GOOD TIMES RESTAURANTS INC
Form 10-K/A
December 30, 2014

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

**FORM 10-K/A**

Amendment No. 1

[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2014

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _______ to _______

Commission file number 000-18590

**GOOD TIMES RESTAURANTS INC.**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Nevada<br>(State or other jurisdiction of incorporation or organization) | 84-1133368<br>(I.R.S. Employer Identification Number) |
| 601 Corporate Circle, Golden, Colorado<br>(Address of principal executive offices) | 80401<br>(Zip Code) |

Registrant s telephone number: (303) 384-1400
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock $.001 par value, Preferred Stock $.001 par | NASDAQ Capital Market |

Securities registered pursuant to Section 12(g) of the Act: None

| | |
|---|---|
| Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. | Yes [ ]<br>No [x] |
| Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. | Yes [ ]<br>No [x] |
| Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. | Yes [x]<br>No [ ] |
| Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every interactive Data File required to be submitted and | Yes [ ] |

| | |
|---|---|
| posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) | No [x] |
| Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. | [ ] |

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer , accelerated filer , non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer [ ]

Accelerated Filer [ ]

Non-Accelerated Filer [ ]

Smaller Reporting Company[x]

| | |
|---|---|
| Indicate by check mark whether the registration is a shell company (as defined in Rule 12b-2 of the Exchange Act). | Yes [ ] No [x] |

As of December 11, 2014, the aggregate market value of the 8,353,582 shares of common stock held by non-affiliates of the issuer, based on the closing sales price of the common stock on December 11, 2014 of $6.63 per share as reported on the NASDAQ Capital Market, was $55,384,249.

As of December 11, 2014, the issuer had 9,443,080 shares of common stock outstanding.

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## EXPLANATORY NOTE

Good Times Restaurants Inc.. ("the Company," "Good Times" "we," "us" and "our") is filing this Amendment No. 1 on Form 10-K/A (this "Amendment") to its Annual Report on Form 10-K for the fiscal year ended September 30, 2014, filed with the Securities and Exchange Commission (the "SEC") on December 29, 2014 (the "Original 10-K"), to: (i) include its XBRL interactive files.

# PART I

## ITEM 1.

## BUSINESS

**Overview:** Good Times Restaurants Inc., a Nevada corporation (the Company ), was organized in 1987. Through our wholly-owned subsidiary, Good Times Drive Thru Inc., a Colorado corporation ( Drive Thru ), we are engaged in the business of developing, owning, operating and franchising hamburger-oriented drive-through restaurants under the name Good Times Burgers & Frozen Custard. Most of our Good Times restaurants are located in the front-range communities of Colorado but we also have franchised restaurants in Wyoming. Over the past three years we have experienced significant growth in our same store sales in our Good Times Burgers & Frozen Custard restaurants which has led to significant improvement in our operating margins and the profitability of the Company.

In fiscal 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 through our wholly owned subsidiary BD of Colorado LLC ( BD of Colo ), and a 48% voting ownership interest in the Bad Daddy s Burger Bar franchisor entity, BDFD. During fiscal 2014, we exchanged the development rights for Arizona for the development rights for Oklahoma.

BD of Colo is engaged in the business of developing, owning and operating full service hamburger-oriented restaurants under the name Bad Daddy s Burger Bar. The Company manages BDFD under a management agreement and BDFD is engaged in the business of franchising Bad Daddy s Burger Bar restaurants in certain targeted markets across the country. We do not consolidate the operations of BDFD in our financial statements and account for our 48% ownership interest under the equity method of accounting.

During fiscal 2014 BD of Colo opened two Bad Daddy s restaurants in the Denver metropolitan area and a third is expected to open in January 2015. Subsequent to fiscal year end, Drive Thru opened one new Good Times restaurant on November 20, 2014 and closed on the purchase of land for development of an additional Good Times restaurant expected to open in the Spring of 2015.

During fiscal 2014 and subsequent to fiscal year end, we have also significantly increased the equity of the Company through the exercise of Series A, Series B and Underwriter Warrants.

The terms Good Times , we , us and our where used herein refer to the operations of Drive Thru, BD of Colo and Company.

**Financial & Brand Highlights**

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We have had seventeen consecutive quarters of same store sales growth.

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We had a 14.6% increase in same store sales for the fiscal year ended September 30, 2014 ( fiscal 2014 ) in addition to the increase in same store sales for fiscal 2013 of 12%.

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We ended fiscal 2014 with $9.9 million in cash with minimal long term debt, and subsequent to the fiscal year end we had additional warrant exercise proceeds that yielded $3.2 million in proceeds.

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Our net revenues for fiscal 2014 increased by $5,145,000 (+22.5%) to $28,037,000 from $22,892,000 in fiscal year 2013, primarily due to increased Good Times same store sales, and the opening of two Bad Daddy s locations.

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Our loss from operations was $219,000 in fiscal 2014 compared to $392,000 in fiscal 2013. Fiscal 2014 included $570,000 of increased new store opening costs as compared to fiscal 2013 as well as the initial operating losses from our first Bad Daddy s restaurant in Colorado.

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Our net loss was $370,000 for fiscal 2014 compared to $544,000 for fiscal 2013.

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During fiscal 2012, we began a reimaging and remodeling program for our older restaurants that continued in fiscal 2014 and that we plan to continue in fiscal 2015. In fiscal 2014 we spent approximately $500,000 on recurring and remodeling capital expenditures and we plan to spend approximately $1,700,000 on recurring and remodeling capital expenditures in fiscal 2015.

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We believe Good Times is the only quick service restaurant concept in Colorado offering all natural beef and chicken with no hormones, no steroids, no antibiotics and humanely raised, vegetarian fed animals with no animal byproducts in the feed in all of its hamburger and chicken menu items.

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We continued our television campaign in fiscal 2014 that began in March of 2013 with four distinct product windows, communicating Good Times core brand attributes of fresh, all natural, hand crafted products with taste profiles available only at Good Times, which has contributed to our continued same store sales increases through fiscal 2014.

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We opened a new Good Times restaurant on November 20, 2014 with new interior design finishes and décor that we believe continues to help set Good Times apart from mainstream hamburger quick service restaurants, utilizing finishes and design elements more commonly seen in fast casual restaurants. We plan to build additional Good Times Burgers & Frozen Custard company-owned restaurants in Colorado, utilizing our 2,200 square foot, 48 seat dining room design, our 2,400 square foot, 70 seat dining room design as well as converting buildings from other restaurant concepts.

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Our second Bad Daddy s restaurant in Colorado opened on July 28, 2014 and continues to produce the highest average weekly sales of all Bad Daddy s restaurants in the system. Our third Bad Daddy s in Colorado is expected to open in January 2015 and we plan to build additional Bad Daddy s Burger Bar restaurants in Colorado and other states.

**Recent Developments**

During fiscal 2014, our liquidity and equity significantly increased from the exercise of approximately 97% of the Series B warrants and approximately 50% of the Series A warrants. Subsequent to the fiscal year end we announced that a total of 2,450,100 Series A Warrants, representing 97% of the outstanding Series A Warrants and 100% of the 154,000 Underwriter Warrants, were exercised by the holders. Total gross proceeds from all warrants exercised were approximately $10,100,000.

In October 2014 the Company mailed a notice of redemption to all holders of the Company s A Warrants. Each A Warrant was exercisable for one share of common stock at $2.75 per share until 5:00 p.m. Colorado Time on Friday, November 14, 2014. Holders of the A Warrants are no longer entitled to exercise their warrants for common stock and have no rights, except to receive the redemption price of $.01 per A Warrant, upon surrender of their Series A Warrants. No other warrants remain outstanding.

As reported on form 8-K, on July 30, 2014 Drive Thru entered into a Development Line Loan and Security Agreement with United Capital Business Lending ( Lender ), pursuant to which Lender agreed to loan Drive Thru up to $2,100,000 (the Loan ) and entered into a Collateral Assignment of Franchise Agreements, Management Agreement and Partnership Interests with Lender. As of September 30, 2014, Drive Thru had borrowed approximately $196,000 under the Loan Agreement. In addition, on July 30, 2014, the Company entered into a Guaranty Agreement (the Guaranty Agreement ) with Lender, pursuant to which the Company guaranteed the repayment of the Loan. The Loan Agreement, Collateral Assignment, Notes (as defined below) and Guaranty Agreement are referred to herein as the Loan Documents.

Under the terms of the Loan Agreement, Drive Thru may use up to $750,000 of the Loan to purchase a Point of Sale System and up to $1,350,000 of the Loan for the development of three new Good Times restaurants. Drive Thru may request disbursements under the Loan Agreement for development costs of Good Times restaurants on or before July 1, 2015. In connection with each disbursement under the Loan Agreement, Drive Thru shall execute a Promissory Note (the Notes ) in the full amount of each disbursement request. The Notes incur interest at a rate of 6.69% per annum, are repayable in monthly installments of principal and interest over 84 months, and contain other customary terms and conditions. The Notes are subject to certain prepayment fees ranging between 1% and 3% of the unpaid balance at such time if Drive Thru repays a Note in certain circumstances prior to the thirty seventh monthly installment under such Note.

The Loan Agreement and Notes contain customary representations, warranties and affirmative and negative covenants, including without limitation, covenants to maintain certain insurance coverage and to maintain a certain debt service coverage ratio, leverage ratio, and quick ratio.

After the occurrence and during the continuation of an event of default, interest on the Notes will accrue at a rate of 11.69% per annum and Lender may declare the unpaid principal balance of the Notes, together with accrued but unpaid interest, immediately due and payable. An event of default under the Loan Documents includes, but is not limited to, any of the following: failure to pay principal or interest when due, breach of any representation or warranty in the Loan Documents, commencement of dissolution or liquidation proceedings by the Company or Drive Thru, insolvency or bankruptcy of the Company or Drive Thru, or failure of the Company or Drive Thru to comply with any material term of the Loan Documents.

The Loan Agreement and Notes are secured by substantially all of Drive Thru s assets, including, but not limited to its interest in Fast Restaurants Co-Development Limited Partnership and all distributions and proceeds relating to such partnership interest. Fast Restaurants Co-Development Limited Partnership is a partnership in which the Company owns an approximate 51% interest in the partnership and exercises complete management control over all decisions for the partnership.

The Company has provided customary representations and warranties and made customary affirmative and negative covenants to Lender pursuant to the terms of the Guaranty Agreement, including without limitation, a covenant to not, without Lender s prior written consent, (a) enter into or be a party to a merger, consolidation, reorganization, or exchange of stock or assets, (b) transfer or assign assets which could result in a material adverse change to the business, (c) permit the sale or encumbrance of Drive Thru, (d) incur additional indebtedness in excess of $100,000, except as previously disclosed to Lender or unsecured trade accounts incurred in the ordinary course of business, or (e) materially modify or amend, or permit Drive Thru to modify or amend, any term or condition of any franchise, lease, management, employment, development, limited partnership forbearance or use or licensing agreement to which Drive Thru or the Company is a party.

As reported on form 8-K, on December 22, 2014 we reported that effective at the Company s next Meeting of Shareholders, currently scheduled for February 4, 2015, the Board of Directors of the Company approved and adopted an amendment to Article III, Section 3 of the Company s bylaws to decrease the maximum number of directors of the Company from nine members to seven members.

**Concepts**:

***Good Times Burgers & Frozen Custard***

We operate Good Times Burgers & Frozen Custard restaurants with two different formats that have evolved over the course of our history: a smaller, 880 to 1,000 square foot building without indoor seating that is focused on drive-through service and limited walk up service; and a 2,400 square foot, 70 seat dining room. We have further refined the prototype design to reduce development costs and improve the return on investment model for future company-owned and franchised restaurant expansion with a 2,200 square foot, 48 seat dining room design that will carry forward all of the core design elements that enhance our higher quality, all-natural brand image.

We operate at the upper end of the quick service restaurant ( QSR ) category in terms of the quality of our ingredients and pricing strategy, without a $1 menu or deep discounting. Consumer research has shown us that the customer feels a strong connection to us and feels better about choosing Good Times Burgers & Frozen Custard over the larger hamburger QSR brands due to the quality of our ingredients and brand personality. As a result we have developed a communications umbrella called Happiness Made to Order with three primary brand pillars of Innovation, Quality and Connectedness. All of our product initiatives are designed to support a brand position that adds differentiation to our concept within the landscape of QSR competitors, particularly in the hamburger segment. Within Innovation we strive to create products and flavor profiles available only at Good Times Burgers & Frozen Custard that challenge QSR norms. Within Quality, our products are supported by Fresh, All Natural, Handcrafted attributes using high quality, regional ingredients. Within Connectedness, we strive to create connections with our customers based on the Colorado lifestyle, local brand partners and community support and involvement. We believe Good Times Burgers & Frozen Custard is the only QSR chain in the region serving Fresh All Natural Angus beef and All Natural Chicken with no hormones, no steroids, no antibiotics and humanely raised animals with no animal byproducts in the feed.

We continued to promote our core product introductions in fiscal 2014 with a combination of limited time offers and permanent product introductions including our Boneless Hand Breaded All Natural Chicken, Sweet Potato Fries, Summer and Holiday Shakes, $2 Hatch Valley New Mexico Green Chile Breakfast Burritos, Fresh Frozen Custard items and toppings for our Wild Fries and Fresh Cut Fries. During 2015, we plan to focus on innovation and improvements in each of our menu categories of burgers, chicken, sides, frozen custard and breakfast.

While our primary value proposition for the consumer is derived from the quality of ingredients and taste of our products, the current competitive and consumer spending environment continues to redefine value expectations within the QSR segment and a larger number of transactions are being driven by the availability of menu items at lower price points. Our lower priced options are consistent with our brand strategy to offer fresh, real, handcrafted food with unique flavor profiles in our core menu categories of burgers, chicken, fries, frozen custard and fountain products, and we continue to evolve our overall menu price ranges available for our customers, including a lower tier option, a mid-tier everyday option and a premium tier for specialty products.

We will continue to focus on elevating the attributes of our menu items that we believe give us a unique position in hamburger quick service restaurants   Fresh All Natural Angus beef and All Natural Chicken that is free from hormones, steroids and antibiotics and humanely raised with no animal byproducts in the feed; Fresh Frozen Custard made fresh every few hours in every restaurant; Fresh Grilled Honey Cured Bacon; Fresh Lemonade; Fresh Cut Fries; All-Natural, Hand-Breaded Chicken; Freshly Sliced Produce and toppings such as real guacamole and sautéed mushrooms. We continue to invest in new equipment with the goal of achieving a more hot-off-the-grill, cooked to order flavor that is more common in fast casual and casual theme concepts than in quick service restaurants and with the goal of providing the best quality French fries we can.

***Bad Daddy s Burger Bar***

Bad Daddy s Burger Bar operates in the emerging  small box,  grill and bar segment, which has a higher average check and we believe is a step above fast casual concepts such as Five Guys and Smashburger and casual theme concepts such as Chili s and Red Robin in terms of food quality and price points, but below  polished casual  or sports themed big box concepts, such as BJ s, Cheesecake Factory and Buffalo Wild Wings. The average size of a Bad Daddy s Burger Bar prototype restaurant is approximately 3,500 to 3,800 square feet which is smaller than other grill and bar segment competitors. The menu consists of chef driven recipes within a relatively simple menu of signature burgers, salads, sandwiches and appetizers in a high energy, pop culture oriented atmosphere. The bar is dominated by craft beers and, while prominent enough to impact the overall feel of the design, we do not believe it is so dominant as to be a turn off for families. We believe the food quality is far superior to casual theme concepts, rivaling upscale casual concepts, with menu item names that evoke an irreverent personality. Bad Daddy s Burger Bar has been recognized for  best burger  and has received many other accolades by the Charlotte, North Carolina press and community as well as by USA Today as being one of the top 25 best burgers in the country.

Small box dining is the smallest, yet fastest growing portion of fast and full-service casual dining, reflecting years of evolution and innovation. We believe that Bad Daddy s Burger Bar combines a reasonable average check, high personality and convenient experience, innovative recipes and above average quality yielding a strong value proposition. Fast casual has exhibited the majority of the growth in the restaurant industry over the last decade and represents the largest segment within small box dining at nearly $23 billion in sales led by concepts such as Panera Bread, Chipotle, Noodles, Pei Wei, Five Guys and Corner Bakery.

We believe that Bad Daddy s Burger Bar is differentiated from other casual grill and bar concepts, with a focused, yet sufficiently diverse menu featuring a selection of unique, chef-developed,  gourmet  menu items in an atmosphere with a purposefully unsophisticated feel. With a per person average check that is higher than casual theme concepts such as Chili s and Red Robin, Bad Daddy s Burger Bar is similar to Burger Lounge, The Counter and Bobby s Burger Palace, but below Zinburger, Five Napkin Burger and other higher check concepts, based on our knowledge of publicly available information about those concepts. Bad Daddy s Burger Bar offers a full bar with the majority of its alcohol sales derived from craft microbrew beers. Sales are divided almost equally between lunch and dinner with hours of operation from 11 am to 11 pm with restaurants open slightly later on weekends, depending on the surrounding trade area.

Based on management s review of the average sales of the three operating restaurants that have been open for more than one year, we anticipate that Bad Daddy s restaurants will generate much higher sales per square foot than the average for quick service restaurants and higher than the publicly reported sales per square foot of concepts such as Panera Bread, Five Guys Burgers & Fries and BJ s Restaurants. We estimate that it will require a cash investment of $700,000 to $1,000,000 to open each restaurant in the State of Colorado and anticipate a return on investment model that is very competitive in the industry, based on our knowledge of existing Bad Daddy s Burger Bar restaurants, the BDFD Franchise Disclosure Document, our experience to-date and other publicly available information of similarly sized restaurant concepts. The existing Bad Daddy s Burger Bar average sales per restaurant are much higher than the

Good Times Burgers & Frozen Custard average sales per restaurant, as is their average check.

BDFD has prepared a Franchise Disclosure Document, operating systems and processes and registered trademarks and we anticipate we will pursue expansion through the sale of franchises in certain markets.

**Business Strategy**

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

- Good Times is a 27 year old company with a vibrant, high quality brand position in Colorado.

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We have minimal bank debt, a healthy balance sheet with positive cash flow from operations and 17 consecutive quarters of same store sales growth.

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

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

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

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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 Same Store Restaurant Sales.*** We will continue to focus on same store restaurant sales driven by increases in customer transactions and increases in the average customer check.  Same store sales increased 14.2% in fiscal 2014 compared to fiscal 2013 and increased 12% in fiscal 2013 compared to fiscal 2012.  We hope to continue to increase same store sales throughout fiscal 2015 through a multi-faceted approach to continually improve the Good Times Burgers & Frozen Custard brand experience for our customers through:

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Utilizing enhanced customer feedback tools to evaluate our execution on the drivers of brand loyalty:  food quality, speed of service, friendliness of employees, uniqueness of offerings and customer problem solving.

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Growing the breakfast daypart sales that is currently generating sales of approximately 8% to 9% of total sales, consisting of Hatch Valley Green Chile Burritos, coffee and orange juice.

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Our line of all natural, hand breaded chicken tenderloin products that was introduced in March 2013 which made 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.

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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.

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Augmenting our television advertising with an expanded social media presence.

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

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Improving our drive thru speed of service.

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Continuing our reinvestment in our existing facilities with reimaging and remodeling to bring all of our restaurants to the current brand standards in graphics, building finishes and appearance.

2.

***Develop new Good Times Burgers & Frozen Custard Restaurants***. We plan to build additional Good Times restaurants along the front range of Colorado, which primarily consists of the Denver Marketing Area from the southern boundary of the Denver metropolitan area to the Wyoming border, which we believe leverages our existing operational and marketing efficiencies. We plan to explore the feasibility of expanding the Good Times concept outside of Colorado through company-owned and franchised restaurants.

3.

***Improve our Income from Operations by Managing the Profitability of Incremental Sales Growth.*** 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 continue to improve our income from operations as a percentage of total revenues.

4.

***Expand Bad Daddy s Burger Bar.*** We intend to develop additional company-owned Bad Daddy s Burger Bar restaurants during fiscal 2015 and 2016 while laying the foundation for franchise growth through BDFD. While we have certain first rights of offer 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 any of its interests and they may be able to sell BDI to a third party.

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5.

***Reduce Bad Daddy s Burger Bar Prime Costs.*** We believe that to optimize Bad Daddy s expansion potential of both company-owned and franchised restaurants that the total combined cost of sales and total labor and benefits costs as a percentage of restaurant sales ( Prime Costs ) needs to be consistently below 64% at the current average restaurant sales volume. We estimate that the impact of Colorado s tip credit minimum wage that increases to $5.21 per hour in 2015 increases total labor costs approximately 3.5% of restaurant sales as compared to the federal tip credit minimum wage of $2.13 per hour. Our goal is to work with the management of BDI to continue to explore and refine purchasing efficiencies, menu engineering and product development, labor efficiencies, restaurant staffing strategies and restaurant operating systems to reduce the total Prime Costs.

**Expansion strategy and site selection**

***Good Times Burgers & Frozen Custard***

We believe that our highest return on investment opportunity in our Good Times Drive Thru, Inc. subsidiary 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 or 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 plan to explore a larger expansion of Good Times outside of Colorado with Company-owned or franchised restaurants.

We lease most of our sites. When we do purchase and develop a site, we intend to ultimately 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, with a high concentration of daytime employment, upscale retail, movie theaters and hospitals, initially along the front range of Colorado. 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, as additional restaurants are developed by BDI and BD of Colo. We believe the Bad Daddy s Burger Bar concept has expansion potential in vibrant, growing, upper scale demographic markets, as additional restaurants are developed by BDI and BD of Colo.

Bad Daddy s Burger Bar locations are in-line and end-cap locations in new and existing shopping center developments using approximately 3,500 to 3,800 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 land and zoning 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.

**Good Times Restaurant locations**: We currently operate or franchise a total of thirty-seven Good Times restaurants, of which thirty-five are in Colorado. Two of the restaurants are in Wyoming and are dual brand , operated pursuant to a Dual Brand Test Agreement with Taco John s International.

| | **Total** | **Denver, CO Greater Metro** | **Wyoming** |
|---|---|---|---|
| Company-owned & Co-developed | 26 | 26 | |
| Franchised | 9 | 9 | |
| Dual brand franchised | 2 | | 2 |
| | **37** | **35** | **2** |

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| **December:** | **2013** | **2014** |
|---|---|---|
| Company-owned restaurants | 18 | 19 |
| Co-developed | 7 | 7 |
| Franchise operated restaurants | 12 | 11 |
| Total restaurants: | 37 | 37 |

In December 2013 a Good Times franchisee closed a low volume restaurant in Lakewood, Colorado. In May 2014 a franchisee terminated its Good Times franchise agreement in the dual brand test concept and has stopped selling Good Times products at its North Dakota location. In November 2014 we opened a company-owned restaurant in Highlands Ranch, Colorado and in December 2014 we closed on the purchase of land for the development of a company-owned restaurant in Centennial, Colorado that we anticipate will open in the spring of 2015.

**Bad Daddy s Restaurant locations**: We currently operate two Bad Daddy s restaurants in the Denver, Colorado greater metropolitan area. We expect to open our third Colorado location in January 2015 and we have several more locations in various stages of negotiation for development in fiscal 2015 and 2016.

**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. Our hamburger patties are 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 100% All Natural tenderloins that are hand breaded in each restaurant daily. Signature chicken products include the Hand Breaded Tenders, Buffalo Chicken Tender, Guacamole Bacon Chicken Tender, and a Tuscan Chicken. Equipme has been automated and equipped with compensating computers to deliver a consistent product and minimize variability in operating systems.

All natural Angus beef and 100% all natural chicken are raised without the use of any hormones, antibiotics or animal byproducts that are normally used in the open market. We believe that all natural beef and chicken deliver a better tasting product and, because of the rigorous protocols and testing that are a part of the Meyer All Natural Beef and Springer Mountain Farms Chicken 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.

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, buffalo and chicken sandwiches, chopped salads, appetizers, hand cut fries, house made 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 unusual flavors.

Burger toppings include items such as homemade mozzarella, hand breaded applewood smoked bacon, pesto and recipes such as the Bad Ass Burger, Mama Ricotta s Burger and Emilio s Chicken Sandwich. Chopped Salads incl the Texican Chicken Salad, the Stella s Greek Salad and create your own salad options.

Bad Daddy s Burger Bar strives to provide proprietary flavors and recipes available nowhere else with fresh, handcrafted quality throughout the menu, including rotating chef specials that often utilize ingredients that are local to each market.

**Marketing & Advertising**

***Good Times Burgers & Frozen Custard***

Our marketing strategy for Good Times Burgers & Frozen Custard focuses on: 1) driving same store 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 cable television media during fiscal 2013 and fiscal 2014. 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. We augment our cable television advertising with 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 and social media in order to create more customer engagement with our brand and to target specific consumer segments. We have increased our Facebook likes by approximately 60% during fiscal 2014 from fiscal 2013. We anticipate leveraging our customer email database and website to create cost effective channels to target existing customers and increase their frequency.

***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 market wide 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. We utilize trade area specific direct mail materials, particularly in support of new restaurant openings, to drive trial and initial awareness as well as targeted social media marketing. We plan to develop an expanded menu of rotating chef specials featuring unique taste profiles and local ingredients for burgers, salads, sandwiches and appetizers, supported by trade area specific beer offerings and bar promotions.

**Operations**

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

*Restaurant Management*

Each Good Times Burgers & Frozen Custard restaurant employs 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 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 utilizes a team of four to six managers in its operations at each restaurant. Managers are trained in back of the house skills (prep, kitchen positions, line management), front of the house service positions (host, server, bar) and all management functions. As a full service concept, the experience, qualifications and compensation differs from Good Times Burgers & Frozen Custard and we 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 BD of Colo, both of whom have extensive experience in managing and developing full service restaurants. Our managers participate in a bonus pool for each restaurant based on a percentage of sales. Bonuses are awarded based on achieving financial, customer service and people development goals and metrics.

*Operational Systems and Processes*

We believe that we have high level operating systems and processes relative to those in the industry for both of our concepts. 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. In fiscal 2014 we implemented a new point of sale computer system at all of our Good Times restaurants 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. 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. During fiscal 2014, the average total transaction time for Good Times from the point of order to the delivery of food at the window was approximately 171 seconds. Our goal is to reduce that total transaction time to 160 seconds or less.

We use several sources of customer feedback to evaluate each restaurant s service and quality performance, including an extensive secret shopper program at Good Times restaurants, customer comment phone line, telephone surveys and website comments. During fiscal 2014 we implemented a new customer feedback tool that aggregates all social media comments as well as store by store surveys each week for each Good Times restaurant. We believe that information will assist us in evaluating opportunities for improved execution of the customer experience.

*Training*

We strive to maintain quality and consistency in each of our restaurants for both Good Times and Bad Daddy s 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 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 and we are currently developing the same platform for the Bad Daddy s operations.

*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.

*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, however we have not been actively soliciting new Good Times 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, but may choose to begin to solicit new franchisees for markets outside of Colorado.

We estimate that it will cost a Good Times Burgers & Frozen Custard franchisee on average approximately $750,000 to $1,200,000 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.

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

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 two existing franchise agreements signed. We intend to expand the marketing of Bad Daddy s Burger Bar franchises on a broader scale as the concept is further developed by BDI and BD of Colo. We anticipate that a franchisee will typically pay a royalty of 4% to 5% of net sales and will participate in an Advertising Fund and local advertising by contributing up to 2% of net 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 seven license agreements for restaurants in North Carolina operated by BDI, three license agreements for restaurants in Colorado and two franchise agreements.

*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:

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Restaurant point of sale;

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Restaurant back-of-house;

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Financial;

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Payroll/human resources; and

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Internal operational reports.

We believe that these reporting systems are sophisticated and enhance our ability to control and manage operations. We recently implemented new point of sale equipment for our Good Times restaurants that is the same as used in our Bad Daddy s restaurants.

*Food Preparation, Quality Control & Purchasing*

We believe that we have excellent food quality standards relative to the 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 and the majority of the food and paper supplies for our Bad Daddy s restaurants from Food Services of America. 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.

*Employees*

At September 30, 2014, we had approximately 583 employees of which 475 are hourly employees and 108 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, Jack in the Box and Freddy s. 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: Big Daddy Bacon Cheeseburger, Chicken Dunkers, Happiness Made To Order, Mighty Delux Pawbender, Spoonbender, Wild Fries, and Wild Dippin Sauce. Our trademarks expire between 2015 and 2018.

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

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 approved 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 will be subject to the Affordable Care Act beginning in 2015 and believe that we will have the required health insurance benefits for eligible employees.

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.

**Available Information:** Our Internet website address is www.goodtimesburgers.com. We make available free of charge through our website s investor relations information section our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed with or furnished to the SEC under applicable securities laws as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC. Our website information is not part of or incorporated by reference into this Annual Report on Form 10-K.

**Special Note About Forward-Looking Statements:** From time to time the Company makes oral and written statements that reflect the Company's current expectations regarding future results of operations, economic performance, financial condition and achievements of the Company. A forward-looking statement is neither a prediction nor a guarantee of future events. We try, whenever possible, to identify these forward-looking statements by using words such as "anticipate," "assume," "believe," "estimate," "expect," "intend," "plan," "project," "may," "will," "would," and similar expressions. Certain forward-looking statements are included in this Form 10-K, principally in the sections captioned "Business," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."  Forward-looking statements are related to, among other things:

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business objectives and strategic plans;

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operating strategies;

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our ability to open and operate additional restaurants profitably and the timing of such openings;

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restaurant and franchise acquisitions;

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anticipated price increases;

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expected future revenues and earnings, comparable and non-comparable restaurant sales, results of operations, and future restaurant growth (both company-owned and franchised);

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estimated costs of opening and operating new restaurants, including general and administrative, marketing, franchise development and restaurant operating costs;

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anticipated selling, general and administrative expenses and restaurant operating costs, including commodity prices, labor and energy costs;

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future capital expenditures;

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our expectation that we will have adequate cash from operations and credit facility borrowings to meet all future debt service, capital expenditure and working capital requirements in fiscal year 2014;

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the sufficiency of the supply of commodities and labor pool to carry on our business;

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success of advertising and marketing activities;

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the absence of any material adverse impact arising out of any current litigation in which we are involved;

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impact of the adoption of new accounting standards and our financial and accounting systems and analysis programs;

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expectations regarding competition and our competitive advantages;

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