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

**FORM 10-K**

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 26, 2023
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-18590

good times restaurants inc.
(Exact name of registrant as specified in its charter)

| Nevada | 84-1133368 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 651 Corporate Circle #200, Golden, Colorado | 80401 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number: (303) 384-1400

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock $.001 par value | GTIM | 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 ☐ No ☑

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 ☐ No ☑

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every interactive Data File required to be submitted 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 such files)
Yes ☑ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Non-accelerated filer | ☑ |
| Accelerated filer | ☐ | Smaller reporting company | ☑ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b) by the registered public accounting firm that prepared or issued its audit report ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐
Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by

any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

As of March 28, 2023 (the last business day of our most recently completed second fiscal quarter), the aggregate market value of the 8,861,947 shares of common stock held by non-affiliates of the registrant was $23,218,300.

As of November 30, 2023, the registrant had 11,346,488 shares of common stock outstanding.

**Documents Incorporated by Reference**

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference herein from the registrant’s definitive proxy statement relating to our 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended September 26, 2023.

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**PART I**

**ITEM 1. BUSINESS**

***Our Company***

Good Times Restaurants Inc., a Nevada corporation formed on October 6, 1996, operates Bad Daddy's Burger Bar restaurants ("Bad Daddy's") and Good Times Burgers & Frozen Custard restaurants ("Good Times"). Bad Daddy's and Good Times are two distinctly different restaurant concepts. Each is positioned as a unique brand within its respective segment of the industry. Bad Daddy's operates in the full-service dining segment as a specialty burger bar concept and Good Times operates in the quick-service restaurant segment as a drive-thru concept focused on all-natural burgers, fries, and frozen custard.

Through our wholly owned subsidiaries (the "Subsidiaries"), as of December 14, 2023, we own and operate, or license a total of forty-one Bad Daddy's restaurants in seven states. We own and operate fourteen Bad Daddy's restaurants in North Carolina, eleven in Colorado, five in Georgia, four in South Carolina, three in Alabama, two in Tennessee and one in Oklahoma. We license the Bad Daddy's brand to a third-party licensee who owns and operates the Bad Daddy's restaurant located in the Charlotte Douglas International Airport.

As of December 14, 2023, we own and operate or franchise thirty-one total Good Times restaurants. Of these restaurants, twenty-nine are in Colorado. Two of the restaurants are in Wyoming and are "dual brand" concept restaurants operated by a franchisee of both Good Times and Taco John's.

The terms "we," "us," "our," the "Company," "Good Times" and similar terms refer to Good Times Restaurants Inc., a Nevada corporation, and its wholly owned consolidated subsidiaries. Unless otherwise indicated or the context otherwise requires, financial and operating data in this 10-K report reflect the consolidated business and operations of Good Times Restaurants Inc. and its subsidiaries.

The Company's fiscal year is a 52/53-week year ending on the last Tuesday of September. In a 52-week fiscal year, each of the Company's quarterly periods comprise 13 weeks. The additional week in a 53-week fiscal year is added to the first quarter, making such quarter consist of 14 weeks. Our discussion for fiscal years 2023 and 2022, which ended on September 26, 2023 ("fiscal 2023") and September 27, 2022 ('fiscal 2022"), respectively, each cover periods of 52 full calendar weeks.

***Fiscal 2023 Financial & Brand Highlights***

- Our net revenues for fiscal 2023 decreased by $78,000 (0.1%) to $138,122,000 from $138,200,000 in fiscal 2022, primarily due to the closure of one Good Times restaurant during the second half of fiscal 2022 and the closure of one Bad Daddy's restaurant at the end of the first quarter of fiscal 2023, partially offset by same store sales growth at Good Times.

- Same store sales increased by 0.1% at our Bad Daddy's brand during fiscal 2023.

- Same store sales increased by 3.7% at our Good Times brand during fiscal 2023.

- We acquired the non-controlling interests in subsidiaries owning five Bad Daddy's restaurants during fiscal 2023.

- We acquired two previously franchised Good Times restaurants near the end of fiscal 2023.

- We ended fiscal 2023 with $4.2 million in cash and $0.8 million in long-term debt.

Same store sales for each brand represent the comparison of restaurant sales in the current year, to the same comparable weeks in the immediately preceding fiscal year for those stores open for at least 18 months. Stores are excluded from the calculation during fiscal periods in which a store is closed for multiple days for remodels, and for acquired restaurants, during any fiscal periods prior to the first full fiscal period under Company ownership.

***Recent Developments***

**Macroeconomic Factors and Operating Environment**

During fiscal 2023, high rates of inflation have been seen globally which have resulted in increases in commodity, labor and energy costs for both concepts. Although the rate of inflation has moderated recently, increases in inflation could affect the global and U.S. economies, which could have an adverse impact on our business and results of operations if we, and our franchisees, are not able to adjust prices sufficiently to offset the effect of cost increases without negatively impacting consumer demand.

Although we conduct all of our restaurant operations within the U.S., worldwide product supply chains have been impacted by international conflicts, which have expanded into new regions of the world recently. The lack of availability of supplies of such products may impact the availability and supplier pricing for products purchased by us for use in our business, which could result in higher food and packaging costs or reduced revenues.

During fiscal 2023, the significant interest rate increases by the Federal Reserve have caused regional bank failures. The Company maintains deposits with certain banks in excess of the maximum insured limits by the FDIC. Although in certain of those cases, depositors have been protected from loss by government intervention, no assurances can be made in the case of any failure of a bank in which the Company has uninsured deposits, that the Company would be similarly protected against loss of such uninsured deposits.

**Share Repurchase**

On February 7, 2022, the Company's board of directors approved a program to purchase shares of its common stock at an aggregate amount of up to $5.0 million dollars. As of September 26, 2023, a total of 1,127,188 shares have been repurchased under the plan at an aggregate cost of approximately $3,222,000.

**Debt**

The Company and its wholly owned subsidiaries (the "Subsidiaries") maintain an amended and restated credit agreement with Cadence Bank ("Cadence") pursuant to which Cadence agreed to loan the Company up to $8,000,000, which has a maturity date of April 20, 2028 (the "Cadence Credit Facility"). The Cadence Credit Facility amended and restated the Company's prior credit facility with Cadence in its entirety. The Cadence Credit Facility accrues commitment fees on the daily unused balance of the facility at a rate of 0.25%. The loans may from time to time consist of a mixture of SOFR Rate Loans and Base Rate Loans with differing interest rates based upon varying additions to the Federal Funds Rate, the Cadence prime rate or Term SOFR. Each of the Subsidiaries are guarantors of the Cadence Credit Facility.

Proceeds from the Cadence Credit Facility, if and when drawn, may be used (i) to fund new restaurant development, (ii) to finance the buyout of non-controlling partners in certain restaurants, (iii) to finance the redemption, purchase or other acquisition of equity interests in the Company and (iv) for working capital and other general corporate purposes.

The Cadence Credit Facility includes customary affirmative and negative covenants and events of default. The Cadence Credit Facility also requires the Company to maintain various financial condition ratios, including minimum liquidity, an amended maximum leverage ratio and an amended minimum fixed charge coverage ratio. In addition, to the extent the aggregate outstanding balance under the revolver under the Cadence Credit Facility exceeds $4.0 million, the Company is required to meet a new specified leverage ratio, on a pro forma basis, before making further borrowings as well as certain restricted payments, investments and growth capital expenditures. As of the date of filing of this report, the Company was in compliance with each of these covenants under the Cadence Credit Facility.

As of September 26, 2023 the interest rate applicable to borrowings under the Cadence Credit Facility was 8.42%.

As a result of entering into the Cadence Credit Facility and the various amendments, the Company paid loan origination costs including professional fees of approximately $299,000 and is amortizing these costs over the term of the credit agreement. As of September 26, 2023, the unamortized balance of these fees was $122,000.

In connection with the Cadence Credit Facility, the Company and the Subsidiaries entered into an Amended and Restated Security and Pledge Agreement (the "Security Agreement") with Cadence. Under the Security Agreement, the Cadence Credit Facility is secured by a first priority security interest in substantially all the assets of the Company and the Subsidiaries.

As of September 26, 2023, there were $750,000 of borrowings against the facility, all of which is due during the fiscal year ending September 2028 and is classified as a long-term liability in the accompanying balance sheet. Availability of the Cadence Credit Facility for borrowings is reduced by the outstanding face value of any letters of credit issued under the facility. As of September 26, 2023, there were approximately $10,000 in outstanding letters of credit issued under the facility, and approximately $7,240,000 of committed funds available.

Total interest expense on notes payable was $31,000 and $20,000 for fiscal 2023 and 2022, respectively.

***Concepts***

**Bad Daddy's Burger Bar**

Bad Daddy's Burger Bar is a full-service, casual dining small box "better burger" concept. Bad Daddy's currently operates all of its company-owned restaurants under a table service / full bar service model.

There are three primary elements of the concept that we believe differentiates us from our competition:

1. Scratch Cooking. The menu consists of chef-inspired burgers, sandwiches, main-course salads, and appetizers carefully crafted in-house with high-quality ingredients to deliver bold flavor profiles along with portion sizes and presentations that are uncommon in the casual dining segment of the industry. Beyond simply assembling finished ingredients on a plate, many of our sauces, dressings, and even our housemade American cheese are prepared from scratch in our restaurant kitchens. We offer our guests an extensive ability to customize their burgers and salads, including Create Your Own Burgers and Salads, restricted only by the ingredients available in the kitchen, which include a variety of different protein options including bison, turkey, chicken, salmon, and plant-based protein.

2. A Bad Ass Bar. The food menu is complemented by a full bar that focuses on local and craft beers and proprietary, handcrafted cocktails. Two specialties are our Bad Daddy's Amber Ale, available only at Bad Daddy's, and our Bad Ass Margarita. System-wide, total alcoholic beverages account for approximately 12% of all sales in our Bad Daddy's restaurants, and approximately 16% of on-premises sales. We focus on making our bar a place where both newcomers and regular guests can comfortably relax and enjoy a beverage at happy hour, with their meal, or at any other time of day.

3. Genuine Hospitality. The restaurants have a high-energy yet family friendly environment with iconic pop culture design elements and a personal, ultra-friendly and informal service platform with a legacy of southern hospitality. Bad Daddy's menu, service and environment are designed around an irreverent brand personality, including unique menu items, iconic Farrah Fawcett and Paul Newman Cool Hand Luke posters in the men's and women's restrooms and our own playlist of classic rock and modern rock music that adds to the high energy atmosphere.

While clearly available for on-premises customers, all three of these elements are available for our off-premises guests as well, as we (1) offer the same customization on our off-premises ordering platforms as we offer in-restaurant, (2) where allowable by state or local regulation, we also provide our alcoholic beverages in an off-premises format for those customers who are ordering their meal for carryout or delivery, and (3) we offer the same level of hospitality to our carry-out guests and tightly manage our delivery service providers to a similar expectation of over-the-top service.

This brand positioning results in transactions that generate average sales per transaction of approximately $36 across all transaction types. The lunch daypart (open until 2 p.m.) represents approximately 35% and the happy hour and dinner dayparts (2 p.m. until close) represent approximately 65% of restaurant sales. Off-premises sales, including take-out, delivery and curbside pickup, accounted for approximately 27% of all system-wide sales in fiscal 2023.

A typical Bad Daddy's restaurant is approximately 3,500-4,000 square feet with an enclosed patio, smaller than most other chain casual dining restaurants.

While sharing common design elements, each restaurant has unique features intended to represent the local trade area of each Bad Daddy's and serves as a further point of differentiation from the larger casual dining chains. We believe Bad Daddy's innovative menu and personalized service combined with a unique, fun restaurant design enhance our customers' experience and differentiate Bad Daddy's from its competitors.

**Good Times Burgers & Frozen Custard**

Good Times is a drive-thru, quick-service hamburger-focused restaurant concept offering fresh, 100% all-natural beef and chicken. We own and operate twenty-five Good Times restaurants, and franchise an additional six, located primarily in the Denver market and along the front range of Colorado.

We compete primarily on the quality of our products, consistently prompt service, and order accuracy. We support our quality position by using only all-natural beef and chicken. Our all-natural frozen custard is made fresh throughout the day. These quality commitments help Good Times challenge quick-serve restaurant norms and match quality found at fast casual restaurants. Our focus on speed of service keeps our customers happy as most of our sales come from the drive-thru. With menu innovation, we strive to create flavor profiles unique to Good Times. We have rotating limited time menu items and custard flavors. Our customers appreciate that we support local causes and do not take ourselves too seriously. Good Times makes use of various media but primarily communicates these advantages and promotions through the use of terrestrial radio and digital audio streaming.

Our average per person check is approximately $13.04, which we believe is slightly lower than the average check at fast casual hamburger concepts such as Habit Burger, Five Guys, and Smashburger, but above the average check at national quick-service restaurants such as McDonalds, Wendy's and Burger King, as well as regional quick service hamburger restaurants such as In-N-Out and Whataburger. We do not offer a low-priced value menu like most national quick-service chains, choosing to define our value proposition based on quality ingredients with a specific focus on all-natural beef and chicken and products spanning a range of price choices within each of our menu categories. We have shifted our focus to a blend of quality and speed while slightly reducing the number of items on the menu.

Good Times is primarily a drive-thru concept, as all our restaurants have at least one drive-thru lane and generally have a walk-up window where customers may additionally place orders. Most of our restaurants have no indoor seating and consist of one drive-thru lane and outdoor patio seating, though about one-fourth of our Company-owned restaurants have small indoor dining areas. Speed of service in this segment is critical for success and we average less than three-minute transaction times, as measured from the time the customer places their order until they leave the drive-thru lane.

The success of our strategy is evident in our long-term same store sales growth (sales growth over the prior year period at restaurants open more than 18 months, also referred to as comparable sales). Same store sales increased 3.7% in fiscal 2023, and 1.1% in fiscal 2022. We have increased same store sales for four consecutive years, and in twelve of the last thirteen years. Same store sales have grown at a compound annual growth rate of 5.0% between fiscal 2014 and 2023.

***Our Business Strengths***

**Our Brands Are Complementary**

While operating in different segments of the restaurant industry, our two brands complement each other in both their similarities and differences:

Each has a value proposition enhanced by superior quality ingredients and a focus on the specific elements of service relevant to the concept that deliver an exceptional experience to each guest. We believe Bad Daddy's resonates with consumers by consistently executing high-quality, scratch-made menu items with bold flavors delivered in a high-energy environment with a slightly irreverent brand personality. The appeal of Bad Daddy's is not solely based on a purely on-premises customer experience however, as the focus we place on bold, unique flavors; superior ingredients; and scratch cooking in each kitchen translates into significant off-premises adoption, both through traditional customer carry-out and delivery by third party delivery service providers.

We believe Good Times is the only drive-thru quick-service chain in our region with an all-natural platform. We do not offer a low-priced value menu as many national quick-service chains do, choosing to compete on a market position emphasizing quality with a specific focus on all-natural beef and chicken, and with a variety of price points across the menu with quick-service restaurant speed of service. The quick-service, and in particular, drive-thru format of our Good Times concept offers a balancing effect to business cycles that are common in the full-service segment of the restaurant industry.

**Our Brands Have a Common Culture and Operating Philosophy**

While each of our brands is led by separate operating teams, each shares a commitment to four core values and four dimensions of our business:

- *Core Values.* Each brand focuses on developing behaviors and expectations around our core values, which are: Hospitality, Integrity, Respect, and Entrepreneurship.
- Dimensions of the Business:
    - *Individual Fulfillment.* The first dimension speaks directly to people, whether that is fellow team members or our customers. Specific to our team members, we seek to hire people with aligned values and the appropriate knowledge and skills throughout the organization, provide them with comprehensive training programs, and provide a framework for self-directed, company-supported continuous development, as we believe that the individual fulfillment achieved from self-actualized team members with aligned values will deliver consistently superior products and service. We maintain incentive programs at all levels of management based on balanced metrics addressing performance related to people development and retention; consistent, strong operations; and superior economic value creation.
    - Our Guests' *Emotional Connection.* Rather than merely being a feeding trough for the masses, we strive to differentiate our concepts in a way that creates an emotional connection by the guest to each brand. This emotional connection drives loyalty and long-term strength in same store sales.
    - *Operational Excellence.* We are content with neither mediocrity nor the status quo, even if it is "good enough." Rather we strive for excellence in execution, whether that is within the operations of our restaurants, or the operations of our shared services capabilities. We: (1) do things the *right* way, (2) take pride in our work, (3) take pride in our facilities, and (4) take pride in our brand. The pride that is shared by all of us drives us towards excellence in all of our activities.
    - *Financial Discipline and Strength*. While growth is important, it needs to be sensible and bounded by financial strength. We want to achieve both growth in unit volumes and growth in number of units, but at the same time maintain a low debt load.

**Our Brands Have Growth Potential**

We believe both of our brands are well positioned to take advantage of consumers' changing demands for restaurants, whether regarding the quality of the ingredients, the ability to customize their order *exactly* to their liking, or the ability to eat their food in a restaurant dining room, on a patio, in their car, or to either pick it up or have it delivered. We believe Good Times and Bad Daddy's are both well positioned to capitalize on those macro-trends.

Both of our brands currently operate with relatively small market penetration and overall development footprints, providing significant expansion potential. It is our goal to primarily grow our Bad Daddy's brand and to do so relatively contiguously from our existing restaurants in order to maximize brand awareness and operating and distribution efficiencies.

Good Times and Bad Daddy's operate with a common point-of-sale system and we have implemented a common back-office system for both brands. We are also continuing to invest in sophisticated digital training tools, making each brand's restaurant level processes, systems, recipes and management tools available in one commonly accessible database.

**We Have Assembled a Dedicated Senior Leadership Team with Significant Experience**

Each of the members of our senior leadership team have many years of relevant experience in their field of expertise, and nearly all have more than fifteen years of industry experience, with some members having worked together for more than twenty years developing the Good Times concept. Our executive leadership team has significant experience in both full service and quick service restaurant concepts.

Each brand is operated with distinct operations teams led by its own operations leader, while utilizing shared support capabilities in administration, finance, accounting, human resources, development, marketing and information technology, each capability led by its own qualified leader with many years of functional and leadership experience. We believe we have people with the right expertise as well as capable processes and systems in place to support both concepts and targeted future growth of the Bad Daddy's concept.

**We Have Maintained Operating Momentum**

Same store sales at Good Times have increased twelve of the past thirteen years. Same store sales increased for fiscal 2023 primarily due to price increases throughout the fiscal year, partially offset by decreased foot traffic. Our compound annual same store sales growth rate was approximately 5.0% over the past ten years. We believe this performance is largely the result of the evolution in our brand positioning, the re-imaging of several of our older restaurants, effective management of media mix, and consistent execution of the customer experience. We plan to continue to periodically re-image and remodel our restaurants, maintain a relevant menu with a laser focus on speed and accuracy in execution, in keeping with our brand strategy, and communicate our brand story to maintain our same store sales growth.

The Bad Daddy's concept was started in 2007 in Charlotte, North Carolina by a qualified chef. Sales of the Bad Daddy's restaurants which were open for at least 18 months averaged $2.6 million for fiscal 2023. We purchased the non-controlling interests in subsidiaries owning five Bad Daddy's restaurants during fiscal 2023. We opened one new Bad Daddy's restaurant during fiscal 2023. We believe that both organic growth and unit growth is important to our brand and expect expansion to be disciplined and financed primarily from operating cash flow from the Bad Daddy's business.

**Business Strategies**

We are focused on continuing to grow same store sales and profitability of the Good Times concept while continuing targeted unit growth of the Bad Daddy's Burger Bar concept in domestic markets. We believe that there are significant opportunities to develop new units, grow customer traffic and increase awareness of our brands. The following sets forth the key elements of our growth strategy:

1. **Organic sales growth in both brands**. We intend to continue to focus on increasing our same store sales. We plan to further strengthen our fresh, all-natural brand positioning at Good Times with targeted merchandising around each of our menu categories and a targeted focus on speed and accuracy in execution instead of deep discounts or exotic, limited-reach menu items. We also expect to continue various advertising programs, shifting the media mix periodically as we determine appropriate to maximize advertising effectiveness and efficiency. At Bad Daddy's, we intend to increase Bad Daddy's same store sales through ongoing menu engineering around bold flavors and unique, concept-appropriate menu items that we believe drive increased customer visits as well as elevated per person average check, and a focus on expanding our beverage sales and creating energy in our bar areas. Bad Daddy's advertising has traditionally targeted individual trade areas, community involvement and in-store, "four-wall" marketing activities that focus on optimizing the guests' food, bar and service experience. We have enhanced those efforts by leveraging third parties who specialize in social and digital media advertising design.

2. **Improve operational capabilities.** We continue to focus on managing our expenses in the operation of our restaurants, with a particular focus on cost of sales, labor and operating expense controls and efficiencies while not adversely impacting our overall quality and service proposition. Macroeconomic, state legislative increases to wages and other external factors have resulted in upward trends in certain of these operating costs. We continue to implement programs to mitigate the impact of these external factors and continue to explore other opportunities to improve efficiency of general and administrative costs. We placed an elevated level of focus in managing overhead costs and gaining further efficiencies in supervision and support services costs and believe that those costs will be relatively stable, though we expect to invest in modern human resource and financial planning systems that will provide improved abilities for our restaurant leaders and support capability leaders to best create value for the business.

3. **Pursue disciplined unit growth of Company-operated Bad Daddy's Burger Bar restaurants**. We own the Bad Daddy's Burger Bar brand, including all associated intellectual property. We have identified potential new restaurant locations in the southeast U.S. market which are in various stages of negotiation. We continue to assess our development strategies and intend to follow a disciplined strategy of unit growth that may include both company-owned and franchisee-owned units. Consistent with our business dimension of *Financial Discipline and Strength*, we expect that growth in company-owned restaurants will remain more modest than it has been in the past and will stem from operating cash flow rather than through the use of significant debt financing to drive more rapid growth.

***Expansion strategy and site selection***

**Bad Daddy's Burger Bar**

Our development of the Bad Daddy's Burger Bar concept in company-owned restaurants has focused on urban and suburban upper income demographic areas with median household incomes over $70,000, with a high concentration of daytime employment, specialty retail and entertainment venues. We use specialized software to create a sales forecast for each site and have continued to update the data in that site forecasting software. We expect to utilize this software as one component of decision making in the selection of sites for future Bad Daddy's restaurant locations.

Bad Daddy's Burger Bar locations are primarily end-cap locations in new and existing shopping center developments using approximately 3,500 to 4,000 square feet. While our Good Times 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-site and off-site development or land and zoning submittals and modifications. We estimate that it will take approximately 120 to 150 days to develop a Bad Daddy's Burger Bar from the time a building permit is issued, though permitting processes and timelines vary greatly across jurisdictions. We expect that the majority of the Company's unit growth will be through the development of additional Bad Daddy's Burger Bar locations.

**Good Times Burgers & Frozen Custard**

We do not have explicit plans to develop additional Good Times restaurants, as we continue to refine the economic model of our primarily drive-thru business. However, we expect that any opportunistic development in Good Times locations would be through a lens of growth in Colorado and potentially surrounding states, which would preserve operating and marketing efficiencies created by the geographic concentration of our existing base of restaurants. Any development of new Good Times restaurants would involve a new prototype restaurant design focused primarily on drive-thru with an outside patio but without any enclosed dining room.

We currently lease either the land or the land and building for all of our Good Times restaurants, except for one restaurant in which we own the land and building. If we were to develop additional sites, a lease/buy decision would be based upon the economics of the property and our long-term point of view on the underlying real estate and do not have an explicit preference for leasing in the case of future Good Times restaurants. Our primary site objective is to secure a suitable site, with the decision to buy or lease as a secondary objective. Our site selection process includes evaluating several criteria, including 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.

***Restaurant locations***

As of December 14, 2023, we own and operate or license a total of forty-one Bad Daddy's Burger Bar locations. The location in the Charlotte Douglas International Airport is operated pursuant to a License Agreement.

We opened one company-owned Bad Daddy's restaurant during fiscal 2023 and closed one Bad Daddy's restaurant.

Additionally, we own and operate or franchise a total of thirty-one Good Times restaurants. We acquired two Good Times restaurants in Greenwood Village and Lafayette, Colorado from franchisees during fiscal 2023.

**Company-Owned/Co-Developed/Joint-Venture**

| | Bad Daddy's Burger Bar | | Good Times Burgers & Frozen Custard | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Alabama | 3 | 2 | - | - | 3 | 2 |
| Colorado | 11 | 12 | 25 | 23 | 36 | 35 |
| Georgia | 5 | 5 | - | - | 5 | 5 |
| North Carolina | 14 | 14 | - | - | 14 | 14 |
| Oklahoma | 1 | 1 | - | - | 1 | 1 |
| South Carolina | 4 | 4 | - | - | 4 | 4 |
| Tennessee | 2 | 2 | - | - | 2 | 2 |
| **Total** | **40** | **40** | **25** | **23** | **65** | **63** |

**Franchise/License**

| | Bad Daddy's Burger Bar | | Good Times Burgers & Frozen Custard | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Colorado | - | - | 4 | 6 | 4 | 6 |
| North Carolina | 1 | 1 | - | - | 1 | 1 |
| South Carolina | - | - | - | - | - | - |
| Wyoming | - | - | 2 | 2 | 2 | 2 |
| **Total** | **1** | **1** | **6** | **8** | **7** | **9** |

***Menu***

**Bad Daddy's Burger Bar**

The Bad Daddy's Burger Bar menu offers our guests a culinary-driven menu consisting of our own unique blend of high quality and handcrafted 1855 Black Angus® beef burgers with creative, scratch-made toppings including buttermilk-fried bacon, housemade American cheese, creamy ale queso made in-house with our Bad Daddy's Amber Ale, and our specialty signature Bad Daddy's sauce. The customizable menu options also include a variety of proteins including black bean, salmon, turkey, bison and chicken. Additionally, we offer giant chopped salads, a full gluten-friendly menu, appetizers including hand-cut fries and housemade potato chips, hand-spun ice cream milkshakes and our scratch-made "southern-style" banana pudding. We feature a variety of craft beers from local breweries and a full bar serving spirits, innovative cocktails, and wines including our signature Red and White pours.

Our signature recipes include the Bad Ass Burger; Sam I Am Burger and Emilio's Chicken Sandwich. Signature Chopped Salads include the Texican Chicken Salad and the Stella's Greek Salad. However, the true differentiator for the brand is our customers' ability to build their meal *exactly* the way they would like. The Bad Daddy's Create Your Own menu allows full customization of burgers and salads offering over sixty topping options. We have partnered with craft brewers to make our Bad Daddy's draft brews including Bad Daddy's Amber, IPA, and Light brews. Our creative cocktail menu uses fresh-squeezed housemade sours and fresh garnishes in our signature Bad Ass Margaritas and features creative and timeless options including the Daddy's Dragonberry and spiked milkshakes.

Bad Daddy's Burger Bar strives to provide proprietary flavors and recipes available nowhere else with fresh, handcrafted quality throughout the menu paired with genuine and warm hospitality. We also commit to making occasional changes to keep our menu fresh for our guests while still maintaining the spirited flavor profiles that distinguish us from others. In addition, we have rotating chef specials with flavor profiles unique to Bad Daddy's. At times, we also feature a burger with local ingredients with a giveback to a local charity.

**Good Times Burgers & Frozen Custard**

The menu of each Good Times restaurant is focused primarily on hamburgers, cheeseburgers, chicken sandwiches and chicken tenders that are fresh, never frozen, and using only all-natural beef and chicken. This menu is supplemented by side selections including french fries, cheese curds, green chile potato poppers, and onion rings. Beverages include typical soft drinks and fresh lemonades, with a selection of frozen custard products. We have a breakfast menu consisting of breakfast burritos, orange juice and coffee and a kid's meal menu featuring a choice of main item, side, drink, and a wooden nickel that can be redeemed for a free kid's cup or cone of custard.

Our hamburger patties are made with Meyer all-natural, all-Angus beef. Our chicken products are sourced from Springer Mountain Farms, which provides all-natural, antibiotic free, humanely-raised chicken. All-natural Angus beef and 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, all-Angus Beef and Springer Mountain Farms Chicken processes, may also minimize the risk of any food-borne bacteria-related illnesses. We also believe that the use of premium, all-natural beef and chicken products help us to differentiate our concept in a crowded quick-service segment of the restaurant industry.

Our fresh frozen custard is a premium ice cream 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 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 month in cups and cones and Spoonbenders, a mix of custard and toppings. Additionally, we offer thirteen flavors of shakes.

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

***Marketing & Advertising***

**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. We generally do not focus on large media buys or "traditional" advertising, but on the in-store customer experience, building word-of-mouth reputation and recommendations and local public relations based on prior and recent awards and recognitions received by Bad Daddy's. We have recently supplemented this with additional investments in social and digital media using third party resources who specialize in highly targeted advertisements on social media and digital platforms. We also use public relations, and trade area specific direct mail materials, particularly in support of new restaurant openings, to drive trial and initial awareness.

**Good Times Burgers & Frozen Custard**

Our marketing strategy for Good Times 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 radio advertising during fiscal 2023 and fiscal 2022. We augment our broadcast 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. As with Bad Daddy's, we have recently supplemented our legacy advertising approach with additional investments in social and digital media using third party resources who specialize in highly targeted advertisements on social media and digital platforms.

***Operations***

We maintain separate operating teams for each of our concepts and have extensive operating, training and quality control systems in place.

***Restaurant Management***

Bad Daddy's Burger Bar was developed as a chef-driven concept and utilizes a team of three or four managers in our operations at most restaurants. Managers are cross-trained in back of the house skills (prep, kitchen positions and line management), front of the house service positions (host, server and bar) and all management functions, however each manager is assigned one or more specific areas of responsibility over which they have "ownership" and direct accountability for results. Our managers at each restaurant participate in a bonus pool for each restaurant based on a combination of restaurant sales, income, and specific financial and operational objectives. As a full-service concept, our operating leadership structure for Bad Daddy's Burger Bar operations is distinct and separate, including a separate operations leader from our Good Times operations team as the experience, qualifications and compensation of team members are significantly different between the quick service and full-service segments of the industry. Although this is the case, we have combined recruiting into a single shared services capability and believe that long-term our training capabilities for the brands will similarly be combined into single shared services capability.

Each Good Times restaurant employs a general manager, generally between one and three hourly assistant managers, up to four hourly shift managers and approximately 10 to 20 non-management team members, most of whom work part-time during three shifts. Most of our shift managers, assistant managers, and general managers are internally promoted from team member positions, and in order to become a shift manager, an eight- to ten-week program over which the team member becomes fully capable on all phases of the operation, is used to train a new shift manager. Ongoing training and development is provided as necessary. We believe that incentive compensation of our restaurant managers is essential to the success of our business. Accordingly, our general managers and assistant managers in each restaurant participate in a bonus program based upon meeting financial, customer service and quality performance objectives tied to a monthly scorecard of measures.

***Operational and Management Systems and Processes***

We have implemented highly-effective operating systems and processes relative to those in the industry for both of our concepts. Detailed processes have been developed for all responsibilities that drive consistency across our system of restaurants and performance against our standards within different day parts. We utilize a combination of industry-leading labor programs and proprietary algorithms 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 performance and employee development. The order system at each Good Times restaurant is equipped with an internal timing device that displays and records the time each order takes to prepare and deliver.

We use several sources of customer feedback to evaluate each restaurant's service and quality performance, including a transaction-driven survey outreach, website comments and a customer feedback tool that aggregates and analyzes all social media comments. 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 our restaurant leadership team members 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-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. 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 at both brands.

Prior to opening a new restaurant, a training and opening team travels to the new restaurant location to prepare for an intensive training program for all team members hired for the new restaurant opening. Part of the training team remains on-site for a period after the opening of the restaurant while an additional team provides several weeks of support following opening.

***Recruiting and Retention***

At Bad Daddy's we seek to hire experienced restaurant managers. We support employees by offering competitive wages and benefits, including a matching 401(k) plan, medical insurance, and incentive plans at every level of management 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 paid time off, communication allowances, incentive performance bonuses and referral bonuses. We have implemented an online screening and hiring tool that has proven to reduce hourly employee turnover.

***Franchising***

For Good Times, we have previously prepared forms of area rights and franchise agreements and advertising material to be utilized in soliciting prospective franchisees. We have historically sought to attract franchisees that are experienced restaurant operators, are 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. Currently, we are not actively soliciting new franchisees but are assessing potential future growth strategies that include the development of franchised Good Times restaurants.

We currently have one license agreement for a Bad Daddy's location in the Charlotte Douglas International Airport. We currently have four Good Times restaurants operating under franchise agreements in the greater Denver metropolitan area and two dual-branded franchised restaurants operating in Wyoming. In addition, six joint-venture restaurants are operating in the Denver metropolitan area media market.

We actively work with and monitor our franchisees to ensure successful franchise operations as well as compliance with our systems and procedures. We advise the franchisee on menu, management training and marketing. On an ongoing basis we conduct standards reviews of all franchise restaurants in key areas including product quality, service standards, restaurant cleanliness and sanitation and food safety.

***Management Information Systems***

The systems in our restaurants are designed in a manner to minimize the amount of time our managers spend on administrative tasks. We utilize up-to-date versions of a leading point-of-sale system in each of our company-owned restaurants that captures transaction-level data required to support information about sales, product mix, and average check. The configuration of restaurant point-of-sales systems is performed by our technology shared service capability.

We use a cloud-based back-office solution across both brands that collects sales, labor and cash data from the restaurant point-of-sale system in near real-time and is the primary source of capture for inventory and supply chain management information. This back-office solution interfaces with our primary financial accounting systems and provides all levels of management with relevant daily, weekly and monthly reports across substantially all store-level income and expense categories.

***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 nationally recognized comprehensive safety and sanitation course specific to food service. Minimum cook temperature requirements, periodic line checks throughout the day, and daily facilities checklists 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 restaurants and the majority of the food and paper supplies for our Bad Daddy's restaurants from US Foods. 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 US Foods under negotiated contracts directly to our restaurants two to four times per week depending on restaurant requirements. We do not believe that the current reliance on these distributors 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. We monitor the primary commodities we purchase and extend contract positions when applicable in order to minimize the impact of fluctuations in price and availability. However, certain commodities, primarily ground beef, remain subject to market price fluctuations.

***Employees***

At September 26, 2023, we had approximately 2,245 active employees of which 2,016 are hourly team members and 229 are salaried managers or professional staff working full time. We strive to provide competitive salary and benefits, strong development opportunities, and a meaningful job or career for all of our employees and believe that this has translated into good employee relations. None of our employees are covered by a collective bargaining agreement.

***Competition***

The restaurant industry, including both limited service and full-service segments, is highly competitive. Bad Daddy's Burger Bar competes with both local, regional, and national gourmet, "better burger" concepts as well as more legacy grill and bar concepts. As such, Bad Daddy's competes with both full-service and limited-service better burger restaurants. There are other burger-centric fast casual concepts that operate at a lower average customer check than Bad Daddy's Burger Bar and others in both fast casual and full-service formats that operate with a higher average customer check. We believe that we offer sufficient price choice to be able to compete effectively in the full range of such concepts. We believe that Bad Daddy's Burger Bar has an advantage in the premium quality of our ingredients, unparalleled ability for guests to customize their order, distinctiveness of its atmosphere and the bold, unique flavors of our scratch-made, chef-inspired menu offerings. Nevertheless, Bad Daddy's Burger Bar may be at a competitive disadvantage to other restaurant chains with greater name recognition and operating mass.

Good Times competes with many other hamburger-oriented quick-service 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. In-N-Out, a California-based, burger-focused quick-service restaurant concept, has expanded into the Colorado market and Whataburger, a Texas-based burger-focused quick-service restaurant concept has announced its intent to expand into the Colorado market. Double drive-thru restaurant chains such as Rally's Hamburgers and Checker's Drive-In Restaurants, which currently operate double drive-thru restaurants in various markets in the United States, are not currently operating in Colorado. We are aware of only two significant quick-service competitors offering frozen custard as a primary menu item operating in the Colorado market 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; however, these generally do not have drive-thru service and generate an average per person check that is meaningfully higher than the average check at a Good Times restaurant.

We believe that Good Times may have a competitive advantage in terms of quality of product compared to traditional quick-service hamburger chains. Early development of our double drive-thru concept in Colorado has given us an advantage over other drive-thru 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.

***Intellectual Property***

We have registered our marks “Bad Daddy’s Burger Bar” and “Good Times” with the United States Patent and Trademark Office. We received approval of our federal registration of “Bad Daddy’s Burger Bar” in 2011 and “Good Times” in 2003. Additionally, we own trademarks or service marks that have been registered with the United States Patent and Trademark Office including, but not limited to, “Bad Daddy’s Burger Bar EST. 2007”, “Big Daddy Bacon Cheeseburger,” “Spoonbender”, and “Happiness Made To Order”. The registration for our “Bad Daddy’s Burger Bar” mark will be renewed prior to September 2031. The registration for our “Good Times” marks will be renewed prior to December 2023 and March 2032 respectively. We intend to maintain our marks and renew registrations on a timely basis.

***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. Beginning in 2015, we became subject to the Affordable Care Act which requires us to 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 require annual renewal and may be suspended or revoked at any time for cause, the definition of which varies by locality.

***Segment Reporting***

We operate as two reportable business segments: Good Times Burgers and Frozen Custard restaurants and Bad Daddy’s Burger Bar restaurants. Refer to Note 10, *Segment Reporting*, in the notes to our consolidated financial statements for more information.

***Available Information***

Our Internet website address is goodtimesburgers.com. We make available 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 Securities and Exchange Commission (“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***

This Form 10-K may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and such statements are subject to the safe harbors created thereby. 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:

- our expectations as to the impact of a global or regional pandemic or epidemic on our business;

- the sufficiency of the supply of commodities and labor pool to carry on our business;
- anticipated price increases and the impact of inflation
- business objectives and strategic plans;
- operating strategies;
- our ability to open and operate additional restaurants profitably and the timing of such openings;
- expectations that most, if not all, of the Company’s unit growth will be through the development of additional Bad Daddy’s Burger Bar locations;
- restaurant and franchise acquisitions;
- expected future revenues and earnings, comparable and non-comparable restaurant sales, results of operations, and future restaurant growth (both company-owned and franchised);
- estimated costs of opening and operating new restaurants, including general and administrative, marketing, franchise development and restaurant operating costs;
- anticipated selling, general and administrative expenses and restaurant operating costs, including commodity prices, labor and energy costs;
- future capital expenditures;
- 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 2023;
- success of advertising and marketing activities;
- the absence of any material adverse impact arising out of any current litigation in which we are involved;
- impact of the adoption of new accounting standards and our financial and accounting systems and analysis programs;
- expectations regarding competition and our competitive advantages;
- impact of our trademarks, service marks, and other proprietary rights; and
- effectiveness of our internal control over financial reporting.

Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties.

In some cases, information regarding certain important factors that could cause actual results to differ materially from any forward-looking statements appears together with such statement. In addition, the factors described under Critical Accounting Policies and Estimates in Part II, Item 7, and Risk Factors in Part I, Item 1A, as well as other possible factors not listed, could cause actual results to differ materially from those expressed in forward-looking statements, including, without limitation, the following: concentration of restaurants in certain markets and lack of market awareness in new markets; changes in disposable income; consumer spending trends and habits; increased competition in the quick-service restaurant market; costs and availability of food and beverage inventory; the increasing inflationary environment, supply chain constraints; our ability to attract qualified managers, employees, and franchisees; changes in the availability of capital or credit facility borrowings; costs and other effects of legal claims by employees, franchisees, customers, vendors, shareholders and others, including settlement of those claims; effectiveness of management strategies and decisions; weather conditions and related events in regions where our restaurants are operated; and changes in accounting standards, policies and practices or related interpretations by auditors or regulatory entities. Additionally, in the context of a global or regional pandemic or epidemic, future facts and circumstances could change and impact assumptions relied upon in our forward-looking statements.

All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

## ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors before making an investment decision with respect to our securities. You are cautioned that the risk factors discussed below are not exhaustive.

***Risks Related to Our Business***

**Our operations are susceptible to the cost of and changes in food availability which could adversely affect our operating results.**

Our profitability depends in part on our ability to anticipate and react to changes in food costs. Various factors beyond our control, including adverse weather conditions, governmental regulation, production, availability, recalls of food products, seasonality and supply chain impacts due to pandemics or other public health situations may affect our food costs or cause a disruption in our supply chain. We enter annual contracts with our chicken and other miscellaneous suppliers. Our Good Times contracts for chicken are fixed price contracts. Our Bad Daddy's contracts for chicken and all contracts for beef are generally based on current market prices plus a processing fee. Changes in the price or availability of our all-natural chicken or beef supply or other commodities could materially adversely affect our profitability. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. In addition, we may not be able to pass along higher costs through price increases to our customers.

**Macroeconomic conditions and inflation could affect our operating results.**

General economic conditions, including economic downturns related to pandemics or other public health emergencies, have adversely affected our results of operations and may continue to do so. Similarly, significant inflation has negatively affected our labor and product input costs and could continue to do so. If the economy experiences a more significant economic downturn or there are uncertainties regarding continued economic prosperity, declines in stock market indices, or other negative macroeconomic occurrences, consumer spending and the unemployment rate may be affected, which may adversely affect our sales in the future. A proliferation of heavy discounting or highly competitive pricing by our major competitors may also negatively affect our sales and operating results.

**Price increases may impact customer visits.**

We may make price increases on selected menu items in order to offset increased operating expenses we believe will be recurring. Although we have not experienced significant consumer resistance to our past price increases, future price increases may deter customers from visiting our restaurants or affect their purchasing decisions.

**Labor shortages could slow our growth or harm our business.**

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified, high-energy employees. Qualified individuals needed to fill these positions are in short supply in some areas, and in fiscal 2023 we have seen an extreme shortage of qualified workers by historical standards as has been reported in various news outlets. The inability to recruit and retain these individuals may delay the planned openings of new restaurants or result in high employee turnover in existing restaurants, which could harm our business. Additionally, competition for qualified employees has required us to pay meaningfully higher wages to attract enough employees than has historically been the case, and continued tightness in labor markets could result in continued escalation of labor costs. Most of our employees are paid market wages on an hourly basis that are influenced by applicable minimum wage regulations. Accordingly, any increase in the minimum wage, whether state or federal, could have a material adverse impact on our business.

**Increasingly competitive labor markets and our need to provide additional incentives to remain competitive in our hiring and retention efforts may continue to negatively impact our margins and, if we are unable to staff and retain qualified restaurant management and operating personnel, we may be unable to effectively operate and grow our business and revenues, which could materially adversely affect our financial performance.**

Our ongoing success requires us to attract, motivate and retain a sufficient number of qualified, high-energy employees, including both restaurant managers and crew. However, qualified individuals needed to fill these positions are in short supply in many areas, and we and other companies in our industry have experienced high turnover. Many individuals have left the restaurant industry altogether due to difficult pandemic-related operating demands and, in some cases, current unemployment subsidies. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent, which in turn has led to higher labor costs and margin compression. If this trend continues, it will negatively impact our ability to effectively operate and grow our business and revenues and materially adversely affect our financial performance.

If we fail to appropriately plan and sustain our workforce and proactively respond to employee dissatisfaction, it could adversely impact guest satisfaction and operational efficiency, lead to increased litigation and unionization efforts and negatively impact restaurant profitability. Our restaurants could be short staffed, we may be forced to incur overtime expenses, and our ability to operate and expand our concepts effectively and meet customer demand could be limited. Difficulties recruiting and retaining new restaurant crew members in a timely manner also negatively impacts our ability to grow sales at existing restaurants and open new restaurants. Any or all of these factors could materially adversely affect our financial performance.

**The outbreak of, and local, state and federal governmental responses to, pandemics or other future health concerns have previously significantly disrupted and could disrupt our business again in the future, which has and could materially affect our financial condition and operating results.**

The COVID-19 pandemic and the associated government response, change in consumer behavior, labor market effects and supply chain impacts significantly affected the results of operations and financial condition of our business. The risk of similar government and consumer response to future pandemics or other public health concerns, and the risk of similar impacts within the labor markets and global supply chain, could cause significant disruption to our business.

**The failure of banks where we maintain deposits in excess of the limits insured by FDIC or other government or quasi-government agencies could materially affect our financial position and operating results.**

The Company maintains deposits with certain banks in excess of the maximum insured limits by the FDIC. The significant interest rate increases by the Federal Reserve have caused recent bank failures. Although in certain of those cases, depositors have been protected from loss by government intervention, no assurances can be made in the case of any failure of a bank in which the Company has uninsured deposits, that the Company would be similarly protected against loss of such uninsured deposits.

**International conflicts could disrupt our business and could materially affect our financial condition and operating results.**

Although we conduct all of our restaurant operations within the USA, worldwide product supply chains have been impacted by international conflicts, which have expanded into new regions of the world recently. The lack of availability of supplies of such products may impact the availability and supplier pricing for products purchased by us for use in our business, which could result in higher food and packaging costs or reduced revenues. Consumer behavior may also be affected by international conflicts and may result in reduced traffic and sales at our restaurants.

**We have accumulated losses and cannot guarantee future profits.**

We have incurred losses in 29 of our 36 years since inception. As of September 26, 2023, we had an accumulated deficit of $19,235,000. Though we recognized net income in fiscal 2023, in light of the uncertainty of macro-economic conditions, increasing inflation and other factors affecting our supply chain and employee markets, we cannot provide assurance that we will produce income again or generate a loss for the fiscal year ending September 24, 2024.

**If we are unable to continue to increase same store sales at existing restaurants, our ability to attain profitability may be adversely affected.**

We have increased same store sales for twelve of the past thirteen years at Good Times. We have operated Bad Daddy's for a shorter period of time and have recently experienced declines in same store sales. Same store sales increases will depend in part on the success of our advertising and promotion of new and existing menu items and consumer acceptance and could be greatly impacted by changes in general customer behavior and preferences. If our same store sales decline, and our operating costs increase, our ability to attain profitability will be adversely affected.

**New restaurants, when and if opened, may not be profitable, if at all, for several months.**

We anticipate that our new restaurants, when and if opened, will generally take several months to reach normalized operating levels due to inefficiencies typically associated with new restaurants, including lack of market awareness, the need to hire and train a sufficient number of employees, operating costs which are often materially greater during the first several months of operation than thereafter, preopening costs and other factors. In addition, restaurants opened in new markets may open at lower average weekly sales volumes than restaurants opened in existing markets and may have higher restaurant level operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach average annual company-owned restaurant sales, if at all, thereby affecting the profitability of these restaurants.

**Our operations are susceptible to the cost of and changes in food availability which could adversely affect our operating results.**

Our profitability depends in part on our ability to anticipate and react to changes in food costs. Various factors beyond our control, including adverse weather conditions, governmental regulation, production, availability, recalls of food products, seasonality and supply chain impacts due to pandemics or other public health situations may affect our food costs or cause a disruption in our supply chain. We enter annual contracts with our chicken and other miscellaneous suppliers. Our Good Times contracts for chicken are fixed price contracts. Our Bad Daddy's contracts for chicken and all contracts for beef are generally based on current market prices plus a processing fee. Changes in the price or availability of our all-natural chicken or beef supply or other commodities could materially adversely affect our profitability. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. In addition, we may not be able to pass along higher costs through price increases to our customers.

**Macroeconomic conditions and inflation could affect our operating results.**

General economic conditions, including economic downturns related to pandemics or other public health emergencies, have adversely affected our results of operations and may continue to do so. Similarly, significant inflation has negatively affected our labor and product input costs and could continue to do so. If the economy experiences a more significant economic downturn or there are uncertainties regarding continued economic prosperity, declines in stock market indices, or other negative macroeconomic occurrences, consumer spending and the unemployment rate may be affected, which may adversely affect our sales in the future. A proliferation of heavy discounting or highly competitive pricing by our major competitors may also negatively affect our sales and operating results.

**Price increases may impact customer visits.**

We may make price increases on selected menu items in order to offset increased operating expenses we believe will be recurring. Although we have not experienced significant consumer resistance to our past price increases, future price increases may deter customers from visiting our restaurants or affect their purchasing decisions.

**The hamburger restaurant market is highly competitive.**

The hamburger restaurant market is highly competitive. Our competitors in the quick-service restaurant segment include many recognized national and regional fast-food hamburger restaurant chains, such as McDonald's, Burger King, Wendy's, Carl's Jr., Sonic, Jack in the Box, Freddy's and Culver's. In-N-Out has expanded into the state of Colorado, the primary state in which we operate, and is continuing to expand in the market, and Whataburger has announced its intention to expand into the state of Colorado. We also compete with small regional and local hamburger and other fast-food restaurants, many of which feature drive-thru service. Most of our competitors have greater financial resources, marketing programs and name recognition than we do. Discounting by our quick-service restaurant competitors may adversely affect the revenues and profitability of our restaurants.

While Bad Daddy's Burger Bar operates in the "better burger" restaurant segment, it offers a relatively broad menu and competes with other full-service restaurants in the bar and grill segment. Additionally, customers of both our Good Times restaurants and Bad Daddy's Burger Bar restaurants are also customers of fast casual hamburger restaurants. Further, changes in customer taste preferences, dietary trends, and preference for delivery and/or carry-out options often affect the restaurant business. If we are unable to continue to compete effectively with other restaurant concepts, our traffic, sales, and restaurant-level profitability could be negatively affected.

**Sites for new restaurants may be difficult to acquire.**

Locating our restaurants in high-traffic and readily accessible areas is an important factor for our success. We intend to continue to locate Bad Daddy's Burger Bar restaurants in leased in-line and end-cap retail locations. Since suitable locations are in great demand, in the future we may not be able to obtain optimal sites for either of our restaurant concepts at a reasonable cost or at all. In addition, we cannot assure you that the sites we do obtain will be successful.

**Our franchisees could take actions that could harm our business.**

Franchisees are independent contractors and are not our employees. We provide training and support to franchisees; however, franchisees operate their restaurants as independent businesses. Consequently, the quality of franchised restaurant operations may be diminished by any number of factors beyond our control. Moreover, franchisees may not successfully operate restaurants in a manner consistent with our standards and requirements or may not hire and train qualified managers and other restaurant personnel. Our image and reputation, and the image and reputation of other franchisees, may suffer materially, and system-wide sales could significantly decline if our franchisees do not operate successfully.

**We depend on key management employees.**

We believe our current operations and future success depend largely on the continued services of our management employees, in particular Ryan Zink, our President and Chief Executive Officer and Don Stack, our Senior Vice President of Operations for Good Times. Although we have entered into an employment agreement with Mr. Zink, he may voluntarily terminate his employment with us at any time. In addition, we do not currently maintain key-person insurance on the lives of Messrs. Zink or Stack. We have not entered into an employment agreement with Mr. Stack. The loss of services by Messrs. Zink or Stack, or those of other key management personnel, could have a material adverse effect on our financial condition and results of operations.

**Security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions may adversely affect our business.**

The majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information of their customers has been stolen. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our customers' credit or debit card information. In addition, most states have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claim, proceeding, or mandatory notification could cause us to incur significant unplanned expenses, which could have an adverse impact on our financial condition and results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on us and our restaurants.

**We are subject to extensive government regulation that may adversely hinder or impact our ability to govern various aspects of our business including our ability to expand and develop our restaurants.**

The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food. Our failure to maintain necessary governmental licenses, permits and approvals, including food licenses, could adversely affect our operating results. Difficulties or failures in obtaining the required licenses and approvals could delay, or result in our decision to cancel, the opening of new restaurants. Local authorities may suspend or deny renewal of our food licenses if they determine that our conduct does not meet applicable standards or if there are changes in regulations. In addition, any adverse food safety event could result in regulatory and other investigations, and/or fines and penalties, any of which could disrupt our operations, increase our costs, require us to respond to findings from regulatory agencies that may divert resources and assets, and result in potential fines and penalties as well as other legal action, any of which could materially adversely affect our financial performance.

Various federal, state and labor laws govern our relationship with our employees and affect operating costs. These laws govern minimum wage requirements, overtime pay, meal and rest breaks, unemployment tax rates, workers' compensation rates, citizenship or residency requirements, child labor regulations and sales taxes. Additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits may increase our operating costs. Several states and cities, including the city of Denver and the state of Colorado, where many of our restaurants are located, have legislation passed which provides for annual increases in their respective minimum wage. Additional states may raise their respective minimum wage in the future. This could impact the profitability of existing restaurants as well as impact development opportunities in those states.

The federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations for, disabled persons.

We are also subject to federal and state laws that regulate the offer and sale of franchises and aspects of the licensor-licensee relationship. Many state franchise laws impose restrictions on the franchise agreement, 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 the state.

Our Bad Daddy's Burger Bar restaurants are also subject to state and local laws that regulate the sale of alcoholic beverages. 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 require annual renewal and may be suspended or revoked at any time for cause, the definition of which varies by locality. The failure of any of our Bad Daddy's Burger Bar restaurants to timely obtain and maintain any required licenses, permits or approvals to serve alcoholic beverages could delay or prevent the opening of a new restaurant or prevent regular day-to-day operations, including the sale of alcoholic beverages, at a restaurant that is already operating, any of which would adversely affect our business.

**Concerns relating to food safety, food-borne illness, pandemics and other diseases could reduce customer traffic to our restaurants, or cause us to be the target of litigation, which could materially adversely affect our financial performance.**

We face food safety risks, including the risk of food-borne illness and food contamination (including allergen cross contamination), which are common both in the restaurant industry and the food supply chain. While we dedicate substantial resources and provide training to ensure the safety and quality of the food we serve, these risks cannot be completely eliminated. Additionally, we rely on our network of suppliers to properly handle, store and transport our ingredients for delivery to our restaurants. Any failure by our suppliers, or their suppliers, could cause our ingredients to be contaminated, which could be difficult to detect and put the safety of our food in jeopardy.

In addition to the novel coronavirus that causes COVID-19, consumer preferences could be affected by health concerns about outbreaks of other viruses, including various strains of influenza; the consumption of beef, the key ingredient in many of our menu items; or negative publicity concerning food quality, illness and injury generally, such as negative publicity concerning E. coli, “mad cow” or “foot-and-mouth” disease, publication of government or industry findings concerning food products served by us, or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. This negative publicity may adversely affect demand for our food and could result in a decrease in customer traffic to our restaurants. If we react to the negative publicity by changing our concept or our menu, we may lose customers who do not prefer the new concept or menu, and we may not be able to attract a sufficient new customer base to produce the revenue needed to make our restaurants profitable. In addition, we may have different or additional competitors for our intended customers as a result of a concept change and may not be able to compete successfully against those competitors. A decrease in customer traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business. Additionally, if our customers or staff members become infected with a pathogen which was actually or claimed to be contracted at our restaurants, customers may avoid our restaurants and/or it may become difficult to adequately staff our restaurants. Any adverse food safety occurrence may result in litigation against us. The negative publicity associated with such an event could damage our reputation and materially adversely affect our financial performance.

**The inability of the company to successfully negotiate extended terms on leases reaching end-of-term may reduce future profitability.**

The company leases the real estate underlying substantially all of its restaurants. While our leases generally have options for extension of the initial term, in the case of some of our Good Times restaurants, we have exercised all of the options granted to us under the lease. Additionally, some options are set at fair market rental rates, and in the case of one Bad Daddy’s restaurant, no option to extend exists in the lease. Furthermore, many of our Good Times leases are at rates below current market prices. Although the Company has generally been successful in negotiations with our landlords, the risk that we are unable negotiate additional lease term on expiring leases at reasonable rental rates could materially impact our future profitability.

**If we are unable to protect our reputation, the value of our brands and sales at our restaurants may be negatively impacted, which may materially adversely affect our financial performance.**

One of our largest assets is the value of our brands, which is directly linked to our reputation. We must protect our reputation in order to continue to be successful and to grow the value of our brands. Negative publicity directed at any of our brands, regardless of factual basis, such as, relating to food quality, restaurant facilities, customer complaints or litigation alleging injury or food-borne illnesses, food tampering or contamination or poor health inspection scores, sanitary or other issues with respect to food processing by us or our suppliers, the condition of our restaurants, labor relations, any failure to comply with applicable regulations or standards, allegations of harassment, or other negative publicity, could damage our reputation. Negative publicity about us could harm our reputation and damage the value of our brands, which could materially and adversely affect our financial performance.

**Our ability to succeed with the Bad Daddy’s Burger Bar restaurant concept will require significant capital expenditures and management attention.**

We believe that new openings of Bad Daddy’s Burger Bar restaurants are likely to serve as the primary contributor of our new unit growth and increased profitability over the longer term based on the unit economics of that concept. Our ability to succeed with this concept will require significant capital expenditures and management attention and is subject to certain risks in addition to those of opening a new Good Times restaurant, including customer acceptance of and competition with the Bad Daddy’s Burger Bar concept. If the “ramp-up” period for new Bad Daddy’s Burger Bar restaurants does not meet our expectations, our operating results may be adversely affected. There can be no assurance that we will be able to successfully develop and grow the Bad Daddy’s Burger Bar concept to a point where it will become profitable or generate positive cash flow. We may not be able to attract enough customers to meet targeted levels of performance at new Bad Daddy’s Burger Bar restaurants because potential customers may be unfamiliar with the concept, or the atmosphere or menu might not be appealing to them. If we cannot successfully execute our growth strategies for Bad Daddy’s Burger Bar, our business and results of operations may be adversely affected.

**Our growth, including the development of Bad Daddy’s Burger Bar restaurants, may strain our management and infrastructure.**

Any growth of our business would increase our operating complexity and place increased demands on our management and infrastructure, including our current restaurant management systems, financial and management controls, and information systems. If our infrastructure is insufficient to support our growth, our ability to open new restaurants, including the development of the Bad Daddy’s Burger Bar concept, would be adversely affected.

**Bad Daddy's Burger Bar is subject to all of the risks of a relatively new business, including competition, and there is no guarantee of a return on our capital investment.**

The Bad Daddy's Burger Bar concept has been in existence for approximately sixteen years and the average age for all Bad Daddy's restaurants, as of the date of this filing, is 7.0 years. Existing restaurants are currently located in Alabama, Colorado, Georgia, North Carolina, Oklahoma, South Carolina, and Tennessee. Because of the small number of existing Bad Daddy's Burger Bar restaurants and the relatively short period of time that they have been in operation, there is substantial uncertainty that additional restaurants in other locations will be successful. Though the Company currently has no franchisee-owned restaurants, the Company has offered franchises in the past and may do so again in the future. There is no guarantee that we will be successful in offering Bad Daddy's Burger Bar franchises throughout the U.S. or that, if and when, such franchises are granted, the restaurants developed by franchisees will be successful.

**Costs associated with our employee health care programs continue to escalate and we may not be able to fully pass along those cost increases to employees.**

We maintain various health care programs, including coverage for medical claims, to employees who select such programs. All of our salaried managers are eligible to participate in these programs and those of our hourly employees who meet the service requirements under the Affordable Care Act are also eligible. We maintain insurance coverage for claims in excess of a certain threshold on a per-member basis but do not maintain insurance coverage for aggregate claims. We have a limited number of participants in our plans and should a significant number of participants report claims in a given year, the actual claims under the plan may meaningfully exceed our expected claims, and any such costs would be borne by us and not by the participants in the plan (our Employees).

***Risks Related to the Ownership of Our Common Stock***

**Our business could be negatively affected as a result of significant shareholders or potential shareholders attempting to effect changes or acquire control over our company, which could cause us to incur significant expense, hinder execution of our business strategy and impact the trading value of our securities.**

Shareholders may from time-to-time attempt to effect changes, engage in proxy solicitations or advance shareholder proposals. Responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, disrupting our operations and diverting the attention of our board of directors and senior management from the pursuit of business strategies. Any of these impacts could materially and adversely affect our business and operating results. Further, the market price of our common stock could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties described above.

**Future changes in financial accounting standards may cause adverse unexpected operating results and affect our reported results of operations.**

Changes in accounting standards can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. See Note 1 to our Consolidated Financial Statements for further discussion. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or differing interpretations with respect to our current practices may adversely affect our reported financial results.

**Because we currently qualify as a "smaller reporting company," our disclosures of non-financial and financial information are less than is required by non-smaller reporting companies.**

Currently we qualify as a "smaller reporting company" under SEC rules. A smaller reporting company prepares and files SEC reports and registration statements using the same forms as other SEC reporting companies, though the information required to be disclosed may differ and be less comprehensive.

We cannot predict whether investors will find our common stock less attractive because of our reliance on any of the reduced disclosure requirements available to smaller reporting companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

**The price of our common stock may fluctuate significantly.**

The trading price of our shares of common stock has from time-to-time fluctuated widely and, in the future may be subject to similar fluctuations. This volatility may affect the price at which you could sell your common stock. The market price of our common stock is likely to continue to be volatile and may fluctuate significantly in response to many factors, including:

- the impact pandemics, including the COVID-19 pandemic on our business;
- operating results that vary from the expectations of management, securities analysts and investors;
- developments in our business;
- the operating and securities price performance of companies that investors consider to be comparable to us;
- announcements of implementation of strategic transactions or developments and other material events by us or our competitors;

- negative economic conditions that adversely affect the economy, commodity prices, the job market and other factors that may affect the markets in which we operate;
- publication of research reports about us or the sectors in which we operate generally;
- changes in market valuations of similar companies;
- additions or departures of key management personnel;
- actions by institutional shareholders;
- speculation in the press or investment community; and
- the realization of any of the other risk factors included in this Annual Report on Form 10-K.

Holders of our common stock will be subject to the risk of volatile and depressed market prices of our common stock. In addition, many of the factors listed above are beyond our control. These factors may cause the market price of our common stock to decline, regardless of our financial condition, results of operations, business or prospects. It is impossible to assure investors in our common stock that the market price of our common stock will not fall in the future.

**Sales of a substantial number of shares of our common stock in the public market by our existing Shareholders could cause our stock price to fall.**

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise adequate capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

**There may be future sales or other dilution of our equity, which may adversely affect the market price of the shares of our common stock and/or dilute the value of shares of our common stock.**

We are not restricted from issuing, and shareholder approval is not required in order to issue, additional shares of common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, shares of common stock, except any shareholder approval required by The NASDAQ Capital Markets. We have in the past, and may in the future, sell such equity and equity-linked securities. Sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our shares of common stock. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our shares of common stock. The market price of our common stock may be adversely affected if we issue additional shares of our common stock.

**Provisions in our articles of incorporation and bylaws and provisions of Nevada law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.**

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 shareholder, including all affiliates and associates of the shareholder, who is the beneficial owner of 10% or more of the corporation's outstanding voting stock, for two years following the date that the shareholder first became the beneficial owner of 10% or more of the corporation's voting stock, unless specified conditions are met. If those conditions are not met, then after the expiration of the two-year period the corporation may not engage in a business combination with such shareholder unless certain other conditions are met.

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

- 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 shareholder 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 shareholders may be called only by the chairman of the board of directors, the president or any two directors and must be called by the president upon the written request of the holders of 25% 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 five, 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 shareholders for their common stock.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

We currently lease approximately 7,650 square feet of space for our executive offices in Golden, Colorado for approximately $122,400 per year, under a lease agreement which expires in October 2027.

Most of our existing Good Times restaurants are a combination of free-standing structures containing approximately 880 to 1,000 square feet for the double drive thru format and approximately 2,100 to 2,400 square feet for those locations with a 45 to 70 seat dining room. With the exception of one Good Times restaurant where we own both the land and building underlying, we do not own the land underlying these restaurants and either lease the land or the land and building. 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. Any future development is expected to be conducted through a combination of ground leases and land purchases.

Our Bad Daddy’s restaurants are leased spaces of approximately 3,500 to 4,000 square feet in retail developments located in Alabama, Colorado, Georgia, North Carolina, Oklahoma, South Carolina, and Tennessee. We expect future development to be conducted through the leasing of end-cap spaces in retail developments, ground leases, and or land purchases upon which we would be able to build 3,000 – 4,000 square foot standalone building suitable for restaurants, or if the site characteristics otherwise met our criteria, larger sites where we would be able to construct multi-tenant buildings, where we would be able to occupy a portion of the space with a Bad Daddy’s restaurant and lease other portions of the building to restaurant or non-restaurant tenants.

All of the 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. Our restaurants serve as collateral for the Cadence Credit Facility as discussed in the Notes to Consolidated Financial Statements included in this report.

## ITEM 3. LEGAL PROCEEDINGS

For a discussion of material legal proceedings affecting the Company, see Note 5 to the audited Consolidated Financial Statements included in this report.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Shares of our Common Stock are listed for trading on the NASDAQ Capital Market under the symbol "GTIM". As of December 14, 2023, there were approximately 53 holders of record of our common stock. Because many shares of our common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these holders of record.

***Dividend Policy***

We have never paid dividends on our common stock and do not anticipate paying dividends in the foreseeable future. In addition, we have obtained financing under loan agreements that restrict the payment of dividends. Our ability to pay future dividends will necessarily depend on our earnings and financial condition. However, since restaurant development is capital intensive, we currently intend to retain any earnings for that purpose.

***Recent Sales of Unregistered Securities***

None.

***Issuer Purchases of Equity Securities***

The Company's Board of Directors authorized a $5.0 Million share repurchase program which became effective February 7, 2022. The authorization to repurchase will continue until the maximum value of shares is achieved or the Company terminates the program. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. As of September 26, 2023, the Company has purchased approximately 1,127,188 shares of its common stock pursuant to the share repurchase plan leaving approximately $1,778,000 available for repurchases under the plan.

| Period | Total number of shares (or units) purchased | Average price paid per share (or unit) | Total number of shares (or units) purchased as part of publicly announced plans or programs | Maximum dollar value of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| 6/28/2023 – 7/25/2023 | 62,530 | $ 3.44 | 62,530 | |
| 7/26/2023 – 8/22/2023 | 54,850 | $ 2.99 | 54,850 | |
| 8/23/2023 – 9/26/2023 | 58,760 | $ 2.88 | 58,760 | |
| Total | 176,140 | | 176,140 | $ 1,778,000 |

**ITEM 6. [RESERVED]**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

***Overview***

We operate as two reportable business segments: Good Times Burgers and Frozen Custard restaurants ("Good Times") and Bad Daddy's Burger Bar restaurants ("Bad Daddy's"). All of our Good Times restaurants compete in the quick service drive-thru segment of the restaurant industry while our Bad Daddy's restaurants compete in the full-service casual dining segment of the restaurant industry. We believe that providing this additional financial information for each of our brands will provide a better understanding of our overall operating results. Refer to Note 10, *Segment Reporting*, in the notes to our consolidated financial statements for more information.

The Company's fiscal year is a 52/53-week year ending on the last Tuesday of September. In a 52-week fiscal year, each of the Company's quarterly periods comprises 13 weeks. The additional week in a 53-week fiscal year is added to the first quarter, making such quarter consist of 14 weeks. Our discussion for the fiscal years ending September 26, 2023 and September 27, 2022 each cover periods of 52 full calendar weeks.

The following tables present information about our reportable segments for the respective periods, all dollar values are represented in thousands:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2023 (52 Weeks) | | 2022 (52 Weeks) | |
| **Bad Daddy's:** | | | | |
| Restaurant sales | $ 102,241 | 99.7% | $ 103,216 | 99.7% |
| Franchise revenues | 276 | 0.3% | 286 | 0.3% |
| Restaurant operating costs: (1) | | | | |
| Food and packaging costs | 31,972 | 31.3% | 33,155 | 32.1% |
| Payroll and employee benefit costs | 35,892 | 35.1% | 35,085 | 34% |
| Restaurant occupancy and other costs | 21,476 | 21.0% | 21,187 | 20.5% |
| Depreciation & amortization | 3,060 | 3.0% | 3,234 | 3.1% |
| Preopening costs | 484 | 0.5% | 51 | 0.0% |
| Total restaurant operating costs | $ 92,884 | 90.9% | $ 92,712 | 89.8% |
| General & administrative costs (2) | 7,594 | 7.4% | 7,127 | 6.9% |
| Advertising costs | 1,866 | 1.8% | 1,827 | 1.8% |
| Asset impairment costs | 1,519 | 1.5% | 2,647 | 2.6% |
| Gain on disposal of assets | (4) | 0.0% | 0 | 0.0% |
| Income (loss) from operations | (1,342) | (1.3%) | (811) | (0.8%) |
| | | | | |
| **Good Times**: | | | | |
| Restaurant sales | $ 34,988 | 98.3% | $ 34,034 | 98.1% |
| Franchise revenues | 617 | 1.7% | 664 | 1.9% |
| Restaurant operating costs: (1) | | | | |
| Food and packaging costs | 10,938 | 31.3% | 10,722 | 31.5% |
| Payroll and employee benefit costs | 11,657 | 33.3% | 11,430 | 33.6% |
| Restaurant occupancy and other costs | 7,144 | 20.4% | 6,768 | 19.9% |
| Depreciation & amortization | 603 | 1.7% | 661 | 1.9% |
| Total restaurant operating costs | $ 30,342 | 86.7% | $ 29,581 | 86.9% |
| General & administrative costs (2) | 1,533 | 4.3% | 3,401 | 9.8% |
| Litigation Contingencies | 0 | 0.0% | 332 | 1.0% |
| Advertising costs | 1,392 | 3.9% | 1,337 | 3.9% |
| Asset impairment costs | 70 | 0.2% | 790 | 2.3% |
| Gain on restaurant asset sale | (37) | (0.1%) | (676) | (1.9%) |
| Income from operations | $ 2,305 | 6.5% | $ (67) | (0.2%) |

(1) Restaurant operating costs are expressed as a percentage of restaurant sales.
(2) Includes direct and allocated corporate general and administrative costs.

***Bad Daddy's Restaurants***

We currently operate forty company-owned Bad Daddy's restaurants, including five restaurants that were previously owned by subsidiaries with third parties. We acquired the non-controlling interests in those subsidiaries during January 2023. We also license one restaurant in North Carolina. We anticipate opening one new Bad Daddy's restaurant during fiscal 2024. Due to the volatile rate of inflation of our raw products, we cannot, at this time, reasonably predict our expected price increases during fiscal 2024 at our Bad Daddy's restaurants. Commodity costs have in general trended moderately upward early in fiscal 2024.

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

We currently operate twenty-five company-owned and joint-venture Good Times restaurants all in the state of Colorado. In addition, we have six Good Times franchise restaurants, four operating in Colorado and two in Wyoming.

Due to the volatility in the rate of inflation of our raw products, we cannot at this time reasonably predict our expected price increases during fiscal 2024 at our Good Times restaurants. Commodity costs have in general trended moderately upward early in fiscal 2024.

***Impact of Inflation at Both Concepts***

Commodity prices, particularly for key proteins, have recently been at near-record highs and have exhibited extreme volatility. During the fourth quarter of fiscal 2023 we experienced meaningful price inflation which has continued into our first quarter of 2024. We are experiencing price inflation in most goods, including paper and packaging, other restaurant supplies, and energy (utilities) costs.

In addition to food and supplies cost inflation, we have also experienced the need to meaningfully increase wages to attract restaurant employees. While we are hopeful that wage rate inflation moderates, the persistent shortage of qualified workers, and in Colorado inflation-indexed statutory wage rate increases are creating upward pressure on wages.

We have historically used menu price increases to manage profitability in times of inflation, however the current unusually high rate of inflation, both of goods and labor, exceeds what we believe we can reasonably pass through to our customers without negatively affecting frequency and trial by our customers.

***Same Store Sales***

Same store sales for each brand represent the comparison of restaurant sales in the current year, to the same comparable weeks in the immediately preceding fiscal year for those stores open for at least 18 months. Same store sales is a commonly used metric in the restaurant industry and management believes it is an indicator of strength of a brand and its existing restaurant locations. Further, management believes that by excluding growth achieved through new unit development, same store sales provide a metric that measures organic growth within the Company's existing restaurants.

***Results of Operations for Fiscal 2023 Compared to Fiscal 2022***

**Net Revenues:** Net revenues for fiscal 2023 decreased $78,000 (-0.1%) to $138,122,000 from $138,200,000 for fiscal 2022. Bad Daddy's concept revenues decreased $985,000 while our Good Times concept revenues increased $907,000.

Bad Daddy's restaurant sales decreased $975,000 to $102,241,000 in fiscal 2023 from $103,216,000 in fiscal 2022. Sales were negatively affected by the closure of the Cherry Creek location and the temporary closure of one restaurant for remodeling. Sales were also affected by reduced customer traffic, more heavily in the Atlanta and Raleigh markets, partially offset by menu price increases. Bad Daddy's same store restaurant sales, also referred to as comparable sales, increased 0.1% during fiscal 2023 compared to fiscal 2022. Bad Daddy's restaurants are included in same store sales after they have been open a full eighteen months. This increase is due to average menu price increases throughout the year, offset by weaker traffic in some markets. The average menu price increase was approximately 4.4% in 2023 over 2022. There were thirty-nine restaurants included in the same store sales base at the end of the fiscal year. Additionally, net revenues for fiscal 2023 were decreased by $10,000 in lower franchise royalties and license fees compared to the prior fiscal year, primarily related the acquisition of a franchisee-owned restaurant in mid-fiscal 2022. Fiscal 2022 revenues for Bad Daddy's include franchise advertising contributions of $9,000.

Additional sales data related to Bad Daddy's company-owned restaurants:

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Total operating store weeks | 2,042.5 | 2,054.0 |
| Average sales per week | $ 50,100 | $ 50,300 |
| Annualized net sales per square foot (1) | $ 694 | $ 685 |

(1) Based on comparable stores for the full fiscal year.

Good Times restaurant sales increased $954,000 to $34,988,000 in fiscal 2023 from $34,034,000 in fiscal 2022. This increase is primarily due to menu price increases. Same store restaurant sales increased 3.7% during fiscal 2023 compared to fiscal 2022. This increase is primarily due to menu price increases, slightly offset by lower traffic. The average menu price increase in fiscal 2023 over fiscal 2022 was approximately 8.9%. Additionally, revenues for fiscal 2023 decreased by $47,000 in lower franchise revenues compared to fiscal 2022. Fiscal 2023 and fiscal 2022 for Good Times include franchise advertising contributions of $261,000 and $273,000, respectively.

Average Good Times restaurant sales for company-owned and joint venture restaurants open the entire 2023 and 2022 fiscal years were as follows:

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Average annual unit volume | $ 1,506,000 | $ 1,455,000 |

During fiscal 2023, company-operated Good Times restaurants' sales for restaurants that had been open a full eighteen months ranged from a low of $908,502 to a high of $2,426,689.

**Food and Packaging Costs:** For fiscal 2023, food and packaging costs decreased $967,000 to $42,910,000 (31.3% of restaurant sales) compared to $43,877,000 (32.0% of restaurant sales) in fiscal 2022.

Bad Daddy's food and packaging costs were $31,972,000 (31.3% of restaurant sales) in fiscal 2023, down from $33,155,000 (32.1% of restaurant sales) in fiscal 2022. This decrease is primarily attributable to a combination of lower restaurant sales during the current fiscal year versus the prior fiscal year and lower purchase prices for food and paper goods. The decrease, as a percent of sales, is attributable to the impact of a 4.4% average annual increase in menu pricing as well as generally lower purchase prices in our commodity basket compared to the prior-year period.

Good Times food and packaging costs were $10,938,000 (31.3% of restaurant sales) in fiscal 2023, up from $10,722,000 (31.5% of restaurant sales) in fiscal 2022. This increase is primarily attributable to the impact of higher sales and higher purchase prices on food and paper goods, partially offset by the impact of an 8.9% increase in menu pricing.

**Payroll and Other Employee Benefit Costs:** For fiscal 2023, payroll and other employee benefit costs increased $1,034,000 to $47,549,000 (34.6% of restaurant sales) compared to $46,515,000 (33.9% of restaurant sales) in fiscal 2022.

Bad Daddy’s payroll and other employee benefit costs were $35,892,000 (35.1% of restaurant sales) for fiscal 2023, up from $35,085,000 (34.0% of restaurant sales) in fiscal 2022. The $807,000 increase is primarily attributable to higher average pay rates. As a percent of sales, payroll and employee benefits costs increased by 1.1% primarily attributable to higher average wage rates paid to attract qualified employees and higher levels of management staffing.

Good Times payroll and other employee benefit costs were $11,657,000 (33.3% of restaurant sales) in fiscal 2023, up from $11,430,000 (33.6% of restaurant sales) in fiscal 2022. The $227,000 increase is attributable to higher sales and higher average wage rates, partially offset by increased labor productivity. As a percent of sales, payroll and employee benefits costs decreased by 0.3% in fiscal 2023 compared to fiscal 2022. This decrease was primarily attributable to an 8.9% increase in menu pricing, mostly offset by increased wage rates.

**Occupancy Costs:** Occupancy costs include rent, real and personal property taxes, common area maintenance expenses, licenses and insurance expense. For fiscal 2023, occupancy costs increased $167,000 from $9,440,000 (6.9% of restaurant sales) in fiscal 2022 to $9,607,000 (7.0% of restaurant sales).

Bad Daddy’s occupancy costs were $6,642,000 (6.5% of restaurant sales) for fiscal 2023, down from $6,668,000 (6.5% of restaurant sales) in fiscal 2022.

Good Times occupancy costs were $2,965,000 (8.5% of restaurant sales) in fiscal 2023, up from $2,772,000 (8.1% of restaurant sales) in fiscal 2022. The increase was primarily attributable to increased property and liability insurance costs.

**Other Operating Costs:** For fiscal 2023, other operating costs increased $498,000 to $19,013,000 (13.9% of restaurant sales) up from $18,515,000 (13.5% of restaurant sales) in fiscal 2022.

Bad Daddy’s other operating costs were $14,834,000 (14.5% of restaurant sales) for fiscal 2023, up from $14,519,000 (14.1% of restaurant sales) in fiscal 2022. The $315,000 increase was attributable to higher utility and repair and maintenance expenses, as well as increased customer delivery fees, offset by reduced technology-related expenses.

Good Times other operating costs were $4,179,000 (11.9% of restaurant sales) in fiscal 2023, up from $3,996,000 (11.7% of restaurant sales) in fiscal 2022. The increase was primarily attributable to increases in commissions paid to delivery service providers due to increases in overall delivery sales, higher utility expenses, and general price inflation in operating supplies costs, offset by decreased repair and maintenance and technology-related expenses.

**New Store Preopening Costs:** For fiscal 2023, we incurred $484,000 of preopening costs compared to $51,000 in fiscal 2022. The preopening costs in the current fiscal year are primarily related to one new Bad Daddy’s restaurant opened in the fourth quarter and to the closure and remodel of the previously franchisee-owned Bad Daddy’s during the second and third fiscal quarters. Preopening costs in the prior fiscal year were primarily attributable to one restaurant that was purchased from a franchisee in the second quarter of fiscal 2022. Preopening costs typically occur over a period of approximately five months and we expect to spend approximately $300,000 to $400,000 per location depending upon specific factors associated with the opening.

**Depreciation and Amortization Costs:** Depreciation and amortization includes depreciation on capital expenditures for restaurants and corporate assets as well as amortization of acquired franchise rights and leasehold interests. For fiscal 2023, depreciation and amortization costs decreased $232,000 to $3,663,000 compared to $3,895,000 in fiscal 2022. The decreases at both concepts are due to assets performing past their estimated usable lives and the prior-year impairment of assets, partially offset by new asset additions in existing restaurants.

Bad Daddy’s depreciation costs decreased $174,000 from $3,234,000 in fiscal 2022 to $3,060,000 in fiscal 2023.

Good Times depreciation costs decreased $58,000 from $661,000 in fiscal 2022 to $603,000 in fiscal 2023.

**General and Administrative Costs:** General and administrative costs include all corporate and administrative functions. Components of this category include accounting and administrative costs, regional and franchise support salaries and benefits; professional and consulting fees; travel; corporate information systems; training; board of directors’ expenses; office rent; and legal expenses. For fiscal 2023, general and administrative costs decreased $1,379,000 from $10,506,000 (7.6% of total revenue) in fiscal 2022 to $9,127,000 (6.6% of total revenue) in fiscal 2023.

The $1,379,000 decrease in general and administrative expenses in fiscal 2023 is primarily attributable to:

- Decrease of $1,522,000 related to legal and professional services fees including reduced legal fees in connection with the fiscal 2022 trial in the White Winston lawsuit as described in Note 5 of the Consolidated Financial Statements
- Decrease of $221,000 related to business insurance including D&O, EPL, and cyber coverage
- Decrease of $184,000 related to office lease and equipment expenses
- Decrease of $119,000 related to incentive stock compensation
- Decrease of $67,000 related to reduced health insurance costs and underwriting losses
- Increase of $392,000 related to regional and multi-unit supervision
- Increase of $397,000 related to technology-related expenses
- Increase of $70,000 related to recruiting and training-related costs, including travel and temporary lodging for new managers during their training period, costs related to our annual general manager conference, and costs related to a training event for multi-unit managers from both brands
- Increase of $34,000 in general travel-related expenses
- Net decreases in all other expenses of $159,000

We expect general and administrative costs to continue to increase slightly from fiscal 2023 to fiscal 2024 due to increased insurance and health costs, and as we make investments in new human resource and financial management systems.

**Advertising Costs:** For fiscal 2023, advertising costs increased $94,000 from $3,164,000 (2.3% of total revenues) in fiscal 2022 to $3,258,000 (2.4% of total revenues) in fiscal 2023.

Bad Daddy's advertising costs increased $39,000 from $1,827,000 (1.8% of total revenues) in fiscal 2022 to $1,866,000 (1.8% of total revenues) in fiscal 2023. The increase is primarily due to recognition of commission earned by third parties on gift cards sold through large-box retailers. Bad Daddy's advertising costs consist primarily of menu development, printing costs, local store marketing and social media. All restaurants contribute to an advertising materials fund based on a percentage of restaurant sales. The prior year includes advertising costs of $9,000 associated with franchise advertising contributions.

We anticipate that in fiscal 2024, Bad Daddy's advertising costs as a percentage of total revenues will remain consistent with fiscal 2023.

Good Times advertising costs increased $55,000 from $1,337,000 (3.9% of total revenues) in fiscal 2022 to $1,392,000 (3.9% of total revenues) in fiscal 2023. The increase is primarily due to increased gift card related expenses. Good Times advertising costs consist primarily of contributions made to the advertising materials fund and a regional advertising cooperative based on a percentage of restaurant sales which are used to provide radio advertising, social media, on-site and point-of-purchase materials. The percentage contribution paid to the regional advertising cooperative was reduced at the start of the current fiscal year associated with a change in expected media mix. Advertising costs are presented gross, with franchisee contributions to the fund being recognized as a component of franchise revenues.

We anticipate that in fiscal 2024 Good Times advertising costs as a percentage of net revenues will remain relatively stable, between approximately 3.5% and 4.0%.

**Gain or Loss on Restaurant Asset Disposals:** For fiscal 2023, the gain on restaurant asset disposals was $41,000 compared to a gain of $676,000 in fiscal 2022. The gain in both fiscal 2023 and 2022 is primarily comprised of a deferred gain on previous sale lease-back transactions related to two Good Times restaurants, and additionally in 2022 to the termination of a lease of a Good Times restaurant.

**Long-lived Asset Impairment Charges:** For fiscal 2023, the asset impairment charge was $1,589,000 compared to $3,437,000 in fiscal 2022. We review long-lived assets and intangibles subject to amortization for impairment when there are factors that indicate the carrying value of such assets may not be recoverable. During fiscal 2023 we recorded non-cash charges of $1,519,000 and $70,000 related to four Bad Daddy's locations and two Good Times locations, respectively. During fiscal 2022 we recorded non-cash charges of $2,647,000 and $790,000 related to two Bad Daddy's locations and three Good Times restaurants, respectively.

**Litigation Contingencies:** The Company did not record any changes in litigation contingencies in fiscal 2023. The Company recorded a contingent loss of $332,000 in fiscal 2022 related to in-process litigation.

**Income (Loss) from Operations:** Income from operations was $963,000 in fiscal 2023 compared to loss from operations of $878,000 in fiscal 2022.

The change from fiscal 2022 to fiscal 2023 was primarily attributable to a decrease in general and administrative costs and a decrease in asset impairment costs, offset by increases in restaurant operating costs.

***Interest Expense.*** Interest expense was $78,000 during fiscal 2023, primarily related to the amortization of loan initiation fees, compared with $54,000 during fiscal 2022.

***Provision for Income Taxes.*** Provision for income taxes was a $10,787,000 benefit for fiscal 2023, compared to $5,000 benefit for fiscal 2022. This most significant driver of this provision was the release of the valuation allowance previously assessed on the deferred tax assets. See Note 7 to the Consolidated Financial Statements included in this report for further information.

**Net (Loss) Income:** Net income for fiscal 2023 was $11,672,000 compared to net loss of $927,000 in fiscal 2022. The change from fiscal 2022 to fiscal 2023 was primarily attributable to the matters discussed in the relevant sections above.

**Income Attributable to Non-Controlling Interests:** For fiscal 2023, the income attributable to non-controlling interests was $586,000 compared to $1,714,000 in fiscal 2022. The non-controlling interest represents the limited partner's share of income in the Good Times and Bad Daddy's joint-venture restaurants. $219,000 of the current year income is attributable to the Bad Daddy's joint-venture restaurants, compared to $1,185,000 in the prior year. This reduction is primarily due to the acquisition by the Company during January of the interests in the limited liability companies held by non-controlling parties. $367,000 of the current year income is attributable to the Good Times joint-venture restaurants, compared to $529,000 in the prior year, such reduction is primarily due to reduced profitability of the restaurants involved in the limited partnership with a non-controlling partner.

***Adjusted EBITDA***

EBITDA is defined as net income (loss) before interest, income taxes and depreciation and amortization.

Adjusted EBITDA is defined as EBITDA, adjusted for non-cash stock-based compensation expense, preopening expense, non-recurring acquisition costs, U.S. Generally Accepted Accounting Principles ("GAAP") rent in excess of cash rent, non-cash disposal of assets and non-cash asset impairment charges. Adjusted EBITDA is intended as a supplemental measure of our performance that is not required by or presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results. Our management uses EBITDA and Adjusted EBITDA (i) as a factor in evaluating management's performance when determining incentive compensation and (ii) to evaluate the effectiveness of our business strategies.

We believe that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with other restaurants, which may present similar non-GAAP financial measures to investors. In addition, you should be aware when evaluating EBITDA and Adjusted EBITDA that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate Adjusted EBITDA in the same fashion.

Our management does not consider EBITDA or Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of EBITDA and Adjusted EBITDA is that they exclude significant expenses and income that are required by GAAP to be recorded in the Company's financial statements. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;

- Stock based compensation expense is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing performance for a particular period;

- Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and

- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as a supplementary measure. You should review the reconciliation of net income (loss) to EBITDA and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA *(in thousands)*:

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| **Net (loss) income, as reported** | **$ 11,086** | **$ (2,641)** |
| Depreciation and amortization [a] | 3,617 | 3,796 |
| Provision for income taxes | (10,787) | (5) |
| Interest expense, net | 78 | 54 |
| **EBITDA** | **3,994** | **1,204** |
| Preopening expense [a] [1] | 484 | 51 |
| Non-cash stock-based compensation [2] | 131 | 250 |
| GAAP rent – cash rent difference [3] | (666) | (403) |
| Gain on disposal of assets [4] | (41) | (538) |
| One-time special allocation to Bad Daddy’s partnerships | - | 516 |
| Litigation Contingencies | - | 332 |
| Asset impairment charges [5] | 1,589 | 3,437 |
| **Adjusted EBITDA** | **$ 5,491** | **$ 4,849** |

(a) Depreciation and amortization expenses are presented net of the share attributable to the non-controlling interest.
(1) Represents expenses directly associated with the opening of new restaurants, including preopening rent.
(2) Represents non-cash stock-based compensation as described in Note 8 to the Consolidated Financial Statements.
(3) Represents the excess of cash rent incurred over the amount of GAAP rent recorded in the financial statements.
(4) Primarily related to deferred gains on previous sale-leaseback transactions on two Good Times restaurants.
(5) Represents costs recognized in connection the asset impairment charges as described in Note 1 to the Consolidated Financial Statements.

Depreciation and amortization, preopening expense, asset impairment charge, and the difference between GAAP rent and cash rent have been reduced by any amounts attributable to non-controlling interests.

***Liquidity and Capital Resources***

**Cash and Working Capital:** As of September 26, 2023, we had a working capital deficit of $8,297,000. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day, or in the case of credit or debit card transactions, within a few days of the related sale and have payment terms with vendors that are typically between 14 and 21 days. Our current working capital deficit is additionally affected by the recognition of short-term lease liabilities, as we lease substantially all of our real estate and have both current- and long-term obligations to our landlords. We believe that we will have sufficient capital to meet our working capital, and recurring capital expenditure needs in fiscal 2023. We anticipate any commitments in fiscal 2024 will be funded out of existing cash or future borrowings against the Cadence Credit Facility.

***Financing***

**Cadence Credit Facility:**

The Company and its wholly owned subsidiaries (the “Subsidiaries”) maintain an amended and restated credit agreement with Cadence Bank (“Cadence”) pursuant to which, Cadence agreed to loan the Company up to $8,000,000, which has a maturity date of April 20, 2028 (the “Cadence Credit Facility”). The Cadence Credit Facility amended and restated the Company’s prior credit facility with Cadence in its entirety. The Cadence Credit Facility accrues commitment fees on the daily unused balance of the facility at a rate of 0.25%. The loans may from time to time consist of a mixture of SOFR Rate Loans and Base Rate Loans with differing interest rates based upon varying additions to the Federal Funds Rate, the Cadence prime rate or Term SOFR. Each of the Subsidiaries are guarantors of the Cadence Credit Facility.

Proceeds from the Cadence Credit Facility, if and when drawn, may be used (i) to fund new restaurant development, (ii) to finance the buyout of non-controlling partners in certain restaurants, (iii) to finance the redemption, purchase or other acquisition of equity interests in the Company and (iv) for working capital and other general corporate purposes.

The Cadence Credit Facility includes customary affirmative and negative covenants and events of default. The Cadence Credit Facility also requires the Company to maintain various financial condition ratios, including minimum liquidity, an amended maximum leverage ratio and an amended minimum fixed charge coverage ratio. In addition, to the extent the aggregate outstanding balance under the revolver under the Cadence Credit Facility exceeds $4.0 million, the Company is required to meet a new specified leverage ratio, on a pro forma basis, before making further borrowings as well as certain restricted payments, investments and growth capital expenditures. As of the date of filing of this report, the Company was in compliance with each of these covenants under the Cadence Credit Facility.

As of September 26, 2023 the interest rate applicable to borrowings under the Cadence Credit Facility was 8.42%.

As a result of entering into the Cadence Credit Facility and the various amendments, the Company paid loan origination costs including professional fees of approximately $299,000 and is amortizing these costs over the term of the credit agreement. As of September 26, 2023, the unamortized balance of these fees was $122,000.

In connection with the Cadence Credit Facility, the Company and the Subsidiaries entered into an Amended and Restated Security and Pledge Agreement (the “Security Agreement”) with Cadence. Under the Security Agreement, the Cadence Credit Facility is secured by a first priority security interest in substantially all the assets of the Company and the Subsidiaries.

As of September 26, 2023, there were $750,000 of borrowings against the facility, all of which is due during the fiscal year ending September 2028 and is classified as a long-term liability in the accompanying balance sheet. Availability of the Cadence Credit Facility for borrowings is reduced by the outstanding face value of any letters of credit issued under the facility. As of September 26, 2023, there were approximately $10,000 in outstanding letters of credit issued under the facility, and approximately $7,240,000 of committed funds available.

Total interest expense on notes payable was $31,000 and $20,000 for fiscal 2023 and 2022, respectively.

**Cash Flows:** Net cash provided by operating activities was $7,965,000 for fiscal 2023 compared to net cash provided by operating activities of $5,291,000 in fiscal 2022. The net cash provided by operating activities for fiscal 2023 was the result of net income of $11,672,000 offset by non-cash reconciling items totaling ($3,707,000). These reconciling items are comprised of 1) depreciation and amortization of general assets of $3,752,000, 2) a decrease in the recognition of deferred gain on sale of buildings of $37,000, 3) gain on asset disposals of $4,000, 4) impairment of long-lived assets of $1,589,000, 5) stock-based compensation expense of $131,000, 6) a decrease in receivables and other assets of $466,000, 7) a decrease in deferred liabilities and accrued expenses of $353,000, 8) an increase in accounts payable of $1,866,000, 9) a net decrease in amounts related to our operating leases of $327,000, and 10) a provision for income taxes of $10,790,000.

Net cash used in investing activities in fiscal 2023 was $10,443,000 compared to net cash used in investing activities of $2,624,000 in fiscal 2022. Fiscal 2023 activity primarily reflects the purchases of property and equipment of $4,771,000, the $4,394,000 purchase of non-controlling interests in subsidiaries, as well as acquisitions of restaurants from franchisees of $1,326,000. Purchases of property and equipment were comprised of the following:

- $1,915,000 for construction of one new Bad Daddy’s restaurant;
- $588,000 for remodels of two Bad Daddy’s restaurants;
- $1,097,000 for Good Times menu board and signage projects;
- $205,000 for remodels of four Good Times restaurants;
- $488,000 for miscellaneous capital expenditures related to our Bad Daddy’s restaurants;
- $307,000 for miscellaneous capital expenditures related to our Good Times restaurants;
- $7,000 for miscellaneous capital expenditures related to our restaurant support center;
- $164,000 for various Bad Daddy’s and Good Times equipment purchases for work in progress at the end of fiscal 2023, carrying into fiscal 2024.

Net cash used in financing activities in fiscal 2023 was $2,246,000 compared to net cash provided by financing activities of $2,617,000 in fiscal 2022. The fiscal 2023 activity is comprised of the purchase of treasury stock equal to $2,274,000, borrowings from notes payable of $750,000, restricted stock vesting settled in cash of $92,000, proceeds from the exercise of stock options equal to $5,000, and net distributions to non-controlling interests of $635,000.

**Contingencies and Off-Balance Sheet Arrangements:** 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 sub-lessor 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.

**Critical Accounting Policies and Estimates:** Our consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in Note 1 to our Consolidated Financial Statements. Critical accounting estimates are those that require application of management’s most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. The following is a description of what we consider to be our most significant accounting policies.

Leases: The Company determines if a contract contains a lease at inception. The Company's material long-term operating lease agreements are for the land and buildings for our restaurants as well as our corporate office. The initial lease terms range from 10 years to 20 years, most of which include renewal options of 10 to 15 years. The lease term is generally the minimum of the noncancelable period or the lease term including renewal options which are reasonably certain of being exercised up to a term of approximately 20 years.

Operating lease assets and liabilities are recognized at the lease commencement date for material leases with a term of greater than 12 months. Operating lease liabilities represent the present value of future minimum lease payments. Since our leases do not provide an implicit rate, our operating lease liabilities are calculated using our estimated incremental borrowing rate based on a collateralized borrowing over the term of each individual lease. Minimum lease payments include only fixed lease components of the agreement, as well as variable rate payments that depend on an index, initially measured using the index at the lease commencement date.

Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepaid or accrued lease payments, initial direct costs and lease incentives. Lease incentives are recognized when earned and reduce our operating lease asset related to the lease. They are amortized through the operating lease assets as reductions of rent expense over the lease term.

Operating lease expense is recognized on a straight-line basis over the lease term. Certain of the Company’s operating leases contain clauses that provide for contingent rent based on a percentage of sales greater than certain specified target amounts. Variable lease payments that do not depend on a rate or index, escalation in the index subsequent to the initial measurement, payments associated with non-lease components such as common area maintenance, real estate taxes and insurance, and short-term lease payments (leases with a term with 12 months or less) are expensed as incurred or when the achievement of the specified target that triggers the contingent rent is considered probable. During the fiscal year ended September 26, 2023, the Company had income of $23,000 related to contingent rent adjustments.

Some of the leases provide for base rent, plus additional rent based on gross sales, as defined in each lease agreement. The Company is also generally obligated to pay certain real estate taxes, insurance and common area maintenance charges, and various other expenses related to properties, which are expensed as incurred.

Employee Medical Plans: We sponsor health and welfare plans that provide medical insurance benefits to certain of our employees. We partially self-insure against claims made by participants in this plan and maintain coverage above a certain threshold for claims against individual claimants within a plan year (the “stop loss limit”). Prior to each plan year, we underwrite the plans based upon their then-current membership and estimate aggregate claims costs for the next plan year for each plan on a per-member average basis. Estimated costs (net of any employee contribution) are recognized as part of restaurant labor for restaurant employees. Estimated costs (net of any employee contribution) for non-restaurant employees are recognized as part of General and Administrative expenses. During the year, we periodically review claims costs against estimates made prior to the inception of the plan year. Significant differences between actual and estimated claims activity (“underwriting losses” or “underwriting gains”) are recognized as part of General and Administrative expenses. Due to the relatively small number of members in the plans, should we have a significant number of members with high-cost claims in any given year, we may experience significant underwriting losses.

Non-controlling Interests**:** Non-controlling interests are presented as a separate item in the equity section of the consolidated balance sheet. Consolidated net income or loss attributable to non-controlling interests are presented on the face of the consolidated statement of operations. Additionally, changes in a parent’s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions, and that deconsolidation of a subsidiary is recorded as a gain or loss based on the fair value on the deconsolidation date.

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. We provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value. We continually review the realizability of our deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. We assessed whether a valuation allowance should be recorded against our deferred tax assets based on consideration of all available evidence, using a “more likely than not” standard. In assessing the need for a valuation allowance, we considered both positive and negative evidence related to the likelihood of realization of deferred tax assets. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Future sources of taxable income were also considered in determining the amount of the recorded valuation allowance. Based on our review of this evidence, we determined that a full valuation allowance against all of our deferred tax assets was appropriate. As we increase earnings and utilize deferred tax assets in the future, it is possible the valuation allowance could be reduced or eliminated.

The Company is subject to U.S. federal income tax and income tax in multiple U.S. state jurisdictions. The Company's tax years corresponding to the Company's fiscal years 2020 through 2022 remain open for examination by the authorities under the normal three-year statute of limitations. Should the Company utilize any of its U.S. or state NOLs, the tax year to which the original loss relates will remain open to examination. The Company believes that its income tax filings 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. We have accrued $0 for interest and penalties as of September 26, 2023.

***Recent Accounting Pronouncements***

The information contained in Note 1 to our Consolidated Financial Statements included in this report concerning a description of recent accounting pronouncements, including our expected dates of adoption and the estimated effects on our results of operations and financial condition, is incorporated by reference herein.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of the independent registered public accounting firm and financial statements listed in the accompanying index are included in Item 15 of this report. See index to the Consolidated Financial Statements on page F-1 of this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

## ITEM 9A. CONTROLS AND PROCEDURES

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures:** Based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), the Company's Chief Executive Officer (its principal executive officer and principal financial officer) has concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

**Management's Report on Internal Control Over Financial Reporting:** Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). We maintain a system of internal controls that is designed to provide reasonable assurance in a cost-effective manner as to the fair and reliable preparation and presentation of the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 26, 2023. In making this evaluation, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). This evaluation included a review of the documentation of controls, evaluation of the design effectiveness of controls and a conclusion on this evaluation. Based on this assessment, our management concluded that, as of September 26, 2023, the Company's internal control over financial reporting was effective based on these criteria.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

**Changes in Internal Control over Financial Reporting:** There have been no significant changes in the Company's internal control over financial reporting that occurred during the Company's fiscal year ended September 26, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's fourth quarter for the fiscal year internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Nothing to report.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**PART III**

We will file a definitive proxy statement for our 2024 Annual Meeting of Shareholders with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, those sections of our definitive Proxy Statement that specifically address the items set forth herein are incorporated by reference.

## Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is hereby incorporated by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year covered by this Form 10-K.

***Board Diversity***

Under Nasdaq Rule 5605(f) Nasdaq-listed companies are required, subject to certain exceptions, (1) to have at least one director who self-identifies as a female, and (2) to have at least one director who self-identifies as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, two or more races or ethnicities, or as LGBTQ+, or (3) to explain why the reporting company does not have at least two directors on its board who self-identify in the categories listed above. Under Nasdaq Rule 5605(f)(2)(D), boards of directors composed of five or fewer members must have one director who is Diverse as defined by the Rule and are not subject to the requirements of subparagraphs (A), (B), and (C) of Rule 5605(f)(2) until and unless they expand the board beyond five members.

In addition, Nasdaq Rule 5606 (Board Diversity Disclosure) requires each Nasdaq-listed company, again subject to certain exceptions, to provide statistical information about such company's Board of Directors, in a specified format, related to each director's self-identified gender, race, and self-identification as LGBTQ+. This matrix is presented below. The Company believes it is in compliance with the diversity requirements imposed by the Nasdaq listing rules.

**Board Diversity Matrix (as of December 14, 2023*):**

| | | | | |
|---|---|---|---|---|
| **Board Size:** | | | | |
| **Total Number of Directors** | 4 | | | |
| **Gender:** | | | | |
| | **Male** | **Female** | **Non-Binary** | **Gender Undisclosed** |
| **Number of directors based on gender identity** | 3 | 1 | - | - |
| **Number of directors who identify in any of the categories below:** | | | | |
| **African American or Black** | - | - | - | - |
| **Alaskan Native or American Indian** | - | - | - | - |
| **Asian** | - | - | - | - |
| **Hispanic or Latinx** | - | - | - | - |
| **Native Hawaiian or Pacific Islander** | - | - | - | - |
| **White** | 3 | 1 | - | - |
| **Two or More Races or Ethnicities** | - | - | - | - |
| **LGBTQ+** | | - | | |
| **Undisclosed** | | - | | |

*The only change to this information from our last reported Board Diversity Matrix (available in the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2022 as filed with the SEC on December 15, 2022) is that Geoffrey R. Bailey retired as member of the Board effective September 7, 2023.

## Item 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year covered by this Form 10-K.

## Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by Item 12 is hereby incorporated by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year covered by this Form 10-K.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 13 is hereby incorporated by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year covered by this Form 10-K.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 is hereby incorporated by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year covered by this Form 10-K.

**PART IV**

**Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

a) The following documents have been filed as part of this report or, where noted, incorporated by reference:

1) **Financial Statements**

The Company's consolidated financial statements are included beginning on page F-1.

2) **Financial Statement Schedules**

All schedules have been omitted because the matter or conditions are not present, or the information required to be set forth therein is included in the Company's consolidated financial statements and related notes thereto.

3) **Exhibits**

The following exhibits are furnished as part of this report:

| Exhibit | Description |
|---|---|
| 2.1 | Membership Interest Purchase Agreement, dated April 24, 2015, among Good Times Restaurants Inc., FS-BDI Holdings, LLC, Thompson Family Associates, LLC, Keeper Investments, LLC, James C. Verney and Fenner Restaurant Group, LLC (previously filed as Exhibit 2.1 to the registrant's Current Report on Form 8-K filed April 28, 2015 (File No. 000-18590) and incorporated herein by reference) |
| 2.2 | Membership Interest Purchase Agreement, dated January 25, 2023 by and among Bad Daddy's International, LLC and Thompson Family Associates, RFM Ventures, LLC, Richard Miller, Vicki T. Ponce, Covington DeRamus, ACR Capital Ventures, LLC, Bill Duke, Jim Verney and Jim Abbott (previously filed as Exhibit 10.1 to the Registrant Current Report on Form 8-K filed on January 30, 2023 and incorporated herein by reference) |
| 3.1(P) | 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(P) | 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 (previously filed as Exhibit 3.3 to the registrant's Amendment No. 1 to Registration Statement on Form S-1 filed June 7, 2013 (File No. 333-188183) and incorporated herein by reference) |
| 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 | Amended and Restated Bylaws of Good Times Restaurants Inc. dated April 20, 2023 (previously filed as Exhibit 3.1 on Form 8-K filed April 26, 2023 (File No. 000-18590) and incorporated herein by reference) |
| 4.1 | Specimen Common Stock Certificate (previously filed as Exhibit 4.1 to the registrant's Amendment No. 1 to Registration Statement on Form S-1 filed June 7, 2013 (File No. 333-188183) and incorporated herein by reference) |
| 4.2* | Description of Securities |
| 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+ | Amendment to the Good Times Restaurants Inc. 2008 Omnibus Equity Incentive Compensation Plan dated September 14, 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) |
| 10.3+ | Amendment to the Good Times Restaurants Inc. 2008 Omnibus Equity Incentive Compensation Plan (previously filed as Annex B to the registrant's Proxy Statement on Schedule 14A filed April 25, 2018 (File No. 000-18590) and incorporated herein by reference) |
| 10.4+ | Good Times Restaurants Inc. 2018 Omnibus Equity Incentive Compensation Plan (previously filed as Annex A to the registrant's Proxy Statement on Schedule 14A filed April 25, 2018 (File No. 000-18590) and incorporated herein by reference) |
| 10.5+ | Amendment to the Good Times Restaurants Inc. 2018 Omnibus Equity Incentive Compensation Plan (previously filed as Annex A to the registrant's Proxy Statement on Schedule 14A filed December 18, 2020 (File No. 000-18590) and incorporated herein by reference) |
| 10.6+ | Second Amendment to the Good Times Restaurants Inc. 2018 Omnibus Equity Incentive Plan (previously filed as Annex A to the registrant's Proxy Statement on Schedule 14A filed on December 16, 2021 (File No. 000-18590) and incorporated herein by reference |
| 10.7 | 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) |
| 10.8 | 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) |
| 10.9 | Securities Purchase Agreement, dated May 2, 2014, among Hoak Public Equities, L.P., Rest Redux LLC, and Small Island Investments Limited (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed May 7, 2014 (File No. 000-18590) and incorporated herein by reference) |
| 10.10+ | Employment Agreement, effective August 1, 2017, by and between Good Times Restaurants Inc. and Ryan M. Zink (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed July 19, 2017 (File No. 000-18590) and incorporated herein by reference) |
| 10.11+ | Amended Employment Agreement, effective August 5, 2019, by and between Good Times Restaurants Inc. and Ryan M. Zink (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed August 9, 2019 (File No. 000-18590) and incorporated herein by reference) |
| 10.12+ | Amended and Restated Employment Agreement, dated April 6, 2020, between Ryan M. Zink and Good Times Restaurants Inc. (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 10, 2020 (File No. 000-18590) and incorporated herein by reference) |
| 10.13+ | Second Amended and Restated Employment Agreement, dated December 24, 2020, between Ryan M. Zink and Good Times Restaurants Inc. (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed December 28, 2020 (File No. 000-18590) and incorporated herein by reference) |
| 10.14+ | First Amendment to Second Amended and Restated Employment Agreement, dated September 28, 2022, between Ryan M. Zink and Good Times Restaurants Inc. (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed September 30, 2022 (File No. 000-18590) and incorporated herein by reference) |

| | |
|---|---|
| 10.15 | Cadence Bank Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed September 13, 2016 (File No. 000-18590) and incorporated herein by reference) |
| 10.16 | Cadence Bank Security and Pledge Agreement (previously filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed September 13, 2016 (File No. 000-18590) and incorporated herein by reference) |
| 10.17 | Cadence Bank First Amendment to Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed September 12, 2017 (File No. 000-18590) and incorporated herein by reference) |
| 10.18 | Cadence Bank Second Amendment to Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed November 2, 2018 (File No. 000-18590) and incorporated herein by reference) |
| 10.19 | Cadence Bank Third Amendment to Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 10-Q filed May 10, 2019 (File No. 000-18590) and incorporated herein by reference) |
| 10.20 | Cadence Bank Fourth Amendment to Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed December 13, 2019 (File No. 000-18590) and incorporated herein by reference) |
| 10.21 | Cadence Bank Fifth Amendment to Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed January 14, 2021 (File No. 000-18590) and incorporated herein by reference) |
| 10.22 | Cadence Bank Sixth Amendment to Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed August 16, 2021 (File No. 000-18590) and incorporated herein by reference) |
| 10.23 | Cadence Bank Seventh Amendment to Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed February 3, 2022 (File No. 000-18590) and incorporated herein by reference) |
| 10.24 | Cadence Bank Eighth Amendment to Credit Agreement and Waiver, dated January 24, 2023 by and among Good Times Restaurants Inc., each of its wholly-owned subsidiaries and Cadence Bank, N.A. (previously filed as Exhibit 10.2 to the Registrant Current Report on Form 8-K filed on January 30, 2023 and incorporated herein by reference) |
| 10.25 | Cadence Bank Amended and Restated Credit Agreement (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 26, 2023 (Filed No. 000-18590) and incorporated herein by reference) |
| 10.26 | Cadence Bank Security and Pledge Agreement (previously filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed April 26, 2023 (File No. 000-18590) and incorporated herein by reference) |
| 10.27 | Consent and Forbearance Agreement, dated as of April 14, 2020 but effective March 31, 2020 by and among Good Times Restaurants Inc., each of its wholly owned subsidiaries and Cadence Bank, N.A. (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 20, 2020 (File No. 000-18590) and incorporated herein by reference) |
| 10.28 | Promissory Note, dated as of May 7, 2020, by Bad Daddy's International, LLC. in favor of Cadence Bank, NA (previously filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed May 12, 2020 (File No. 000-18590) and incorporated herein by reference) |
| 10.29 | Promissory Note, dated as of May 7, 2020, by Good Times Drive-Thru Inc.in favor of Cadence Bank, NA (previously filed as Exhibit 10.3 to the registrant's Current Report on Form 8-K filed May 12, 2020 (File No. 000-18590) and incorporated herein by reference) |
| 10.30 | Promissory Note, dated as of May 7, 2020, by BD of Colorado, LLC. in favor of Cadence Bank, NA (previously filed as Exhibit 10.4 to the registrant's Current Report on Form 8-K filed May 12, 2020 (File No. 000-18590) and incorporated herein by reference) |
| 10.31 | Agreement, dated March 12, 2018, between Good Times Restaurants Inc. and Robert J. Stetson and where applicable his controlled affiliates, and Charles Jobson and where applicable his controlled affiliates (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed March 13, 2018 (File No. 000-18590) and incorporated herein by reference) |
| 10.32 | Amendment to Agreement, dated April 13, 2018, between Good Times Restaurants Inc. and Robert J. Stetson and where applicable his controlled affiliates, and Charles Jobson and where applicable his controlled affiliates (previously filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 17, 2018 (File No. 000-18590) and incorporated herein by reference) |

| | |
|---|---|
| 10.33 | Stock Option Award Agreement between the Company and Mathew Karnes dated March 7, 2022 (previously filed as Exhibit 10.1 to the Registrant's 8-K filed on March 8, 2022 (File No. 000-18590) |
| 21.1* | Subsidiaries of the Company |
| 23.1* | Consent of Moss Adams LLP, Independent Registered Public Accounting Firm |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) |
| 31.2* | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) |
| 32.1* | Certification of Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 |
| 97.1* | Good Times Restaurants Inc. Clawback Policy as adopted on November 9, 2023 |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |

* Filed herewith

\+ Indicates management compensatory plan, contract, or arrangement.

(P) Paper exhibit.

**Item 16. Form 10-K Summary**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**GOOD TIMES RESTAURANTS INC.**

December 14, 2023

Ryan M. Zink
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

*/s/ Ryan M. Zink*
Ryan M. Zink, Principal Executive Officer and Director
(Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)
December 14, 2023

*/s/ Charles Jobson*
Charles Jobson, Director
December 14, 2023

*/s/ Jason S. Maceda*
Jason S. Maceda, Director
December 14, 2023

/s/ Jennifer C. Stetson
Jennifer C. Stetson, Director
December 14, 2023

**ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

## INDEX TO FINANCIAL STATEMENTS

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of
Good Times Restaurants Inc. and Subsidiaries

***Opinion on the Financial Statements***

We have audited the accompanying *consolidated* balance sheet*s* of Good Times Restaurants Inc. and Subsidiaries (the "Company") as of September 26, 2023 and September 27, 2022, the related consolidated statements of operations, shareholders' equity, and cash flows for the year*s* then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of September 26, 2023 and September 27, 2022, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These *consolidated* financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's *consolidated* financial statements based on our audit*s*. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit*s* in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the *consolidated* financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the *consolidated* financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the *consolidated* financial statements. We believe that our audit*s* provide a reasonable basis for our opinion.

***Critical Audit Matter***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Provision for Income Taxes and Valuation Allowance***

As described in Notes 1 and 7 to the consolidated financial statements, the Company recognizes a provision for income tax benefits (expenses) and records deferred income tax assets and liabilities on its balance sheet. These amounts are determined by calculating accumulated temporary differences in book and taxable income, and carryforwards of losses. Valuation allowances are established, when necessary, to reduce net deferred income tax assets to the expected future realizable amount determined by management.

The expected future realization of deferred tax assets depends on the existence of sufficient taxable income within the carryback or carryforward period of the appropriate character under relevant tax laws. Sources of taxable income include future reversals of deferred tax assets and liabilities, future taxable income (exclusive of the reversals of deferred tax assets and liabilities), and taxable income in prior carryback year(s) if permitted under the tax law and consistent with the Company's tax planning.

During, and as of the fiscal year ended September 26, 2023, the Company concluded it is more likely than not that the Company will realize its net deferred income tax assets, which resulted in the release of its existing valuation allowance. As a result, a provision for income taxes benefit of $10,787,000 was recognized during the fiscal year, with a resulting net deferred tax asset of $11,583,000 as of September 26, 2023.

We identified management's determination of the release of the Company's valuation allowance and resulting impact to the provision for income taxes, which involves estimates and significant judgments, as a critical audit matter. Management's primary estimate in determining a valuation allowance is the projection of future sources of taxable income. Auditing management's estimate of future sources of taxable income, which affects the recorded valuation allowances, required a higher degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists.

/s/ Moss Adams LLP

Denver, Colorado
December 14, 2023

We have served as the Company's auditor since 2017.

Table of Contents

**Good Times Restaurants Inc. and Subsidiaries**
**Consolidated Balance Sheets**
**(*In thousands, except share and per share data*)**

| | September 26, 2023 | September 27, 2022 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 4,182 | $ 8,906 |
| Receivables | 769 | 694 |
| Prepaid expenses and other | 235 | 888 |
| Inventories | 1,407 | 1,387 |
| Total current assets | 6,593 | 11,875 |
| | | |
| PROPERTY AND EQUIPMENT | | |
| Land and building | 5,722 | 4,670 |
| Leasehold improvements | 38,191 | 35,906 |
| Fixtures and equipment | 33,040 | 30,664 |
| | 76,953 | 71,240 |
| Less accumulated depreciation and amortization | (53,917) | (48,989) |
| Total net property and equipment | 23,036 | 22,251 |
| | | |
| OTHER ASSETS: | | |
| Operating lease right-of-use assets, net | 39,935 | 42,463 |
| Deferred tax assets, net | 11,583 | - |
| Deposits and other assets | 292 | 166 |
| Trademarks | 3,900 | 3,900 |
| Other intangibles, net | 36 | 20 |
| Goodwill | 5,713 | 5,713 |
| | 61,459 | 52,262 |
| TOTAL ASSETS | $ 91,088 | $ 86,388 |
| LIABILITIES AND SHAREHOLDERS’ EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 2,585 | $ 628 |
| Deferred income | 67 | 48 |
| Operating lease liabilities, current | 5,787 | 5,430 |
| Other accrued liabilities | 6,451 | 6,791 |
| Total current liabilities | 14,890 | 12,897 |
| | | |
| LONG-TERM LIABILITIES: | | |
| Maturities of long-term debt, net of current portion | 750 | - |
| Operating lease liabilities, net of current portion | 42,332 | 45,544 |
| Deferred and other liabilities | 122 | 159 |
| Total long-term liabilities | 43,204 | 45,703 |
| | | |
| COMMITMENTS AND CONTINGENCIES (Note 5) | | |
| | | |
| SHAREHOLDERS’ EQUITY: | | |
| Good Times Restaurants Inc. shareholders’ equity: | | |
| Preferred stock, $.01 par value;5,000,000 shares authorized, zero shares issued and outstanding as of September 26, 2023 and September 27, 2022, respectively | - | - |
| Common stock, $.001 par value; 50,000,000 shares authorized; 12,977,433 issued; 11,446,587 and 12,274,351 shares outstanding as of September 26, 2023 and September 27, 2022, respectively | 13 | 13 |
| Capital contributed in excess of par value | 56,701 | 59,427 |
| Treasury stock, at cost 1,530,846 and 692,798 shares as of September 26, 2023 and September 27, 2022, respectively | (4,908) | (2,634) |
| Accumulated deficit | (19,235) | (30,321) |
| Total Good Times Restaurants Inc. shareholders' equity | 32,571 | 26,485 |
| Non-controlling interests | 423 | 1,303 |
| Total shareholders’ equity | 32,994 | 27,788 |
| TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY | $ 91,088 | $ 86,388 |

*See accompanying notes to consolidated financial statements*

**Good Times Restaurants Inc. and Subsidiaries**
**Consolidated Statements of Operations**
**(*In thousands, except share and per share data*)**

| | Fiscal Year 2023 (52 Weeks) | Fiscal Year 2022 (52 Weeks) |
|---|---|---|
| NET REVENUES: | | |
| Restaurant sales | $ 137,229 | $ 137,250 |
| Franchise revenues | 893 | 950 |
| Total net revenues | 138,122 | 138,200 |
| RESTAURANT OPERATING COSTS: | | |
| Food and packaging costs | 42,910 | 43,877 |
| Payroll and other employee benefit costs | 47,549 | 46,515 |
| Restaurant occupancy costs | 9,607 | 9,440 |
| Other restaurant operating costs | 19,013 | 18,515 |
| Preopening costs | 484 | 51 |
| Depreciation and amortization | 3,663 | 3,895 |
| Total restaurant operating costs | 123,226 | 122,293 |
| | | |
| General and administrative costs | 9,127 | 10,528 |
| Advertising costs | 3,258 | 3,164 |
| | | |
| Impairment of long-lived assets | 1,589 | 3,437 |
| Gain on restaurant and equipment asset sales | (41) | (676) |
| Litigation Contingencies | - | 332 |
| | | |
| INCOME (LOSS) FROM OPERATIONS | 963 | (878) |
| | | |
| OTHER INCOME (EXPENSES): | | |
| Interest expense | (78) | (54) |
| | | |
| NET INCOME (LOSS) BEFORE INCOME TAXES | 885 | (932) |
| | | |
| Provision for income taxes | 10,787 | 5 |
| | | |
| NET INCOME (LOSS) | 11,672 | (927) |
| | | |
| Income attributable to non-controlling interests | (586) | (1,714) |
| | | |
| NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS | $ 11,086 | $ (2,641) |
| | | |
| NET INCOME (LOSS) PER SHARE, ATTRIBUTABLE TO COMMON SHAREHOLDERS: | | |
| Basic | $ .94 | $ (.21) |
| Diluted | $ .94 | $ (.21) |
| | | |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | |
| Basic | 11,772,778 | 12,464,408 |
| Diluted | 11,827,752 | 12,464,408 |

*See accompanying notes to consolidated financial statements*

**Good Times Restaurants Inc. and Subsidiaries**
**Consolidated Statements of Shareholders' Equity**
**For the Period from September 28, 2021 thru September 26, 2023**
**(*In thousands, except share and per share data*)**

| | Treasury Stock, at cost | | Common Stock | | Capital Contributed in Excess of Par | Non-Controlling | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Issued Shares | Par Value | Value | Interest In Partnerships | Accumulated Deficit | Total |
| BALANCES, September 28, 2021 | 376,351 | $ (1,608) | 12,512,072 | $ 13 | $ 59,021 | $ 1,124 | $ (27,680) | $ 30,870 |
| Stock-based compensation cost | - | - | - | - | 250 | - | - | 250 |
| Shares issued through common stock grants and RSU vesting | - | - | 22,622 | - | - | - | - | - |
| Stock option exercise | - | - | 56,104 | - | 156 | - | - | 156 |
| Treasury shares purchased | 316,447 | (1,026) | (316,447) | - | - | - | - | (1,026) |
| Income attributable to non-controlling interests | - | - | - | - | - | 1,714 | - | 1,714 |
| Distributions to unrelated limited partners | - | - | - | - | - | (1,568) | - | (1,568) |
| Contributions from unrelated limited partners | - | - | - | - | - | 33 | - | 33 |
| Net loss attributable to Good Times Restaurants Inc and comprehensive loss | - | - | - | - | - | - | (2,641) | (2,641) |
| BALANCES, September 27, 2022 | 692,798 | $ (2,634) | 12,274,351 | $ 13 | $ 59,427 | $ 1,303 | $ (30,321) | $ 27,788 |
| Stock-based compensation cost | - | - | - | - | 131 | - | - | 131 |
| Shares issued through common stock grants and RSU vesting | - | - | 8,284 | - | (92) | - | - | (92) |
| Stock option exercise | - | - | 2,000 | - | 5 | - | - | 5 |
| Treasury shares purchased | 838,048 | (2,274) | (838,048) | - | - | - | - | (2,274) |
| Income attributable to non-controlling interests | - | - | - | - | - | 586 | - | 586 |
| Distributions to unrelated limited partners | - | - | - | - | - | (648) | - | (648) |
| Contributions from unrelated limited partners | - | - | - | - | - | 13 | - | 13 |
| Purchase of non-controlling interests | - | - | - | - | (2,770) | (831) | - | (3,601) |
| Net income attributable to Good Times Restaurants Inc and comprehensive income | - | - | - | - | - | - | 11,086 | 11,086 |
| BALANCES, September 26, 2023 | 1,530,846 | $ (4,908) | 11,446,587 | $ 13 | $ 56,701 | $ 423 | $ (19,235) | $ 32,994 |

*See accompanying notes to consolidated financial statements*

**Good Times Restaurants Inc. and Subsidiaries**
**Consolidated Statements of Cash Flows**
**(*In thousands*)**

| | Fiscal Year | |
|---|---|---|
| | **2023 (52 Weeks)** | **2022 (52 Weeks)** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (loss) | $ 11,672 | $ (927) |
| | | |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,752 | 4,057 |
| Net change in ROU assets and operating lease liabilities | (327) | (428) |
| Recognition of deferred gain on sale of restaurant building | (37) | (34) |
| Gain on asset disposals | (4) | - |
| Gain on lease termination | - | (642) |
| Impairment of long-lived assets | 1,589 | 3,437 |
| Stock based compensation expense | 131 | 250 |
| Provision for income taxes | (10,790) | (5) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Receivables and prepaids | 582 | (293) |
| Inventories | (5) | (64) |
| Deposits and other assets | (111) | 79 |
| (Decrease) increase in: | | |
| Accounts payable | 1,866 | (654) |
| Deferred liabilities | 19 | - |
| Accrued and other liabilities | (372) | 515 |
| Net cash provided by operating activities | 7,965 | 5,291 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for the purchase of property and equipment | (4,771) | (2,641) |
| Acquisition of restaurants from franchisees, net of cash acquired | (1,326) | (728) |
| Payments for the purchase of non-controlling interests | (4,394) | - |
| Proceeds from sale of fixed assets | 48 | - |
| Proceeds from lease termination | - | 745 |
| Net cash used in investing activities | (10,443) | (2,624) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable, capital leases, and long-term debt | 750 | - |
| Payment for the purchase of treasury stock | (2,274) | (1,026) |
| Payment for restricted stock vesting settled in cash | (92) | - |
| Proceeds from stock option exercises | 5 | 156 |
| Contributions from non-controlling interests | 13 | 33 |
| Distributions to non-controlling interests | (648) | (1,780) |
| Net cash used in provided by financing activities | (2,246) | (2,617) |
| | | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (4,724) | 50 |
| CASH AND CASH EQUIVALENTS, beginning of year | 8,906 | 8,856 |
| CASH AND CASH EQUIVALENTS, end of year | $ 4,182 | $ 8,906 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 31 | $ 20 |
| Non-cash additions of property and equipment | $ 91 | $ (214) |

*See accompanying notes to consolidated financial statements*

**Good Times Restaurants Inc. and Subsidiaries**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Tabular dollar amounts in thousands, except share and per share data)**

1. Organization and Summary of Significant Accounting Policies

Organization – Good Times Restaurants Inc. (Good Times or the Company) is a Nevada corporation. The Company operates through its wholly owned subsidiaries Good Times Drive Thru, Inc. ("Drive Thru"), BD of Colorado, LLC ("BDCO"), Bad Daddy's Franchise Development, LLC ("BDFD"), and Bad Daddy's International, LLC ("BDI").

BDCO was formed by Good Times Restaurants Inc. in 2013 to develop Bad Daddy's Burger Bar restaurants in the state of Colorado. Subsequently, BDI and BDFD were acquired by Good Times Restaurants Inc. on May 7, 2015. Combined, these entities compose our Bad Daddy's operating segment, which as of September 26, 2023, operates forty company-owned, and one licensee full-service small-box casual dining restaurants under the name Bad Daddy's Burger Bar, primarily located in the Southeast region of the United States and the state of Colorado and licenses the Bad Daddy's brand for use at an airport Bad Daddy's restaurant under third-party operations and ownership.

Drive Thru commenced operations in 1986 and as of September 26, 2023, operates nineteen Company-owned and six joint-venture drive-thru fast food hamburger restaurants under the name Good Times Burgers & Frozen Custard, all of which are located in Colorado. In addition, Drive Thru has six franchisee-owned restaurants, with four operating in Colorado and two in Wyoming.

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.

Fiscal Year – The Company's fiscal year is a 52/53-week year ending on the last Tuesday of September. In a 52-week fiscal year, each of the Company's quarterly periods comprise 13 weeks. The additional week in a 53-week fiscal year is added to the first quarter, making such quarter consist of 14 weeks. Fiscal year 2023 began September 28, 2022 and ended September 26, 2023. Fiscal 2022 began September 29, 2021 and ended September 27, 2022.

Principles of Consolidation – The consolidated financial statements include the accounts of Good Times, its subsidiaries, one limited partnership in which the Company exercises control through Drive Thru, the partnership's general partner, and five limited liability companies, in which the Company is the sole owner following the purchase of the membership interests in January 2023. The Company owns an approximate 50% interest in the Drive Thru 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 50% 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 consolidated financial statements. The Company owns 100% interest in five Bad Daddy's limited liability companies, following the January 2023 purchase of the membership interests in the previously joint-venture restaurants. Prior to the purchase, the Company owned between 23% and 75% interest in the limited liability companies, was the managing member of each, and received royalty and management fees prior to any distributions to the other members. Because the Company exercised complete management control over all decisions for the five companies, except for certain veto rights, the financial statements of the limited liability companies were and are consolidated into the Company's financial statements. The equity interests of the unrelated limited partner and former members are shown on the accompanying consolidated balance sheets in the shareholders' equity section as a non-controlling interest and is adjusted each period to reflect the limited partners' and members' share of the net income or loss as well as any cash distributions to the limited partners and members for the period. The limited partners' or members' share of the net income or loss in the entities is shown as non-controlling interest income or expense in the accompanying consolidated statements of operations. All inter-company accounts and transactions are eliminated in consolidation.

Advertising Costs – We use Advertising Funds to administer certain advertising programs for both the Bad Daddy's and Good Times brands that benefit both us and our franchisees. We and our franchisees are required to contribute a percentage of gross sales to the fund. As such the contributions to these funds are designated and segregated for advertising. We consolidate the Advertising Funds into our financial statements whereby contributions from franchisees, when received, are recorded and included as a component of franchise revenues. We intend to utilize all of the advertising contributions towards advertising expenditures; however, the timing of those expenditures may not occur in the year in which the advertising funds were collected. Historically we have returned to our franchisees excess advertising funds collected from them, however beginning in the current year have retained those funds to be used in future years and to better manage the cash flow of the advertising fund and recognized as a reduction of advertising expenses. Contributions to the Advertising Funds from our franchisees were $261,000 and $273,000 for the fiscal years ended September 26, 2023 and September 27, 2022, respectively.

Accounting Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates of and assumptions related to the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Examples include valuation of reporting units for purposes of assessing goodwill and other indefinite-lived intangible assets for impairment, valuation of asset groups for impairment testing, accruals for employee benefits, and certain contingencies. We base our estimates on historical experience, market participant fair value considerations, projected future cash flows, and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

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. The Company maintains cash and cash equivalents at financial institutions with balances that generally exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits of up to $250,000. The Company has not experienced any losses related to such accounts and management believes that the Company is not exposed to any significant risks on these accounts.

Accounts Receivable – Accounts receivable include uncollateralized receivables from our franchisees, due in the normal course of business, generally requiring payment within thirty days of the invoice date. Additionally, accounts receivable include payments due from third-party delivery aggregators, and certain rebates from our key food and beverage vendors. Accounts receivables also include payments due from property landlords related to tenant improvement allowances, of which $272,000 were owed in in the fiscal year ended September 26, 2023. On a periodic basis the Company monitors all accounts for delinquency and provides for estimated losses of uncollectible accounts. There were no allowances for unrecoverable accounts receivable at September 26, 2023 and September 27, 2022.

Inventories – Inventories are stated at the lower of cost or net realizable value, 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. 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.

Trademarks – Trademarks have been determined to have an indefinite life. We evaluate our trademarks for impairment annually and on an interim basis as events and circumstances warrant by comparing the fair value of the trademarks with their carrying amount. No trademark impairment charges were recognized during the fiscal years ended September 26, 2023 and September 27, 2022.

Reacquired franchise rights – Reacquired franchise rights represent the value of franchise rights purchased from prior franchisees. Franchise rights are amortized over the life of franchise agreement acquired. We evaluate the value of reacquired franchise rights annually and on an interim basis as events and circumstances warrant by comparing the fair value of the franchise rights with their carrying amount. No impairment charges associated with reacquired franchise rights were recognized during the fiscal years ended September 26, 2023 and September 27, 2022.

Goodwill – Goodwill represents the excess of cost over fair value of the assets of businesses the Company acquired. Goodwill is not amortized; but rather, the Company is required to test goodwill for impairment on an annual basis or whenever indications of impairment arise. The Company considers its operations to be comprised of two reporting units: (1) Good Times restaurants and (2) Bad Daddy's restaurants.

The following table presents goodwill associated with each reporting unit as of September 26, 2023 and September 27, 2022 (in thousands):

| | **September 26, 2023** | **September 27, 2022** |
|---|---|---|
| Good Times | $ 96 | $ 96 |
| Bad Daddy's | 5,617 | 5,617 |
| Total | $ 5,713 | $ 5,713 |

Impairment of Long-Lived Assets – We review our long-lived assets including land, property and equipment for impairment when there are factors that indicate that the carrying amount of an asset may not be recoverable. We assess recovery of assets at the individual restaurant level and typically include an analysis of historical cash flows, future operating plans, and cash flow projections in assessing whether there are indicators of impairment. Recoverability of assets to be held and used is measured by comparing the net book value of the assets of an individual restaurant to the fair value of those assets. This impairment process involves judgment in the use of estimates and assumptions pertaining to future projections and operating results.

Given the results of our analyses throughout the fiscal year ended September 26, 2023, we identified two Bad Daddy's restaurants where the expected future cash flows would not be sufficient to recover the carrying value of the associated assets, resulting in non-cash impairment charges of $1,589,000.

There were impairments of $3,437,000 in the fiscal year ended September 27, 2022. Of this amount, $790,000 related to three Good Times restaurants and $2,647,000 related to two Bad Daddy's restaurants

Leases – The Company accounts for leases consistent with Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*.

The Company assesses whether a contract qualifies as a lease at inception. The Company only held operating leases as of and during the years ended September 26, 2023 and September 27, 2022. The Company's material long-term operating lease agreements are for the land and buildings for our restaurants as well as our corporate office. The lease term begins on the date that the Company takes possession under the lease, including the pre-opening period during construction, when in most cases the Company is not making rent payments.

Operating lease assets and liabilities are recognized at the lease commencement date for material leases with a term of greater than 12 months. Operating lease liabilities represent the present value of future minimum lease payments. Since our leases do not provide an implicit rate, our operating lease liabilities are calculated using our estimated incremental borrowing rate based on a collateralized borrowing over the term of each individual lease. Minimum lease payments include only fixed lease components of the agreement, as well as variable rate payments that depend on an index, initially measured using the index at the lease commencement date.

Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepaid or accrued lease payments, initial direct costs and lease incentives. Lease incentives are recognized when earned and reduce our operating lease asset related to the lease. They are amortized through the operating lease assets as reductions of rent expense over the lease term.

Operating lease expense is recognized on a straight-line basis over the lease term. In certain situations, lease contracts are amended or otherwise changed. Based upon an analysis of those changes, specifically whether additional rights have been conveyed and additional lease payments are required, the Company determines whether the lease warrants remeasurement, or treatment as a separate contract. Certain of the Company's operating leases contain clauses that provide for contingent rent based on a percentage of sales greater than certain specified target amounts. Variable lease payments that do not depend on a rate or index, escalation in the index subsequent to the initial measurement, payments associated with non-lease components such as common area maintenance, real estate taxes and insurance, and short-term lease payments (leases with a term with 12 months or less) are expensed as incurred or when the achievement of the specified target that triggers the contingent rent is considered probable. The Company has four subleases in which the sublessee generally pays the master landlord directly. We disclose details of sublease income and its impact on operating lease expense in Note 6.

Deferred Liabilities – Deferred Liabilities consist primarily of long-term deferred income in the form of sale leaseback transactions and vendor signing incentives.

Revenue Recognition - Revenues consist primarily of sales from restaurant operations and franchise revenue, which includes franchisee royalties and contributions to advertising funds. Revenues associated with gift card breakage are immaterial to our financials. The Company recognizes revenue, pursuant to ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, when it satisfies a performance obligation by transferring control over a product or service to a customer, typically a restaurant customer or a franchisee/licensee.

The Company recognizes revenues in the form of restaurant sales at the time of the sale when payment is made by the customer, as the Company has completed its performance obligation, namely the provision of food and beverage, and the accompanying customer service, during the customer's visit to the restaurant. The Company sells gift cards to customers and recognizes revenue from the gift card when it is redeemed and the performance obligation is completed, primarily in the form of restaurant revenue. Gift card breakage, which is recognized when the likelihood of a gift card being redeemed is remote, is determined based upon the Company's historic redemption patterns, and is immaterial to our overall financial statements. Late in fiscal 2023, the Company began operating a loyalty program known as GT Rewards. With each purchase, GT Rewards members earn loyalty points that can be redeemed in the future for free products. Activity related to the new reward program is immaterial to the Company's financial statements for the year ended September 26, 2023.

Revenues we receive from our franchise and license agreements include sales-based royalties, and from our franchise agreements also may include advertising fund contributions, area development fees, and franchisee fees. We recognize sales-based royalties from franchisees and licensees as the underlying sales occur. We similarly recognize advertising fund contributions from franchisees as the underlying sales occur. The Company also provides its franchisees with services associated with opening new restaurants and operating them under franchise and development agreements in exchange for area development and franchise fees. The Company would capitalize these fees upon receipt from the franchisee and then would amortize those over the contracted franchise term as the services comprising the performance obligations are satisfied. We have not received material development or franchise fees in the years presented, and the primary performance obligations under existing franchise and development agreements have been satisfied prior to the earliest period presented in our financial statements.

Preopening Costs – Restaurant preopening costs are expensed as incurred.

Income Taxes – The Company accounts for income taxes using the asset/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.

The Company is subject to taxation in various jurisdictions within the U.S. The Company's tax years corresponding to the Company's fiscal years 2020 through 2022 remain open for examination by the authorities under the normal three year statute of limitations. Should the Company utilize any of its U.S. or state NOLs, the tax year to which the original loss relates will remain open to examination. 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 26, 2023.

Net Income (Loss) Per Common Share – Our basic earnings per share calculation is computed based on the weighted-average number of common shares outstanding. Our diluted earnings per share calculation is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive securities for this calculation consist of in-the-money outstanding stock options, restricted stock units and warrants (which were assumed to have been exercised at the average market price of the common shares during the reporting period). The treasury stock method is used to measure the dilutive impact of in-the-money stock options.

The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding:

| | September 26, 2023 | September 27, 2022 |
|---|---|---|
| Weighted-average shares outstanding basic | 11,772,778 | 12,464,408 |
| Effect of potentially dilutive securities: | | |
| Stock options | 9,724 | - |
| Restricted stock units | 45,250 | - |
| Weighted-average shares outstanding diluted | 11,827,752 | 12,464,408 |
| Excluded from diluted weighted-average shares outstanding: | | |
| Antidilutive | 347,528 | 237,128 |

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 affected 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.

Financial instruments potentially subjecting the Company to concentrations of credit risk consist principally of receivables. The Company has other current receivables totaling $769,000 as of September 26, 2023. This includes $23,000 of franchise receivables, $269,000 of 3rd party delivery receivables, $185,000 of rebate receivables from our food and beverage vendors, $272,000 of lease incentives receivable, and $20,000 of other miscellaneous receivables.

The Company purchases most of its restaurant food and paper through a single distribution company. The Company believes a sufficient number of other distributors exist from which food and paper could be purchased to prevent any long-term, adverse consequences.

The Company operates in two industry segments, quick service restaurants and casual dining restaurants. A geographic concentration exists because the Company's customers are generally located in Colorado and the Southeast region of the U.S., most significantly in North Carolina.

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 service period (generally the vesting period of the grant). See Note 8 for additional information.

Fair Value of Financial Instruments – 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 require 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.

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Non-controlling Interests - The equity interests of unrelated limited partners and members are shown on the accompanying consolidated balance sheets in the shareholders' equity section as non-controlling interests and are adjusted each period to reflect the limited partners' and members' share of the net income or loss as well as any cash distributions or contributions to the limited partners and members for the period. The limited partners' and members' share of the net income or loss in the partnership is shown as non-controlling interest income or expense in the accompanying consolidated statements of operations. All inter-company accounts and transactions are eliminated.

Our non-controlling interests currently consist of one limited partnership involving six Good Times restaurants in which the Company and non-controlling partner share equal ownership and previously included five limited liability companies involving five Bad Daddy's restaurants. The Company repurchased the non-controlling membership interests in the five limited liability companies owning five Bad Daddy's restaurants in January 2023.

Recent Accounting Pronouncements – The Company reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

## 2. Goodwill and Intangible Assets

The following table presents goodwill and intangible assets as of September 26, 2023 and September 27, 2022 (in thousands):

| | September 26, 2023 | | | September 27, 2022 | | |
|---|---|---|---|---|---|---|
| | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** |
| Intangible assets subject to amortization: | | | | | | |
| Non-compete agreements | $ 50 | $ (14) | $ 36 | $ 25 | $ (5) | $ 20 |
| Reacquired franchise rights | $ 15 | $ - | $ 15 | $ - | $ - | $ - |
| | $ 65 | $ (14) | $ 51 | $ 25 | $ (5) | $ 20 |
| Indefinite-lived intangible assets: | | | | | | |
| Trademarks | $ 3,900 | $ - | $ 3,900 | $ 3,900 | $ - | $ 3,900 |
| Intangible assets, net | $ 3,965 | $ (14) | $ 3,951 | $ 3,925 | $ (5) | $ 3,920 |
| Goodwill | $ 5,713 | $ - | $ 5,713 | $ 5,713 | $ - | $ 5,713 |

There were no impairments to intangible assets during the fiscal years ended September 26, 2023 or September 27, 2022. The aggregate amortization expense related to these intangible assets subject to amortization was $9,000 for the fiscal year ended September 26, 2023.

## 3. Notes Payable and Long-Term Debt

Cadence Credit Facility

The Company and its wholly owned subsidiaries (the "Subsidiaries") maintain an amended and restated credit agreement with Cadence Bank ("Cadence") pursuant to which, Cadence agreed to loan the Company up to $8,000,000, which has a maturity date of April 20, 2028 (the "Cadence Credit Facility"). The Cadence Credit Facility amended and restated the Company's prior credit facility with Cadence in its entirety. The Cadence Credit Facility accrues commitment fees on the daily unused balance of the facility at a rate of 0.25%. The loans may from time to time consisting of a mixture of SOFR Rate Loans and Base Rate Loans with differing interest rates based upon varying additions to the Federal Funds Rate, the Cadence prime rate or Term SOFR. Each of the Subsidiaries are guarantors of the Cadence Credit Facility.

Proceeds from the Cadence Credit Facility, if and when drawn, may be used (i) to fund new restaurant development, (ii) to finance the buyout of non-controlling partners in certain restaurants, (iii) to finance the redemption, purchase or other acquisition of equity interests in the Company and (iv) for working capital and other general corporate purposes.

The Cadence Credit Facility includes customary affirmative and negative covenants and events of default. The Cadence Credit Facility also requires the Company to maintain various financial condition ratios, including minimum liquidity, an amended maximum leverage ratio and an amended minimum fixed charge coverage ratio. In addition, to the extent the aggregate outstanding balance under the revolver under the Cadence Credit Facility exceeds $4.0 million, the Company is required to meet a new specified leverage ratio, on a pro forma basis, before making further borrowings as well as certain restricted payments, investments and growth capital expenditures. As of the date of filing of this report, the Company was in compliance with each of these covenants under the Cadence Credit Facility.

As of September 26, 2023 the interest rate applicable to borrowings under the Cadence Credit Facility was 8.42%.

As a result of entering into the Cadence Credit Facility and the various amendments, the Company paid loan origination costs including professional fees of approximately $299,000 and is amortizing these costs over the term of the credit agreement. As of September 26, 2023 the unamortized balance of these fees was $122,000.

In connection with the Cadence Credit Facility, the Company and the Subsidiaries entered into an Amended and Restated Security and Pledge Agreement (the "Security Agreement") with Cadence. Under the Security Agreement, the Cadence Credit Facility is secured by a first priority security interest in substantially all the assets of the Company and the Subsidiaries.

As of September 26, 2023, there were $750,000 of borrowings against the facility, all of which is due during the fiscal year ending September 26, 2028 and is classified as a long-term liability in the accompanying balance sheet. Availability of the Cadence Credit Facility for borrowings is reduced by the outstanding face value of any letters of credit issued under the facility. As of September 26, 2023, there were approximately $10,000 in outstanding letters of credit issued under the facility, and approximately $7,240,000 of committed funds available.

Total interest expense on notes payable was $31,000 and $20,000 for fiscal 2023 and 2022, respectively.

4. Other Accrued Liabilities:

Other accrued liabilities consist of the following (in thousands):

| | September 26, 2023 | September 27, 2022 |
|---|---|---|
| Wages and other employee benefits | $ 2,893 | $ 2,773 |
| Taxes, other than income tax | 1,275 | 1,166 |
| Gift card liability, net of breakage | 1,108 | 985 |
| General expense accrual and other | 1,175 | 1,867 |
| Total | $ 6,451 | $ 6,791 |

5. Commitments and Contingencies

There may be various claims in process, matters in litigation, and other contingencies brought against the company by employees, vendors, customers, franchisees, or other parties. Evaluating these contingencies is a complex process that may involve substantial judgment on the potential outcome of such matters, and the ultimate outcome of such contingencies may differ from our current analysis. We regularly review the adequacy of accruals and disclosures related to such contingent liabilities in consultation with legal counsel. While it is not possible to predict the outcome of these claims with certainty, it is management's opinion that any reasonably possible losses associated with such contingencies would be immaterial to our financial statements.

The Company is the defendant in a lawsuit styled as White Winston Select Asset Funds, LLC and GT Acquisition Group, Inc. v. Good Times Restaurants, Inc., arising from the failed negotiations between plaintiffs and the Company for the sale of the Good Times Drive Thru subsidiary to plaintiffs. The lawsuit was initially filed on September 24, 2019 in Delaware Chancery Court, and the Company removed the case to federal court in the US District Court for the District of Delaware on November 5, 2019. On July 30, 2021, the plaintiffs moved the Court for leave to amend their complaint and add new causes of action and a claim for $18 million in damages. On April 11, 2022, the Court heard the parties' respective motions for summary judgment on the plaintiffs' claims. The Court verbally ruled that it was dismissing all of the plaintiffs' claims except for their claim for breach of an express and implied obligation to negotiate in good faith under the parties' letter of intent. The Court also indicated its intent to dismiss Good Times's counterclaim against the plaintiffs for breach of a covenant not to sue over the failed negotiations. On May 5, 2022, the Court issued a written order confirming this ruling. On May 25, 2022, the Court issued an order that the plaintiffs are only entitled to reliance damages should they prevail on their claim for breaches of the express and implied obligations to negotiate in good faith. The parties conducted a bench trial on the plaintiffs' claims. The parties concluded post-trial briefing on October 24, 2022. On January 25, 2023, the Court rendered judgment dismissing the plaintiffs' claims in their entirety and denying all of the requested relief.

The plaintiffs filed a notice of appeal of the Court's January 25, 2023 decisions. Good Times, in turn, filed a notice of appeal of the Court's previous dismissal of its counterclaim against the plaintiffs. On May 18, 2023, the plaintiffs filed their opening brief. On June 23, 2023, Good Times filed its brief in response to the plaintiffs' opening brief and Good Times's own opening brief regarding its appeal of the dismissal of its counterclaims against the plaintiffs. The plaintiffs' deadline for the reply brief in support of their appeal and response to Good Times's appeal is August 7, 2023. Good Times's filed a reply brief in support of its appeal on August 28, 2023 and briefing is now closed. The court of appeals has indicated it may hold oral argument the week of January 29, 2024.

The Company previously recorded an accrual for contingent litigation expense in the fiscal quarter ended March 28, 2022 in the amount of $332,000. This amount represented the Company's best estimate of the likely amount of plaintiffs' damage recovery. While the Company was successful at trial, in light of plaintiff's appeal, the Company has determined to maintain the accrual and will continue to evaluate this matter based on new information as it becomes available. The ultimate resolution of the case could result in losses less than or in excess of amounts accrued. Any additional liability in excess of the accrual could have a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which any such additional liability is accrued. The Company will continue to vigorously pursue a full defense of this matter on the merits.

6. Leases

The Company’s office space and the land and buildings related to the Drive Thru and Bad Daddy’s restaurant facilities are classified as operating leases and expire at various dates over the next 16 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. For the fiscal year ended September 26, 2023, the Company had income of $23,000 related to contingent rent adjustments. The Company paid $136,000 in contingent rentals for the fiscal year ended September 27, 2022.

The Company determines if a contract contains a lease at inception. The Company's material long-term operating lease agreements are for the land and buildings for our restaurants as well as our corporate office. The initial lease terms for our restaurants range from 10 years to 20 years, most of which at lease inception included renewal options of 10 to 15 years. The lease term is generally the minimum of the noncancelable period or the lease term including renewal options which are reasonably certain of being exercised up to a term of approximately 20 years.

Some of the leases provide for base rent, plus additional rent based on gross sales, as defined in each lease agreement. The Company is also generally obligated to pay certain real estate taxes, insurance and common area maintenance charges, and various other expenses related to properties, which are expensed as incurred.

Components of operating lease costs in the consolidated statements of operations for the fiscal years ended September 26, 2023 and September 27, 2022 are as follows (in thousands):

| | **Classification** | **Fiscal 2023** | **Fiscal 2022** |
|---|---|---|---|
| Operating lease cost | Occupancy, Other restaurant operating costs, preopening costs and General and administrative expenses, net | $ 7,302 | $ 7,328 |
| Variable lease cost | Occupancy | (23) | 136 |
| Sublease income | Occupancy | (546) | (536) |
| Total lease expense | | $ 6,733 | $ 6,928 |

Components of lease assets and liabilities on the consolidated balance sheets as of September 26, 2023 and September 27, 2022 are as follows (in thousands):

| | **Classification** | **September 26, 2023** | **September 27, 2022** |
|---|---|---|---|
| Right-of-use assets | Operating lease assets | $ 39,935 | $ 42,463 |
| | | | |
| Current lease liabilities | Operating lease liability | $ 5,787 | $ 5,430 |
| Non-current lease liabilities | Operating lease liability, less current portion | 42,332 | 45,544 |
| Total lease liabilities | | $ 48,119 | $ 50,974 |

Supplemental cash flow disclosures for the fiscal years ended September 26, 2023 and September 27, 2022 (in thousands):

| | **Fiscal 2023** | **Fiscal 2022** |
|---|---|---|
| Cash paid for operating lease liabilities | $ 7,431 | $ 7,235 |
| | | |
| Non-cash operating lease assets obtained in exchange for operating lease liabilities | $ 443 | $ 571 |

Weighted average lease term and discount rate are as follows:

| | **September 26, 2023** | **September 27, 2022** |
|---|---|---|
| Weighted average remaining lease term (in years) | 7.94 | 8.6 |
| | | |
| Weighted average discount rate | 5.0% | 5.0% |

Future minimum rent payments for our operating leases for each of the next five years as of September 26, 2023 are as follows (in thousands):

| Fiscal year ending: | | Total |
|---|---|---|
| 2024 | | 8,025 |
| 2025 | | 8,138 |
| 2026 | | 7,722 |
| 2027 | | 7,425 |
| 2028 | | 6,664 |
| Thereafter | | 20,801 |
| Total minimum lease payments | | 58,775 |
| Less: imputed interest | | (10,656) |
| Present value of lease liabilities | $ | 48,119 |

The above future minimum rental amounts exclude the amortization of deferred lease incentives, renewal options that are not reasonably assured of renewal, and contingent rent. The Company generally has escalating rents over the term of the leases and records rent expense on a straight-line basis.

7. Income Taxes

Deferred tax assets (liabilities) are comprised of the following at the period end (in thousands):

| | | September 26, 2023 Long Term | | September 27, 2022 Long Term |
|---|---|---|---|---|
| Deferred income tax assets (liabilities): | | | | |
| Tax effect of net operating loss carry-forward | $ | 3,622 | $ | 3,942 |
| General business credits | | 6,262 | | 5,225 |
| Deferred revenue | | 29 | | 50 |
| Intangibles basis differences | | 925 | | 398 |
| Long-term lease liability | | 10,613 | | 11,113 |
| Other future benefits | | 668 | | 666 |
| Deferred tax assets | | 22,119 | | 21,394 |
| Less valuation allowance | | - | | (10,535) |
| Deferred tax assets, net of valuation allowance | | 22,119 | | 10,859 |
| Partnership/joint venture basis differences | | (64) | | (30) |
| Property and Equipment basis differences | | (1,731) | | (1,424) |
| ROU asset | | (8,741) | | (9,225) |
| Other future expense | | - | | (180) |
| Deferred tax liabilities | | (10,536) | | (10,859) |
| Net deferred tax assets (liabilities) | $ | 11,583 | $ | - |

The Company has Federal net operating loss carry-forwards available for future periods, as discussed below, of approximately $11,840,000 from 2019, $496,000 from 2018, and $1,397,000 from 2017 and prior for income tax purposes. The net operating loss carry-forwards from periods prior to 2019 expire between 2029 and 2038. Based on the changes in control, which occurred in 2011, 2013, and 2017, the utilization of the loss carry-forwards incurred for periods prior to 2017 is limited to approximately $727,000 per year. The Company has general business tax credits of approximately $6,262,000 from 2014 through 2023 which expire from 2034 through 2042. As of September 26, 2023, our deferred tax assets were primarily the result of NOLs and tax credit carryforwards. A valuation allowance of $0 and $10,535,000 were recorded against our gross deferred tax asset balance as of September 26, 2023 and September 27, 2022, respectively. For the year ended September 26, 2023 we recorded a net valuation release of $10,535,000 on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. As of September 26, 2023, management determined that there is sufficient positive evidence, including recent cumulative pretax income and the purchase of the non-controlling interests in several joint interests that generate significant income. Based on the review of this evidence, management determined that there is sufficient positive evidence to conclude that it is more likely than not deferred taxes assets are realizable and therefore released the full valuation allowance during the year. The total amount of deferred tax benefit recorded to additional paid-in capital as a result of the purchase of the non-controlling interests during the year ended September 26, 2023 was $792,000.

The following table summarizes the components of the provision for income taxes (in thousands):

| | Fiscal 2023 | Fiscal 2022 |
|---|---|---|
| **Current:** | | |
| Federal | $ - | $ - |
| State | 4 | (5) |
| | 4 | (5) |
| **Deferred:** | | |
| Federal | (9,925) | - |
| State | (866) | - |
| | (10,791) | - |
| Total income tax (benefit) expense | $ (10,787) | $ (5) |

Total income tax expense for the years ended September 26, 2023 and September 27, 2022 differed from the amounts computed by applying the U.S. Federal statutory tax rate to pre-tax income as follows (in thousands):

| | Fiscal 2023 | Fiscal 2022 |
|---|---|---|
| Total expense (benefit) computed by applying statutory federal rate | $ 182 | $ (556) |
| State income tax, net of federal tax benefit | 344 | (56) |
| FICA/WOTC tax credits | (989) | (694) |
| Effect of change in tax law | - | - |
| Effect of change in valuation allowance | (10,535) | 1,164 |
| Permanent differences | 383 | 60 |
| Other | (172) | 87 |
| Provision for income taxes | $ (10,787) | $ (5) |

## 8. Shareholders' 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.

*Common Stock*

The Company has the authority to issue 50,000,000 shares of common stock with a par value of $.001. The company has issued 12,977,433 shares, and as of September 26, 2023 and September 27, 2022 there were 11,446,587 and 12,274,351 shares outstanding, respectively.

*Stock Plans*

The Company has traditionally maintained incentive compensation plans that include provision for the issuance of equity-based awards. The Company established the 2008 Omnibus Equity Incentive Compensation Plan in 2008 (the "2008 Plan") and has outstanding awards that were issued under the 2008 Plan. Subsequently, the 2008 Plan expired in 2018 and the Company established a new plan, the 2018 Omnibus Equity Incentive Plan (the "2018 Plan") that same year, pursuant to shareholder approval. Future awards will be issued under the 2018 plan.

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 service period (generally the vesting period of the grant). The Company recognizes the impact of forfeitures as forfeitures occur.

The Company recorded $132,000 and $250,000 in total stock option and restricted stock compensation expense during the fiscal years ended September 26, 2023 and September 27, 2022, respectively, that was classified as general and administrative costs.

*Stock Option Awards*

The Company measures the compensation cost associated with stock option awards by estimating the fair value of the award as of the grant date using the Black-Scholes 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 and stock awards granted during the fiscal years ended September 26, 2023 and September 27, 2022. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the employees who receive equity awards.

During the fiscal year ended September 26, 2023 the Company granted Mr. Zink 20,000 Incentive Stock Options vesting ratably over a five-year period.

During the fiscal year ended September 27, 2022, the Company granted inducement equity awards to Mr. Karnes, in connection with his appointment as the Senior Vice President of Finance, in the form of (a) a stock option to purchase 25,000 shares of the Company's common stock granted on Mr. Karnes' first day of employment (the "Initial Options"); and (b) an additional stock option to purchase 25,000 shares of common stock to be granted on the one year anniversary date of Mr. Karnes employment (the "Additional Options," and, together with the Initial Options, the "Options"). The Options were granted outside of the Company's 2018 Omnibus Equity Incentive Plan as an inducement material to Mr. Karnes' acceptance of employment with the Company. The Initial Options have a ten-year term, vest 1/3 each year over a three-year vesting period, subject to Mr. Karnes' continuous employment with the Company, and will have an exercise price equal to the Company's closing market price on the day of grant. The Additional Options will have a ten-year term, an exercise price equal to the greater of market price on the date of grant or $5.00 and will vest upon the achievement the Company's common stock reaching a market price of $7.50 per share, calculated based upon a trailing 60-day volume weighted average price. The Options were forfeited on Mr. Karnes' termination of employment in March 2023.

Also, during the fiscal year ended September 27, 2022 Mr. Zink was granted 80,000 Incentive Stock Options on September 29, 2021. The shares awarded include a vesting condition whereby the vesting shall occur on the date on which the price of the Company's common stock (as traded on the Nasdaq Capital Market) is $6, as measured based on the trailing 60-day calendar day volume-weighted average price (VWAP) of Company common stock.

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

**Incentive and Non-Statutory Stock Options**

| | Fiscal 2023 |
|---|---|
| Expected term (years) | 7.5 |
| Expected volatility | 60.0% - 60.2% |
| Risk-free interest rate | 3.33% - 4.21% |
| Expected dividends | - |

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.

The following table summarizes stock option activity for the fiscal year ended September 26, 2023 under all plans:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Yrs.) |
|---|---|---|---|
| Outstanding at beginning of year | 470,161 | $ 3.97 | |
| Options granted | 45,000 | $ 2.81 | |
| Options exercised | (2,000) | $ 2.31 | |
| Forfeited | (75,633) | $ 3.49 | |
| Expired | - | - | |
| Outstanding Sept 26, 2023 | 437,538 | $ 3.95 | 4.57 |
| Exercisable Sept 26, 2023 | 322,607 | $ 3.65 | 4.16 |

As of September 26, 2023 and September 27, 2022, the aggregate intrinsic value of the outstanding and exercisable options was $25,401 and $459,277, respectively. Only options whose exercise price is below the current market price of the underlying stock are included in the intrinsic value calculation.

As of September 26, 2023, the total remaining unrecognized compensation cost related to non-vested stock options was $82,000 and is expected to be recognized over a weighted average period of approximately 1.9 years.

There were 2,000 stock options exercised during the fiscal year ended September 26, 2023 with proceeds of approximately $5,000.

There were 56,104 stock options exercised during the fiscal year ended September 27, 2022 with proceeds of approximately $156,000.

*Common Stock and Performance Share Grants*

During the fiscal year ended September 26, 2023, the Company did not make any grants of common stock or performance shares.

During the fiscal year ended September 27, 2022, the Company granted its directors a discretionary grant of common stock totaling 9,256 shares. These shares had a grant date fair value of $4.35 per share which is equal to the closing price of the stock on the date of grant and resulted in the recognition of $40,000 of stock-based compensation expense.

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*Restricted Stock Units*

There were 25,750 restricted stock units granted during the fiscal year ended September 26, 2023. There were 28,000 restricted stock units granted during the fiscal year ended September 27, 2022.

A summary of the status of non-vested restricted stock units as of September 26, 2023 is presented below.

| | Shares | Grant Date Fair Value Per Share |
|---|---|---|
| Non-vested shares at beginning of year | 73,336 | $1.54 to $4.50 |
| Granted | 25,750 | $2.29 |
| Exercised | (46,336) | $1.54 |
| Forfeited | (7,500) | $2.29 |
| Non-vested shares at September 27, 2022 | 45,250 | $2.29 to $4.50 |

As of September 26, 2023, there was $83,000 of total unrecognized compensation cost related to non-vested restricted stock units. This cost is expected to be recognized over a weighted average period of approximately 1.7 years.

*Non-controlling Interests*

Non-controlling interests are presented as a separate item in the shareholders' equity section of the consolidated balance sheets. The amount of consolidated net income or loss attributable to non-controlling interests is presented on the face of the consolidated statements 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 based on the fair value on the deconsolidation date.

The equity interests of the unrelated limited partners and members are shown on the accompanying consolidated balance sheets in the shareholders' equity section as a non-controlling interest and is adjusted each period to reflect the limited partners' and members' share of the net income or loss as well as any cash contributions or distributions to or from the limited partners and members for the period. The limited partners' and members' share of the net income or loss in the subsidiary is shown as non-controlling interest income or expense in the accompanying consolidated statements of operations. All inter-company accounts and transactions are eliminated.

The following table summarizes the activity in non-controlling interests during the year ended September 26, 2023 (in thousands):

| | Bad Daddy's | Good Times | Total |
|---|---|---|---|
| Balance at September 27, 2022 | $ 1,041 | $ 262 | $ 1,303 |
| Income attributable to non-controlling interests | $ 219 | $ 367 | $ 586 |
| Purchase of non-controlling interests | $ (831) | - | $ (831) |
| Contributions from unrelated limited partners | $ 13 | - | $ 13 |
| Distributions to unrelated limited partners | $ (442) | $ (206) | $ (648) |
| Balance at September 26, 2023 | $ - | $ 423 | $ 423 |

The Company repurchased the membership interests in five limited liability companies owning five Bad Daddy's restaurants in January 2023. Our non-controlling interests currently consist of one partner in one limited partnership involving five Good Times restaurants, in which the company owns a 50% interest in the partnership and maintains contractual management control.

## 9. Retirement Plan

The Company sponsors a qualified defined contribution 401(k) plan for employees meeting certain eligibility requirements. Under the plan, employees are entitled to make contributions on both a pre-tax basis or after-tax basis (Roth Contributions). In fiscal 2015, the Company modified the plan to include a provision to make a Safe Harbor Matching Contribution to all participating employees. The Company will match, on a dollar-for-dollar basis, the first 3% of eligible pay contributed by employees. The Company will also match 50% of each dollar contributed between 3% and 5% of eligible pay contributed by employees. The Company may, at its discretion, make additional contributions to the Plan or change the matching percentage. The Company's matching contribution expense in the fiscal years ended September 26, 2023 and September 27, 2022 were $212,000 and $207,000, respectively. Matching contributions are generally made at the same time employee contributions are made.

## 10. Segment Reporting

All of our Good Times Burgers and Frozen Custard restaurants ("Good Times") compete in the quick-service drive-thru dining industry while our Bad Daddy's Burger Bar restaurants ("Bad Daddy's") compete in the full-service upscale casual dining industry. We believe that providing this additional financial information for each of our brands will provide a better understanding of our overall operating results. Income (loss) from operations represents revenues less restaurant operating costs and expenses, directly allocable general and administrative expenses, and other restaurant-level expenses directly associated with each brand including depreciation and amortization, pre-opening costs and losses or gains on disposal of property and equipment. Unallocated corporate capital expenditures are presented below as reconciling items to the amounts presented in the consolidated financial statements.

The following tables present information about our reportable segments for the respective periods (in thousands):

| | Fiscal Year | |
|---|---|---|
| | 2023 | 2022 |
| Revenues | | |
| Bad Daddy's | $ 102,517 | $ 103,502 |
| Good Times | 35,605 | 34,698 |
| Total | $ 138,122 | $ 138,200 |
| Income (loss) from operations | | |
| Bad Daddy's | $ (1,342) | $ (811) |
| Good Times | 2,305 | (67) |
| Total | $ 963 | $ (878) |
| Capital Expenditures | | |
| Bad Daddy's | $ 3,179 | $ 1,909 |
| Good Times | 2,982 | 769 |
| Total | $ 6,161 | $ 2,678 |
| | | |
| Property & Equipment, net | | |
| Bad Daddy's | $ 18,053 | $ 19,575 |
| Good Times | 4,983 | 2,676 |
| Total | $ 23,036 | $ 22,251 |
| | | |
| Total Assets | | |
| Bad Daddy's | $ 67,720 | $ 68,557 |
| Good Times | 23,368 | 17,831 |
| Total | $ 91,088 | $ 86,388 |

11. Subsequent Events

None.

**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, $0.01 par value per share.

**Common Stock**

The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of shareholders 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 shareholders, 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.

Our Board of Directors previously designated 1,000,000 shares of preferred stock as "Series A Convertible Preferred Stock," 1,240,000 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, Series B Convertible Preferred Stock or Series C Convertible Preferred Stock are currently outstanding.

**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 shareholder, who is the beneficial owner of 10% or more of the corporation's outstanding voting stock, for two years following the date that the shareholder first became the beneficial owner of 10% or more of the corporation's voting stock, unless specified conditions are met. If those conditions are not met, then after the expiration of the two-year period the corporation may not engage in a business combination with such shareholder unless certain other 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:

- 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 shareholder 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 shareholders 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 10 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 five, 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 shareholders for their common stock.

**Limitations on Liability and Indemnification of Officers and Directors**

Nevada law authorizes corporations to limit or eliminate (with a few exceptions) the personal liability of directors to corporations and their shareholders 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.

The limitation of liability and indemnification provisions in our articles of incorporation and bylaws may discourage shareholders 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 shareholders. 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 our 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 shareholder approval. Nevada law does not require shareholder approval for any issuance of authorized shares. However, the NASDAQ listing requirements require shareholder approval of certain issuances 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.

**Listing**

Our common stock is listed on The Nasdaq Capital Market under the trading symbol "GTIM".

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Broadridge Financial Solutions, Inc.

**Exhibit 21.1**

**Subsidiaries**

**Subsidiaries of Good Times Restaurants Inc., a Nevada corporation**

1. Good Times Drive Thru Inc., a Colorado corporation
2. Bad Daddy's International, LLC, a North Carolina limited liability company

**Subsidiaries of Good Times Drive Thru Inc.**

1. Fast Restaurants Co-Development LLLP, a Colorado limited liability limited partnership

**Subsidiaries of Bad Daddy's International, LLC**

1. Bad Daddy's Burger Bar, LLC, a North Carolina limited liability company
2. Bad Daddy's Burger Bar of Ballantyne, LLC, a North Carolina limited liability company
3. Bad Daddy's Burger Bar of Birkdale, LLC, a North Carolina limited liability company
4. Bad Daddy's Burger Bar of Cary, LLC, a North Carolina limited liability company
5. Bad Daddy's of Fayetteville, LLC, a North Carolina limited liability company
6. Bad Daddy's Burger Bar of Mooresville, LLC, a North Carolina limited liability company
7. Bad Daddy's Burger Bar of Seaboard, LLC, a North Carolina limited liability company
8. Bad Daddy's Burger Bar of Winston-Salem, LLC, a North Carolina limited liability company
9. Bad Daddy's Franchise Development, LLC, a North Carolina limited liability company
10. BD of Brier Creek, LLC, a North Carolina limited liability company
11. BD of Colorado LLC, a Colorado limited liability company
12. BD of Greenville, LLC, a North Carolina limited liability company
13. BD of Wendover Commons, LLC, a North Carolina limited liability company
14. BDBB of Olive Park NC, LLC, a North Carolina limited liability company
15. BD of McDaniel Village, LLC, a South Carolina limited liability company

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-3 and Form S-3/A (No. 333-201700) and Form S-8 (Nos. 333-225383, 333-225108, 333-253457 and 333-264317) of Good Times Restaurants, Inc. and subsidiaries (the "Company"), of our report dated December 14, 2023, relating to the consolidated financial statements of the Company, appearing in this Annual Report on Form 10-K of the Company for the year ended September 26, 2023.

/s/ Moss Adams LLP

Denver, Colorado
December 14, 2023

**Exhibit 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

I, Ryan M. Zink, certify that:

1. I have reviewed this Form 10-K of Good Times Restaurants Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Ryan M. Zink
Chief Executive Officer
(Principal Executive Officer)

December 14, 2023

**Exhibit 31.2**

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER**

I, Ryan M. Zink, certify that:

1. I have reviewed this Form 10-K of Good Times Restaurants Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Ryan M. Zink
Chief Executive Officer and Principal Financial Officer

December 14, 2023

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection this Form 10-K of Good Times Restaurants Inc. (the "Company") for the fiscal year ended September 26, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan M. Zink, as Chief Executive Officer and Principal Financial Officer of the Company, hereby certify, pursuant to and solely for the purpose of 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Ryan M. Zink
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

December 14, 2023

**Exhibit 97.1**

**Good Times Restaurants Inc.**

**CLAWBACK POLICY**

## Introduction

The Board of Directors (the "**Board**") of Good Times Restaurants Inc., a Nevada corporation (the "**Company**"), believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), Rule 10D-1 promulgated thereunder and the listing standards ("**Listing Standards**") of The Nasdaq Stock Market ("**Nasdaq**").

## Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

## Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the Listing Standards. This includes any vice-president of the Company in charge of a principal business unit, division, or function, and any other current or former officer or person who performs a significant policy-making function for the Company, including executive officers of subsidiaries of the Company if they perform such significant policy-making function for the Company. All of these executive officers are subject to this Policy, even if an executive officer had no responsibility for the financial statement errors which required restatement (collectively, "**Covered Executives**").

## Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Board will require reimbursement or forfeiture of any excess Incentive Compensation (as defined below) received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

## Incentive Compensation

For purposes of this Policy, Incentive Compensation means any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure: annual bonuses and other short- and long-term cash incentives; stock options; stock appreciation rights; restricted stock; restricted stock units; performance shares; and/or performance units.

Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission. Other financial reporting measures include revenues, net income, earnings before interest, taxes, depreciation, and amortization (EBITDA), funds from operations, liquidity measures such as working capital or operating cash flow, return measures such as return on invested capital or return on assets, and/or earnings measures such as earnings per share.

**Excess Incentive Compensation: Amount Subject to Recovery**

The amount to be recovered will be the excess amount of the Incentive Compensation paid to the Covered Executive that exceeds the amount of Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results and must be computed without regard to any taxes paid, as determined by the Board.

For Incentive Compensation based on the Company's stock price or total shareholder return, where the amount of erroneously awarded Incentive Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement:

(a) the amount must be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive Compensation was received; and

(b) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

**Method of Recoupment**

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

(a) requiring reimbursement of cash Incentive Compensation previously paid;

(b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;

(c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;

(d) cancelling outstanding vested or unvested equity awards; and/or

(e) taking any other remedial and recovery action permitted by law, as determined by the Board.

**No Indemnification**

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

## Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, and any other applicable rules or standards adopted by the Securities and Exchange Commission or Nasdaq.

## Effective Date

This Policy shall be effective as of the date it is adopted by the Board (the "**Effective Date**") and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date.

## Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by Nasdaq. The Board may terminate this Policy at any time.

## Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

## Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the Listing Standards.

## Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.