivable from the advertising cooperative fund, which are all due in the normal course of business.

The Company purchases 100% of its restaurant food and paper from one vendor. The Company believes a sufficient number of other suppliers exist from which food and paper could be purchased to prevent any long-term, adverse consequences.

The Company operates in one industry segment, restaurants. A geographic concentration exists because the Company's customers are generally located in the State of Colorado.

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Comprehensive Income (Loss) – Comprehensive income includes net income or loss, changes in certain assets and liabilities that are reported directly in equity such as adjustments resulting from unrealized gains or losses on held-to-maturity investments and certain hedging transactions.

In May 2007, the Company entered into an interest rate swap agreement, designated as a cash flow hedge, which hedges the Company's exposure to interest rate fluctuations on the Company's floating rate $1,100,000 term loan. In fiscal 2008 the Company recorded the fair value of these contracts in the balance sheet, with the offset to other comprehensive loss. In fiscal 2009 through fiscal 2012 the fair value has been recognized in current earnings, as the cash flow hedge has been de-designated. The contract requires monthly settlements of the difference between the amounts to be received and paid under the agreement, the amount of which is recognized in current earnings as interest expense. See Note 3 for additional information.

Stock-Based Compensation – Stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). See Note 9 for additional information.

Variable Interest Entities – Once an entity is determined to be a variable interest entity (VIE), the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. The Company has two franchisees with notes payable to the Company. This franchisees are VIE's, however, the franchisees are the primary beneficiary of the entities, not the Company. Therefore they are not required to be consolidated.

Fair Value of Financial Instruments –Fair value, is defined under a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. See Note 8 for additional information. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs.

The following three levels of inputs may be used to measure fair value and requires that the assets or liabilities carried at fair value are disclosed by the input level under which they were valued.

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

Level 2: Observable inputs other than defined in Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are not corroborated by observable market data.

Non-controlling Interests

Non-controlling interests are presented as a separate item in the equity section of the consolidated balance sheet. The amount of consolidated net income or loss attributable to the non-controlling interests are clearly presented on the face of the consolidated income statement.

Recent Accounting Pronouncements – There are no current pronouncements that affect the Company.

2. Liquidity:

As of September 30, 2012, we had $616,000 in cash and cash equivalents on hand. We currently plan to use the cash balance and the $1,500,000 proceeds of the preferred stock sale funded on October 1, 2012, along with any cash generated from operations, for our working capital needs in fiscal 2013. We believe that we will have sufficient capital to meet our working capital, long term debt obligations and recurring capital expenditure needs in fiscal 2013. Additionally, we may sell or sublease select underperforming company operated restaurants if we believe the realizable asset value is greater than the long term cash flow value or if the asset does not fit our longer term distribution and location of restaurants.

As of September 30, 2012, we had a working capital excess of $847,000. Because restaurant sales are collected in cash and accounts payable for food and paper products are paid two to four weeks later, restaurant companies often operate with working capital deficits. We anticipate that working capital deficits will be incurred in the future and may increase as new Good Times restaurants are opened.

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3. Debt and Capital Leases:

Note payable with PFGI II, LLC with monthly payments of principal and interest (8.65%, with a 25 year amortization) and a balloon payment of all unpaid principal due on January 31, 2013. The loan is collateralized by one Real Property Deed of Trust, three Leasehold Deeds of Trust and Security Agreements and Assignment of Rents and Fixture Filings and two Security Agreements and Assignment of Rents and Fixture Filings related to those five corporate restaurants. The promissory note constitutes a line of credit which may be repaid but not re-advanced, at any time. This note was reduced by $765,000 on November 30, 2012.	$1,319,000
Note payable with Wells Fargo Bank, NA with scheduled payments of principal and interest (prime rate less .5%) due monthly, and the final payment due in January 2014. The loan is collateralized by Security Agreements related to the furniture, fixtures and equipment of the eight corporate restaurants. This note was repaid in full on October 2, 2012.	232,000
Capital signage leases with Yesco, LLC with payments of principal and interest (8%) due monthly.	129,000
Notes payable with Ally Financial with payments of principal and interest (1.9% to 3.9%) due monthly. The loans are secured by vehicles.	52,000
Unamortized note discount related to warrants issued in connection with the above note payable with PFGI II, LLC.	(7,000)
	1,725,000
Less current portion	(1,586,000)
Long term portion	$139,000

In conjunction with the Wells Fargo Bank term loan, the Company entered into a variable to fixed interest rate swap agreement with Wells Fargo Bank effective May 9, 2007, with a notional amount of $1,100,000, a pay rate of 7.77% and a receive rate based on the bank prime rate less .50%. The swap agreement has an eight-year term and has the effect of normalizing the effective interest rate at 7.77%. As of September 30, 2012, the fair value of the contract was a liability of $7,000. The liability has been recorded in other accrued liabilities.

As of September 30, 2012, principal payments on debt become due as follows:

Years Ending September 30,	
2013	$ 1,586,000
2014	45,000
2015	46,000
2016	37,000
2017	11,000
	$ 1,725,000

4. Other Accrued Liabilities:

Other accrued liabilities consist of the following at September 30, 2012:

Wages and other employee benefits	$270,000

Taxes, other than income tax	436,000
Other	150,000
Total	$856,000

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5. Commitments and Contingencies:

The Company's office space, and the land and buildings related to the Drive Thru restaurant facilities are classified as operating leases and expire over the next 13 years. Some leases contain escalation clauses over the lives of the leases. Most of the leases contain one to three five-year renewal options at the end of the initial term. Certain leases include provisions for additional contingent rent payments if sales volumes exceed specified levels. The Company paid no material contingent rentals during fiscal 2012 and 2011.

Following is a summary of operating lease activities:

	Year Ended September 30, 2012
Minimum rentals	$ 1,993,000
Less sublease rentals	(405,000)
Net rent paid	$ 1,588,000

As of September 30, 2012, future minimum rental commitments required under the Company's operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

Years Ending September 30	
2013	$ 1,903,000
2014	1,699,000
2015	1,301,000
2016	1,131,000
2017	1,132,000
Thereafter	4,325,000
	11,491,000
Less sublease rentals	(2,877,000)
	$ 8,614,000

The Company is contingently liable on the sublease rentals disclosed above. The subleased and assigned leases expire between 2015 and 2024. In the past the Company has never been required to pay any significant amount in connection with its guarantees and currently we have not been notified nor are we aware of any leases in default by the franchisees, however there can be no assurance that there will not be such defaults in the future which could have a material effect on our future operating results.

6. Income Taxes:

Deferred tax assets (liabilities) are comprised of the following at September 30:

	2012		2011	
	Current	Long Term	Current	Long Term
Deferred assets (liabilities):				
Tax effect of net operating loss carry-forward (includes $13,000 of charitable carry-forward)	$ –	$ 2,666,000	$ –	$ 3,128,000

Partnership basis difference	–	148,000	–	147,000
Deferred revenue	–	117,000	–	126,000
Property and equipment basis differences	–	387,000	–	339,000
Other accrued liability difference	68,000	57,000	63,000	43,000
Net deferred tax assets	68,000	3,375,000	63,000	3,783,000
Less valuation allowance*	(68,000)	(3,375,000)	(63,000)	(3,783,000)
Net deferred tax assets	$ –	$ –	$ –	$ –

* The valuation allowance decreased by $403,000 during the year ended September 30, 2012.

The Company has net operating loss carry-forwards available for future periods, as discussed below, of approximately $777,000 for 2012 and $3,200,000 from 2011 and prior for income tax purposes which expire from 2013 through 2032. Based on the change in control, which occurred in 2011, the utilization of the loss carry-forwards incurred for periods prior to 2012 is limited to approximately $160,000 per year.

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Total income tax expense for the years ended 2012 and 2011 differed from the amounts computed by applying the U.S. Federal statutory tax rates to pre-tax income as follows:

	2012	2011
Total expense (benefit) computed by applying the U.S. Statutory rate (35%)	$(272,000)	$(355,000)
State income tax, net of federal tax benefit	(23,000)	(31,000)
Effect of change in valuation allowance	(403,000)	49,000
Permanent differences	13,000	22,000
Expiration of net operating loss carry-forward	680,000	312,000
Other	5,000	3,000
Provision for income taxes	$–	$–

7. Related Parties:

The Erie County Investment Company (owner of 99% of The Bailey Company) is a holder of our common stock and has certain contractual rights to elect members of the Company's Board of Directors under the Series B Convertible Preferred Stock Agreements entered into in February, 2005 and modified under the Series C Convertible Preferred Stock agreement entered into in June 2012.

The Company leases office space from The Bailey Company under a lease agreement which expires in December 2012, we anticipate extending the lease beyond 2012. Rent paid to them in fiscal 2012 and 2011 for office space was $58,000 and $55,000, respectively.

The Bailey Company was the owner of one franchised Good Times Drive Thru restaurant which is located in Loveland, Colorado. The Company purchased this restaurant in August 2012 for a purchase price of approximately $100,000. The Bailey Company had entered into a franchise and management agreement with us. Franchise royalties and management fees paid under that agreement totaled approximately $44,000 and $53,000 for the fiscal years ending September 30, 2012 and 2011, respectively. Amounts due from The Bailey Company related to the agreement at September 30, 2012 and 2011 were $0 and $16,000, respectively.

In April 2012 the Company entered into a financial advisory services agreement with Heathcote Capital LLC pursuant to which they will provide the Company with exclusive financial advisory services in connection with a possible strategic transaction. Gary J. Heller, a member of the Company's Board of Directors, is the principal of Heathcote Capital LLC. Accordingly, the agreement constitutes a related party transaction and was reviewed and approved by the Audit Committee of the Company's Board of Directors. Total amounts paid to Heathcote Capital LLC in fiscal 2012 were $48,600, which are deferred and included in other assets.

8. Fair Value of Financial Instruments:

The following table summarizes financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2012:

Level 2:

Interest Rate Swap liability:

Balance at September 30, 2011	$57,000

Balance at September 30, 2012	$7,000
Net change	$50,000

The unrealized gains for the years ending September 30, 2012 and September 30, 2011 of $20,000 and $27,000, respectively, are reported in the Consolidated Statement of Operations. In conjunction with the amendment to the Wells Fargo Bank note in December 2011 we paid down the interest rate swap liability by $30,000. There were no transfers in or out of Level 3 for the year ending September 30, 2012.

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9. Stockholders' Equity:

Preferred Stock – The Company has the authority to issue 5,000,000 shares of preferred stock. The Board of Directors has the authority to issue such preferred shares in series and determine the rights and preferences of the shares as may be determined by the Board of Directors.

In June 2012 the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Small Island Investments Limited ("SII"), pursuant to which the Company agreed to sell 473,934 shares of a new series of the Company's preferred stock to be designated as "Series C Convertible Preferred Stock", at a purchase price of $4.22 per share, or an aggregate purchase price of $2,000,000. Pursuant to the Purchase Agreement, the closing of the Investment Transaction was subject to the receipt of stockholder approval. Stockholder approval was obtained at the Annual Meeting of Stockholders held September 14, 2012.

On September 28, 2012, the Company completed the sale and issuance of 355,451 shares of the Series C Preferred Stock to SII, for an aggregate purchase price of $1,500,000. The Company has entered into a Supplemental Agreement with SII which provides that SII will purchase the remaining Shares of Series C Preferred Stock under the Purchase Agreement in a second closing to occur on or before March 31, 2013 at such time as the Company's Board of Directors reasonably determines, with 45 days' prior notice to SII, that the Company requires such funds to maintain the minimum stockholders' equity required under NASDAQ Listing Rules on the NASDAQ Capital Market.

Following are the rights, preferences, and privileges of the Shares:

- Following the closing of the Investment Transaction, dividends shall accrue on shares of Series C Convertible Preferred Stock at the rate of 8.0% per annum of the original issue price of $4.22 per share, with such dividends payable quarterly. The dividends on shares of Series C Convertible Preferred Stock shall be payable prior and in preference to any dividends on the Company's Common Stock. In the event the Series C Convertible Preferred Stock has not been converted to Common Stock within 18 months following the closing of the Investment Transaction, thereafter (i) the rate of the dividends shall increase to 15.0% per annum from the date that is 18 months after the closing of the Investment Transaction until converted or redeemed by the Company, and (ii) the Company may upon the approval of a majority of the disinterested members of the Board redeem all or from time to time a portion of the Series C Convertible Preferred Stock by payment of its liquidation preference.

- In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, or a transaction which is deemed to be a liquidation pursuant to the Certificate of Designations, holders of Series C Convertible Preferred Stock shall be entitled to receive a preference payment equal to the original issue price of $4.22 per share, plus any accrued but unpaid dividends, before any assets of the Company are distributed to holders of the Company's Common Stock.

- Shares of Series C Convertible Preferred Stock shall vote together with the Common Stock on an as-if-converted basis. In addition, shares of Series C Convertible Preferred Stock shall have the right to vote, as a separate class, on certain major corporate transactions for which the approval of the holders of a majority of the outstanding shares of Series C Convertible Preferred Stock is required.

- Shares of Series C Convertible Preferred Stock shall be convertible into shares of Common Stock at any time at the option of the holder, at a conversion ratio shall be two shares of Common Stock for each share of Series C Convertible Preferred Stock converted (subject to adjustment in the event of any stock split, combination, reorganization, or reclassification of the Common Stock.)

The Company may require the conversion of all outstanding shares of Series C Convertible Preferred Stock into shares of Common Stock at the above conversion ratio at any time after 36 months following the closing of the Investment Transaction provided that the public trading price and the trading volume of the Common Stock meet certain criteria. In addition, the Series C Convertible Preferred Stock shall automatically convert to Common Stock upon a qualified public offering of the Company's Common Stock provided that the size and price of such public offering or a sale of all or substantially of the Company's assets meet certain criteria.

The proceeds from the First Closing received on October 1, 2012 were used to pay approximately $40,000 of expenses related to the transaction, repay $225,000 to Wells Fargo Bank and the balance going to increase the Company's working capital.

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Common Stock Transactions - In October 2010, the Company and SII entered into a purchase agreement, pursuant to which the Company agreed to sell 1,400,000 Shares of Common Stock at a purchase price of $1.50 per share, or $2,100,000. Subsequently the Company and SII also entered into a Registration Rights Agreement, pursuant to which the Company granted SII certain registration rights with respect to resale of the Shares. As a result of the completion of the SII Investment Transaction, SII became the beneficial owner of approximately 51.4 percent of the Company's outstanding Common Stock.

The purchase agreement provided that for so long as SII holds more than 50 percent of our outstanding common stock, (i) our Board of Directors shall consist of seven members, and (ii) SII will have the right to designate four members of our Board. In addition, the purchase agreement provided that for a period of three years following the Closing, as long as SII continues to own at least 80 percent of its Common Stock acquired, SII will have a right of first refusal to purchase additional securities which are offered and sold by the Company for the purpose of maintaining its percentage interest in the Company.

On December 13, 2010 the company received Board of Directors and Shareholder approval to effect a one-for-three reverse stock split of its Common Stock no later than December 31, 2010. Immediately prior to the reverse stock split the company had 8,177,989 of Common Stock outstanding and immediately following the reverse split the outstanding shares were approximately 2,725,996 (subsequently 218 shares have been issued for rounding of fractional shares resulting from the reverse split). All disclosures and amounts included herein have been retroactively restated to reflect the reverse split.

Common Stock Dividend Restrictions – As long as at least two-thirds of the shares of common stock into which the Series B Preferred Stock was converted remains held by the former holders of such converted Series B Preferred Stock, without the written consent or affirmative vote of the holders of three-quarters of the then outstanding votes of the shares of the Series B Preferred Stock and the shares of the common stock, the Company cannot institute any payment of cash dividends or other distributions on any shares of common stock.

Stock Option Plans – The Company has an Omnibus Equity Incentive Compensation Plan (the "2008 Plan"), approved by shareholders in fiscal 2008, which is the successor equity compensation plan to the Company's 2001 Stock Option Plan (the "2001 Plan"). Pursuant to stockholder approval in September 2012 the total number of shares available for issuance under the 2008 Plan was increased to 500,000. As of September 30, 2012, 324,711 shares were available for future grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and stock-based awards.

The 2008 Plan serves as the successor to our 2001 Plan, as amended (the "Predecessor Plan"), and no further awards shall be made under the Predecessor Plan from and after the effective date of the 2008 Plan. All outstanding awards under the Predecessor Plan immediately prior to the effective date of the 2008 Plan shall be incorporated into the 2008 Plan and shall accordingly be treated as awards under the 2008 Plan. However, each such award shall continue to be governed solely by the terms and conditions of the instrument evidencing such grant or issuance, and, except as otherwise expressly provided in the 2008 Plan or by the Committee that administers the 2008 Plan, no provision of the 2008 Plan shall affect or otherwise modify the rights or obligations of holders of such incorporated awards.

Stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant).

The Company measures the compensation cost associated with share-based payments by estimating the fair value of stock options as of the grant date using the Black-Scholes option pricing model. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options granted during fiscal 2012 and 2011. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the employees who receive equity awards.

Net loss for the fiscal years ended September 30, 2012 and 2011 includes $69,000 and $61,000, respectively, of compensation costs related to our stock-based compensation arrangements.

During the fiscal year ended September 30, 2012, the Company granted a total of 34,000 non-statutory stock options with exercise prices ranging from $1.31 to $2.12 and per-share weighted average fair values ranging from $1.07 to $1.79.

During the fiscal year ended September 30, 2011, the Company granted 4,000 non-statutory stock options and 53,233 incentive stock options with exercise prices of $1.56. The per-share weighted average fair value was $1.26 for both the non-statutory stock option grants and incentive stock option grants.

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In addition to the exercise and grant date prices of the awards, certain weighted average assumptions that were used to estimate the fair value of stock option grants are listed in the following table:

	Fiscal 2012 Non-Statutory Stock Options	Fiscal 2011 Incentive Stock Options	Fiscal 2011 Non-Statutory Stock Options
Expected term (years)	7.1 to 7.5	6.5	6.7
Expected volatility	95.71 % to 104.8%	98.5%	97.4%
Risk-free interest rate	1.13% to 1.47%	2.46%	2.52%
Expected dividends	0	0	0

We estimate expected volatility based on historical weekly price changes of our common stock for a period equal to the current expected term of the options. The risk-free interest rate is based on the United States treasury yields in effect at the time of grant corresponding with the expected term of the options. The expected option term is the number of years we estimate that options will be outstanding prior to exercise considering vesting schedules and our historical exercise patterns.

A summary of stock option activity under our share-based compensation plan for the fiscal year ended September 30, 2012 is presented in the following table:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value
Outstanding-beg of year	166,022	$6.89		
Granted	34,000	$1.37		
Exercised	0			
Forfeited	(5,667)	$1.34		
Expired	(19,066)	$5.25		
Outstanding Sept 30, 2012	175,289	$6.18	6.3	$0
Exercisable Sept 30, 2012	112,418	$8.60	5.3	$0

As of September 30, 2012, the total remaining unrecognized compensation cost related to unvested stock-based arrangements was $23,000 and is expected to be recognized over a weighted average period of 1.21 years.

There was no intrinsic value of stock options exercised during the fiscal year ended September 30, 2012 as no options were exercised.

Warrants - In connection with a prior loan agreement, the Company issued a three-year warrant to purchase up to 37,537 shares of the Company's common stock at an exercise price of $3.33 per share through December 31, 2012. The fair value of the warrant issued to PFGI II, LLC (see Note 3 above) was determined to be $79,000 with the following assumptions; 1) risk free interest rate of 1.7%, 2) an expected life of 3 years, and 3) an expected dividend yield of zero. The fair value of $79,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount is being amortized over the term of thirty six months and charged to interest expense.

In connection with certain other loans, the Company issued warrants to purchase 33,334 shares of the Company's Common Stock at an exercise price of 25% less than the average price of the Company's common stock during the 20 days prior to the exercise date, provided, however, that the exercise price shall not be below $2.25 per share nor above

$3.24 per share. The warrants expired on December 12, 2012.

Non-controlling Interest - Drive Thru is currently the general partner of one limited partnership that was formed to develop Drive Thru restaurants and Drive Thru sold their limited partner interest in one restaurant in June 2010. Limited partner contributions have been used to construct new restaurants. Drive Thru, as a general partner, generally receives an allocation of approximately 51% of the profit and losses and a fee for its management services. The equity interest of the unrelated limited partner is shown on the accompanying consolidated balance sheet in the stockholders' equity section as a non-controlling interest and is adjusted each period to reflect the limited partner's share of the net income or loss as well as any cash distributions to the limited partner for the period. The limited partner's share of the net income or loss in the partnership is shown as non-controlling interest income or expense in the accompanying consolidated statement of operations. All inter-company accounts and transactions are eliminated.

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10. Retirement Plan:

The Company has a 401(k) profit sharing plan (the "Plan"). Eligible employees may make voluntary contributions to the Plan, which may be matched by the Company, in an amount equal to 25% of the employee's contribution up to 6% of their compensation. The amount of employee contributions is limited as specified in the Plan. The Company may, at its discretion, make additional contributions to the Plan or change the matching percentage. The Company did not make any matching contributions in fiscal 2012 or fiscal 2011.

11. Subsequent Events:

At September 30, 2012 we classified $1,380,000 as assets held for sale in the accompanying consolidated balance sheet. These costs are related to a site in Firestone, Colorado which has been fully developed. On November 30, 2012 we completed a sale lease-back transaction on the property. The net sale leaseback proceeds of $1,380,000 were used to reduce the PFGI II term loan by $765,000 and the balance to increase our working capital.

On November 30, 2012 we purchased the real estate underlying an existing restaurant from our landlord for $760,000. In connection with the real estate purchase we have entered into an additional sale leaseback agreement that is expected to close in January 2013 and we expect to recognize net proceeds of $870,000. We entered into an amendment to the PFGI II loan agreement whereby we will repay the remaining loan balance out of the sale leaseback proceeds from the closing on this sale leaseback transaction.

On December 5, 2012 we entered into an agreement to purchase a restaurant from a franchisee for a total of $1,250,000, including the real estate and operating business with an anticipated closing date of December 31, 2012. We will pay $650,000 in cash and issue a short term note of $600,000. We have entered into a sale leaseback agreement for the real estate that we expect will yield approximately $1,050,000 in net proceeds by March 31, 2013.

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OUTSIDE BACK COVER PAGE

Good Times Restaurants Inc.

[________] Shares of Common Stock
Warrants to Purchase [________] Shares of Common Stock

Until [_________, 2013], all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all expenses, other than the underwriting discounts and commissions, payable in connection with the sale and distribution of the securities being registered. Except as otherwise noted, we will pay all of these amounts. All the amounts shown are estimates except for the SEC registration fee and the FINRA filing fee.

SEC registration fee	$1,677.62
FINRA filing fee	$1,400.00
Transfer agent, trustee and depository fees and expenses	
Printing fees and expenses	
Accounting fees and expenses	
Legal fees and expenses	
Miscellaneous	
Total	

Item 14. Indemnification of Directors and Officers

The Company is a Nevada corporation. The corporate laws of the State of Nevada, Nevada Revised Statutes Chapter 78, contain provisions for the indemnification and insurance of directors, officers, employees and agents of a Nevada corporation against liabilities which they may incur in their capacities as such. These provisions have the following general effects:

- Under Subsection 1 of Section 78.7502 of the Nevada Revised Statutes, a Nevada corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, except an action by or in the right of the corporation, because the person is or was a director, officer, employee or agent of the corporation, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with the action, suit or proceeding if he (i) is not liable to the corporation or its stockholders under Section 78.138 of the Nevada Revised Statutes, or (ii) acted in good faith and in a manner which he 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 his conduct was unlawful. Section 78.138 provides that, with certain exceptions, a director or officer is not individually liable to the corporation or its stockholders for any damages as a result of any act or failure to act in his capacity as a director or officer unless it is proven that (i) his act or failure to act constituted a breach of his fiduciary duties as a director or officer, and (ii) his breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

- Under Subsection 2 of Section 78.7502, a Nevada corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred in connection with the defense or settlement of the action or suit if he (i) is not liable to the corporation or its stockholders under Section 78.138, or (ii) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made for any claim, issue or matter as to which such person has been adjudged by a court to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which such action or suit was brought determines that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnification for such expenses as the court deems proper.

- Under Subsection 3 of Section 78.7502, a Nevada corporation must indemnify a director, officer, employee or agent to the extent that he has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, against expenses, including attorneys' fees actually and reasonably incurred by him in connection with the defense.

- Under Section 78.752, a Nevada 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 against liability asserted against or incurred by the person in that capacity or arising from his or her status as a director, officer, employee or agent, whether or not the corporation has the authority to indemnify him against such liabilities and expenses.

Article IX of the Company's articles of incorporation provides as follows:

The Corporation shall indemnify all officers, directors, and agents of the Corporation to the fullest extent permitted by Nevada law, as the same exists or may hereafter be amended. Such indemnification shall include, but not be limited to, indemnification against monetary damages for breach of fiduciary duty.

In addition, Article IX of the Company's bylaws contains detailed provisions which have the general effect of providing for indemnification of directors and officers to the fullest extent permitted by Nevada law. The bylaws also provide that the Board of Directors may direct that the Company purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company.

The Company does not currently maintain directors' and officers' insurance covering certain liabilities that may be incurred by directors and officers in the performance of their duties.

Item 15. Recent Sales of Unregistered Securities

During the past three years, the following securities were sold by the Company without registration under the Securities Act. The securities described below were deemed exempt from registration under the Securities Act in reliance upon Section 4(2) or Regulation D of the Securities Act. There were no underwriters employed in connection with any of the transactions set forth in this Item 15. All of these securities are deemed restricted securities for purposes of the Securities Act.

December 2010 Private Placement of Common Stock

On December 13, 2010, the Company completed the sale and issuance of 4,200,000 shares of common stock (or 1,400,000 shares, as adjusted for the reverse stock split effected on December 31, 2010) to SII for an aggregate purchase price of $2,100,000 (or $.50 per share pre-split), pursuant to the terms of a Securities Purchase Agreement dated October 29, 2010, as amended. The Company received gross proceeds of $2,100,000 in the transaction, which were used to pay related transaction expenses, to pay off the interim working capital loans, reduce the Company's current liabilities, and to provide working capital.

The shares of common stock sold to SII were not registered under the Securities Act or state securities laws, and may not be resold in the United States in the absence of an effective registration statement filed with the SEC or an available exemption from the applicable federal and state registration requirements. In the Securities Purchase Agreement, SII represented to the Company that: (a) it is an accredited investor, as such term is defined Rule 501 of Regulation D promulgated under the Securities Act, (b) it acquired the shares of common stock as principal for its own account for investment purposes and not with a view to or for distributing or reselling the shares or any part thereof, and (c) it is knowledgeable, sophisticated and experienced in making, and qualified to make, decisions with respect to investments in securities representing an investment decision similar to that involved in the purchase of the shares. The Company has relied on the exemption from the registration requirements of the Securities Act set forth in Section 4(2) thereof and the rules and regulations promulgated thereunder for the purposes of the transaction with SII.

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September 2012 Private Placement of Series C Convertible Preferred Stock

On September 28, 2012, the Company completed the sale and issuance of 355,451 shares of Series C Convertible Preferred Stock to SII for an aggregate purchase price of $1,500,000 (or $4.22 per share), pursuant to the terms of a Securities Purchase Agreement dated June 13, 2012 between the Company and SII. The Company received gross proceeds of $1,500,000 in the transaction, which were used to pay related transaction expenses, to pay the Wells Fargo Note and related interest rate swap in full, and to provide working capital.

The shares of Series C Convertible Preferred Stock sold to SII (the "Series C Shares") were not registered under the Securities Act or state securities laws, and neither the Series C Shares nor the shares of Common Stock issuable upon conversion of the Series C Shares (together with the Series C Shares, the "Securities") may be resold in the United States in the absence of an effective registration statement filed with the SEC or an available exemption from the applicable federal and state registration requirements. In the Securities Purchase Agreement, SII represented to the Company that: (a) it is an accredited investor, as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act; (b) it acquired the Securities as principal for its own account for investment purposes only and not with a view to or for distributing or reselling the Securities or any part thereof; and (c) it is knowledgeable, sophisticated and experienced in making, and qualified to make, decisions with respect to investments in securities representing an investment decision similar to that involved in the purchase of the Securities. The Company has relied on the exemption from the registration requirements of the Securities Act set forth in Section 4(2) thereof and the rules and regulations thereunder for the purposes of the transaction with SII.

Item 16. Exhibits and Financial Statement Schedules

See the "Exhibit Index" immediately below the signature page to this registration statement.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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(5) (ii) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of the registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the same registration statement as of the date it is first used after effectiveness. Proved, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first sue.

(6) For purposes of determining liability under the Securities Act of 1933 to any purchaser in the initial distribution of the securities in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting model used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 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 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 Act and will be governed by the final adjudication of such issue.

(i) 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.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Golden, State of Colorado, on June 7, 2013.

GOOD TIMES RESTAURANTS INC.

By: /s/ Boyd E. Hoback
Boyd E. Hoback
President & Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned officers and directors of Good Times Restaurants Inc., and each of us, do hereby constitute and appoint Boyd E. Hoback and Susan M. Knutson, and each of them individually, as our true and lawful attorneys and agents, with full power of substitution and resubstitution, to do any and all acts and things in our name and behalf in any and all capacities and to execute any and all instruments for us in our names, in connection with this registration statement or any registration statement for the same offering that is to be effective upon filing under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto; and we hereby ratify and confirm all that said attorneys and agents, or their substitutes, shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and as of the dates indicated.

/s/ David L. Dobbin David L. Dobbin, Chairman Date: June 7, 2013	/s/ Susan M. Knutson Susan M. Knutson, Controller (Principal Financial and Accounting Officer) Date: June 7, 2013
/s/ Geoffrey R. Bailey Geoffrey R. Bailey, Director Date: June 7, 2013	/s/ Neil Calvert Neil Calvert, Director Date: June 7, 2013
/s/ Gary J. Heller Gary J. Heller, Director Date: June 7, 2013	/s/ Eric W. Reinhard Eric W. Reinhard, Director Date: June 7, 2013
/s/ Boyd E. Hoback Boyd E. Hoback, Director and	/s/ Alan A. Teran Alan A. Teran, Director

President and CEO (Principal Executive Officer) Date: June 7, 2013	Date: June 7, 2013

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EXHIBIT INDEX

The following exhibits are furnished as part of this registration statement:

Exhibit	Description
1.1	*Form of Underwriting Agreement
3.1	Articles of Incorporation of Good Times Restaurants Inc. (previously filed on November 30, 1988 as Exhibit 3.1 to the registrant's Registration Statement on Form S-18 (File No. 33-25810-LA) and incorporated herein by reference)
3.2	Amendment to Articles of Incorporation of Good Times Restaurants Inc. dated January 23, 1990 (previously filed on January 18, 1990 as Exhibit 3.1 to the registrant's Current Report on Form 8-K (File No. 000-18590) and incorporated herein by reference)
3.3	*Amendment to Articles of Incorporation of Good Times Restaurants Inc. dated June 15, 1994.
3.4	Amendment to Articles of Incorporation of Good Times Restaurants Inc. dated September 23, 1996 (previously filed as Exhibit 3.5 to the registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1996 (File No. 000-18590) and incorporated herein by reference)
3.5	Certificate of Designations, Preferences, and Rights of Series B Convertible Preference Stock of Good Times Restaurants Inc. (previously filed as Exhibit 1 to the Amendment No. 6 to Schedule 13D filed by The Erie County Investment Co., The Bailey Company, LLLP and Paul T. Bailey (File No. 005-42729) on February 14, 2005 and incorporated herein by reference)
3.6	Certificate of Change of Good Times Restaurants Inc. (previously filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed January 12, 2011 (File No. 000-18590) and incorporated herein by reference)
3.7	Certificate of Designations, Preferences, and Rights of Series C Convertible Preferred Stock of Good Times Restaurants Inc. (previously filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed September 20, 2012 (File No. 000-18590) and incorporated herein by reference)
3.8	Restated Bylaws of Good Times Restaurants Inc. dated November 7, 1997 (previously filed as Exhibit 3.6 to the registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1997 (File No. 000-18590) and incorporated herein by reference)
3.9	Amendment to Restated Bylaws of Good Times Restaurants Inc. dated August 14, 2007 (previously filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed December 31, 2007 (File No. 000-18590) and incorporated herein by reference)
4.1	*Specimen Common Stock Certificate
4.2	*Specimen Warrant Certificate
4.3	**Form of Underwriter's Warrant
5.1	*Form of Opinion of Snell & Wilmer L.L.P.
10.1	Good Times Restaurants Inc. 2008 Omnibus Equity Incentive Compensation Plan (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed January 30, 2008 (File No. 000-18590) and incorporated herein by reference)
10.2	

	Employment Agreement dated as of October 1, 2007 between Good Times Restaurants Inc. and Boyd E. Hoback (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed January 30, 2008 (File No. 000-18590) and incorporated herein by reference)
10.3	Securities Purchase Agreement dated October 29, 2010 between Good Times Restaurants Inc. and Small Island Investments Limited (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed November 3, 2010 (File No. 000-18590) and incorporated herein by reference)
10.4	Registration Rights Agreement dated December 13, 2010 between Good Times Restaurants Inc. and Small Island Investments Limited (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed December 17, 2010 (File No. 000-18590) and incorporated herein by reference)
10.5	Consent and Waiver dated December 13, 2010 by the stockholders named therein to Good Times Restaurants Inc. (previously filed as Exhibit 10.5 to the registrant's Current Report on Form 8-K filed December 17, 2010 (File No. 000-18590) and incorporated herein by reference)
10.6	First Amendment to Amended and Restated Credit Agreement and Waiver of Defaults dated December 27, 2011 among Good Times Restaurants Inc., Good times Drive Thru, Inc. and Wells Fargo Bank, N.A. (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed December 28, 2011 (File No. 000-18590) and incorporated herein by reference)

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10.7	Second Amended and Restated Term Note dated December 27, 2011 by Good Times Restaurants Inc. and Good Times Drive Thru, Inc. to Wells Fargo Bank, N.A. (previously filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed December 28, 2011 (File No. 000-18590) and incorporated herein by reference)
10.8	Financial Advisory Services Agreement dated April 6, 2012 between Good Times Restaurants Inc. and Heathcote Capital LLC (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 11, 2012 (File No. 000-18590) and incorporated herein by reference) and incorporated herein by reference)
10.9	Securities Purchase Agreement dated June 13, 2012 between Good Times Restaurants Inc. and Small Island Investments Limited (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed June 19, 2012 (File No. 000-18590) and incorporated herein by reference)
10.10	Amendment to the Good Times Restaurants Inc. 2008 Omnibus Equity Incentive Compensation Plan dated September 30, 2012 (previously filed as Exhibit 10.10 to the registrant's Registration Statement on Form S-1 filed April 26, 2013 (File No. 333-188183) and incorporated herein by reference)
10.11	Supplemental Agreement dated September 28, 2012 between Good Times Restaurants Inc. and Small Island Investments Limited (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed October 1, 2012 (File No. 000-18590) and incorporated herein by reference)
10.12	Amendment to Supplemental Agreement dated October 16, 2012 between Good Times Restaurants Inc. and Small Island Investments Limited (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed October 16, 2012 (File No. 000-18590) and incorporated herein by reference)
10.13	Letter Agreement dated December 5, 2012 between Good Times Restaurants Inc. and GT Burgers of Colorado, Inc. (previously filed as Exhibit 10.13 to the registrant's Registration Statement on Form S-1 filed April 26, 2013 (File No. 333-188183) and incorporated herein by reference)
10.14	Amendment to Financial Advisory Services Agreement dated March 25, 2013 between Good Times Restaurants Inc. and Heathcote Capital LLC (previously filed as Exhibit 10.14 to the registrant's Registration Statement on Form S-1 filed April 26, 2013 (File No. 333-188183) and incorporated herein by reference)
10.15	Subscription Agreement dated April 9, 2013 between Good Times Restaurants Inc. and Bad Daddy's Franchise Development, LLC (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 15, 2013 (File No. 000-18590) and incorporated herein by reference)
10.16	Amended and Restated Operating Agreement of Bad Daddy's Franchise Development, LLC dated April 9, 2013 (previously filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed April 15, 2013 (File No. 000-18590) and incorporated herein by reference)
10.17	Management Services Agreement dated April 9, 2013 between Good Times Restaurants Inc. and Bad Daddy's Franchise Development, LLC (previously filed as Exhibit 10.3 to the registrant's Current Report on Form 8-K filed April 15, 2013 (File No. 000-18590) and incorporated herein by reference)
10.18	License Agreement dated April 9, 2013 between Bad Daddy's Franchise Development, LLC and BD of Colorado LLC (previously filed as Exhibit 10.4 to the registrant's Current Report on Form 8-K filed April 15, 2013 (File No.

	000-18590) and incorporated herein by reference)
10.19	Term Sheet for Joint Venture Agreement dated April 9, 2013 between Good Times Restaurants Inc. and Bad Daddy's International, LLC (previously filed as Exhibit 10.5 to the registrant's Current Report on Form 8-K filed April 15, 2013 (File No. 000-18590) and incorporated herein by reference)
21.1	Subsidiaries of the Company (previously filed as Exhibit 21.1 to the registrant's Registration Statement on Form S-1 filed April 26, 2013 (File No. 333-188183) and incorporated herein by reference)
23.1	*Consent of Hein & Associates
23.2	Consent of Snell & Wilmer L.L.P. (to be included in opinion filed as Exhibit 5.1)

*Filed herewith.
**To be filed by amendment.

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