FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

GOOD TIMES RESTAURANTS INC

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended September 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

Commission File Number: 0-18590

GOOD TIMES RESTAURANTS INC.
(Exact name of small business issuer in its charter)

Nevada	84-1133368
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8620 Wolff Court, Suite 330, Westminster	80030
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (303) 427-4221

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

Title of each class	Name of each exchange on which registered
NONE	

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

Common Stock, $.001 par value
(Title of class)
Common Stock Purchase Warrants
(Title of class)

Indicate by check 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 X No

Indicate by check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-KSB is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Registrant's revenues for the most recent fiscal year was $17,522,017.

As of October 31, 1995, the aggregate market value of voting stock held by non-affiliates was $5,509,045.

As of October 31, 1995, the Registrant had 6,939,824 shares of common stock outstanding.

Transitional Small Business Disclosure Format Yes No X

PART I

ITEM 1. BUSINESS

Background

Good Times Restaurants Inc. (the "Company") was organized under Nevada law in 1987 and is the holding company for two wholly-owned subsidiaries that are engaged in the business of developing, owning, operating and franchising restaurants under the names Good Times Drive Thru Burgers SM and Round The Corner restaurants. Good Times! Drive Thru Burgers SM restaurants are owned and operated by the Company's subsidiary, Good Times Drive Thru Inc. (Good Times

Drive Thru Burgers SM and Good Times Drive Thru Inc. are interchangeably referred to herein as "Good Times" or "Drive Thru") and Round The Corner restaurants are owned and operated by the Company's former subsidiary, Round The Corner Restaurants, Inc. (Round The Corner and Round The Corner Restaurants, Inc. are interchangeably referred to herein as "RTC"). With RTC's restaurant sales significantly declining in 1994 and 1995 and RTC incurring significant losses, the Company decided to divest itself of RTC and focus all of its resources on development of the Good Times concept. On September 30, 1995, the Company sold 100% of the stock of RTC to Hot Concepts Management Group, L.L.C. ("Hot Concepts").

RTC was established in 1968 and developed a chain of sit-down gourmet hamburger restaurants. In 1986, RTC, then a closely-held corporation, formed Drive Thru in order to explore and develop the "Good Times! Drive Thru Burgers"SM double drive through concept. Drive Thru was expected to take advantage of the emerging industry and demographic trends that favor drive-through and take-out patronage and to take advantage of RTC's experienced management in site location, marketing, quality assurance programs, training, accounting systems and distribution and purchasing networks.

In 1988, RTC distributed Drive Thru stock to its shareholders after which Drive Thru operated as an independent company. Between 1990 and 1992, Drive Thru entered into a series of transactions resulting in Drive Thru becoming a public company and merging with RTC.

Prior to the merger, Drive Thru had maintained a close working relationship with RTC through a management agreement, shared employees, certain common officers and directors and shared administrative offices. The relationship of Drive Thru with RTC enabled Drive Thru to benefit from the years of testing for food and paper products and dependable suppliers by RTC. Drive Thru also benefited from joint purchasing economies through RTC's established network of suppliers and manufacturers and from joint marketing expertise. These synergies were enhanced with the completion of the merger. As the number of Good Times units increased, Drive Thru was able to function autonomously and these synergies were no longer applicable. This, combined with RTC's restaurant sales significantly declining in 1994 and 1995 and RTC incurring significant losses, led the Company to divest itself of RTC and focus all of its resources on development of the Good Times concept. On September 30, 1995, the Company sold 100% of the stock of RTC to Hot Concepts.

Corporate Operations

In February 1993, the Company restructured the operations and management of Drive Thru and RTC as separately accountable wholly-owned subsidiaries of the Company to allow their managements to focus exclusively on their respective businesses. The Company currently leases approximately 5,600 square feet of space for its executive offices in Westminster, Colorado for $67,896 per year. The lease is for a five year period commencing in April 1993, with an additional five year renewal option. Through fiscal 1995, the Company provided administrative and accounting support to Drive Thru and RTC and charged monthly management fees for such services. With the sale of RTC, the Company no longer provides such services to RTC and has consolidated its functions with Drive Thru.

The Company's corporate staff is responsible for executive management, compliance with all regulatory requirements associated with being a publicly-traded corporation, investor and public relations, audits and financial reporting, marketing and cash management. The management fee that was charged to Drive Thru and RTC was calculated as a percentage of each subsidiary's revenues to total revenues of the Company, such that all expenses incurred by the Company were reimbursed through these management fees. With the sale of RTC and consolidation of the Company's operations with Drive Thru, the Company will no longer charge a management fee to Drive Thru. The Company also provides repair and maintenance services to Drive Thru's restaurants and charges the restaurants based on an hourly rate.

The Company directly employs fourteen full-time employees and one part-time employees. The full-time employees include the President and Chief Executive Officer of the Company, its Executive Vice President and Chief Financial Officer, its Vice President of Marketing, its Controller, five full-time accounting personnel and two full-time and one part-time administrative personnel. The repair and maintenance department employs three of the Company's full-time employees. All other personnel associated with the Company are employed by Drive Thru.

For 1996, Drive Thru plans to concentrate its efforts and capital on the growth of the Good Times restaurant chain in Colorado through additional joint-venture and franchised units.

Good Times

Good Times Drive Thru Inc. is engaged in the operation and development of the Good Times! Drive Thru BurgersSM restaurants, featuring extremely fast service and a limited, high quality menu for drive-through and walk-up customers only. Drive Thru currently operates and franchises twenty-five Good

Times restaurants in the State of Colorado, of which twenty-one are located in metropolitan Denver, one in Boulder, one in Longmont, one in Grand Junction, and one in Greeley. There is also one Good Times restaurant in Boise, Idaho. Pursuant to the co-development provisions in its development agreements with two Drive Thru franchisees, nine of these units in Colorado and one unit in Boise, Idaho are owned jointly with such franchisees. Seven Good Times units are franchised restaurants with four operating in the Denver metropolitan area, one in Grand Junction, Colorado, one in Greeley, Colorado, and one in Longmont, Colorado. Good Times is offering franchises for the development of additional Good Times restaurants.

Drive Thru's goals in fiscal 1995 were to continue to develop the Colorado market and to expand the Good Times concept into an out-of-state market. In the spring of 1995, Drive Thru reached an agreement with a franchisee of four Rally's Hamburger restaurants in Las Vegas, Nevada to acquire those four units. It was management's intent to convert those units into Good Times restaurants and to develop an additional six Good Times restaurants in Las Vegas over a twelve month period. Management believed that with ten units operating in the Las Vegas market, Good Times would have "critical mass" in the Las Vegas Area of Dominant Influence ("ADI"), or television market. ("Critical mass" is defined by the Company as having a sufficient number of restaurants in a market to economically advertise on television and to take advantage of operational and distribution economies of scale.) Drive Thru opened the first two converted Rally's units in June 1995 and the other two restaurants in August 1995. However, Drive Thru experienced unexpected difficulty in securing suitable locations at reasonable cost in the Las Vegas market for new stores and realized that critical mass could not be achieved within an acceptable period of time. During the same time period, media advertising costs in Denver increased dramatically, requiring a higher level of store penetration in Colorado to support the Company's advertising campaign. Since four units would continue to operate at a significant loss until Drive Thru could effectively advertise in the Las Vegas market, it was decided to cease operations in Las Vegas and sell the stores. The four Las Vegas units were closed on October 31, 1995 and sold as of November 30, 1995. Drive Thru will focus its development efforts in fiscal 1996 on new Colorado locations.

The Concept. The concept of drive-through only restaurants has existed for over 40 years. It has again become appealing since it addresses both changing consumer profiles and continuing restaurant industry concerns. The simplicity and relatively low capital requirements of the concept provide the opportunity for growth and profitability.

Management believes, based upon its experience in the restaurant industry and research reports, that the double drive thru hamburger restaurant concept has proven to be successful because of the following principal factors:

... Capital investment of 1/2 to 2/3 that of a major fast-food restaurant with seating and parking facilities.

... Ratio of sales to capital investment substantially higher than a major fast-food restaurant.

... Margins of sales to operating costs comparable to major fast-food restaurants.

... Cost of menu items to the consumer comparable or lower than those of large hamburger chains, yet providing similar or higher quality products than those chains.

Good Times' unique 880 square foot "double drive-thru" modular buildings are designed to serve a growing segment of the fast-food market (off-premise consumption) that finds traditional sit-down dining too slow, too inconvenient or too expensive for their needs. While traditional hamburger chains also offer single drive-through service, it is difficult for them to match Good Times pricing as their investment costs for building and equipment are typically one and a half to two times higher than a Good Times restaurant. Good Times' food preparation and service systems deliver a quality meal with a much faster order-delivery response time and have the capacity to reach the same sales levels as traditional hamburger chains. Typically, a customer receives an order 30 to 45 seconds after his vehicle reaches the take-out window. The simplicity of the menu, the relatively low capital investment, and the efficient design of the building and equipment allow Good Times to sell its products at comparable or lower prices than the major fast food hamburger chains. The limited menu allows maximum attention to be devoted to food quality and speed of service.

Menu. The menu of a Good Times restaurant is limited to hamburgers, cheeseburgers, chicken sandwiches, french fries, milk shakes and soft drinks. Each sandwich is made to order at the time the customer places the order and is not pre-prepared.

The hamburger patty is 3.2 ounces of 100% USDA approved beef, served on a four-inch sesame seed bun. Hamburgers and cheeseburgers are garnished with fresh lettuce, fresh sliced, sweet red onions, mayonnaise, mustard, ketchup,

pickles and fresh sliced tomato. The cheese is 100% pure sharp American thickly sliced. The chicken sandwiches include a spiced, battered deep-fried breast patty and a 3-1/2-ounce grilled spicy breast patty, both served with mayonnaise, lettuce and tomato. Fryers are equipped with compensating computers to deliver a consistent product and minimize the skills required of employees.

As of November 30, 1995, the price of the deluxe Good Times hamburger was $.99, the deluxe cheeseburger $1.24, the deluxe double cheeseburger $1.99, the deluxe bacon-cheeseburger $1.79, the chicken sandwiches $2.09, the chicken club sandwich $2.69, french fries $.79 and $.99 and a 16-ounce soft drink $.79. All cups, sandwich bags and serving bags carry the Good Times! Drive Thru BurgersSM logo.

Good Times restaurants are generally open 14 to 16 hours per day, seven days a week, for lunch, dinner and late-night snacks and meals.

The Building. The Good Times restaurants are less than one-third the size of the typical restaurants of the four largest hamburger chains and require approximately one-half the land area based upon management's experience in the restaurant industry and research reports. The Good Times restaurant building is a double drive-through and walk-up style structure containing approximately 880 square feet built on 18,000 to 25,000 square-foot lots. All restaurants utilize a double drive-thru concept that allows simultaneous service from opposite sides of the restaurant and one or two walk-up windows. There is no inside seating area although most have a patio for outdoor eating.

Management of Drive Thru believes that the building form, design and aesthetic appeal address key issues and concerns of the consumer: speed, cleanliness, security, eye appeal and low maintenance. The original three buildings were predominantly white ceramic tile and glass panels in a red metal grid system. The design of the fourth and future buildings thereafter constructed by Drive Thru or its franchisees was changed to facilitate modular construction and highway transport and to enhance identity and visual appeal thus improving drive-by customer awareness. The new building is modular in construction with a reinforced concrete slab and welded tubular steel structural members. The exterior consists of a cream-colored dry-vit system with an enclosed glass vestibule at the front for walk-up service and to exhibit the fast system of service. A brightly lit multi-colored fascia band runs the entire length on both sides of the building in addition to product and Good Times proprietary signage. The rest rooms and walk-in refrigerators are modular components of the building. The buildings are transportable and therefore can be moved from an unsuccessful site to a better location. Though management does extensive site evaluation and expects a minimum number of buildings will ever have to be moved, it is anticipated that two or three underperforming Good Times units will be relocated in 1996. (Drive Thru's original Good Times unit was demolished in April 1993 and the new modular building replaced it on a different pad at the same site.)

As a result of the relatively small size of the restaurant building, Good Times restaurants require significantly less capital investment and have substantially lower operating costs per unit than recently constructed full-service fast food restaurants. The cost of a fully equipped Good Times restaurant is one-half to two-thirds the cost for a major fast-food restaurant with seating and parking facilities. Because Good Times restaurants are small, Good Times can take advantage of smaller and odd-sized lots that have little or no development value or small pads and out lots of shopping centers and malls, thereby decreasing ground lease costs and overall expenses.

Plan of Operation. The first objective of Drive Thru has been to develop critical mass in the Denver television market (referred to as the Denver ADI which includes Boulder, Greeley, Longmont and other communities in northern Colorado.) Management believed that, in Denver, critical mass required approximately 20 restaurants to be operating, which was the number of Good Times operating in the Denver ADI when the decision was made to open the Las Vegas Good Times restaurants. However, increased advertising by its competitors and significant increases in the cost of advertising in Denver has caused management to reevaluate critical mass as requiring 30 to 35 Good Times restaurants in the Denver ADI. Good Times currently has nine company-owned, six franchised and nine joint venture stores in the Denver ADI. Drive Thru also operates one joint venture restaurant in Boise, Idaho and has one franchised restaurant in Grand Junction, Colorado.

At September 30, 1995, the Company operated 17 company-owned and joint-venture Good Times restaurants and had seven franchised restaurants open in Colorado. Drive Thru acquired four former Rally's Hamburger restaurants in Las Vegas, Nevada which were converted to Good Times units, but were sold as of November 30, 1995. These units are not included in this total.

	September 30, 1994	September 30, 1995
Company-owned restaurants	8(1)	9
Joint venture restaurants	5	8
Franchise operated restaurants	2	7
Total restaurants	15	24(2)

(1) This total includes the company-owned Good Times restaurant in Greeley, Colorado. That restaurant was sold to a franchisee in March 1995 and is included in the September 30, 1995 total of franchise operated restaurants.

(2) Subsequent to September 30, 1995, Drive Thru opened two joint-venture Good Times restaurants; one in Boise, Idaho and one in the Denver ADI.

In fiscal 1996, Drive Thru will focus on developing new Good Times restaurants in the Denver ADI primarily through franchising. Drive Thru currently has in place seven franchise agreements; five are in the Denver ADI, one is for the Western Slope of Colorado; and one is for Boise, Idaho. Drive Thru is also currently in negotiations with several other potential franchisees for the development of additional units in Colorado.

Management anticipates that Drive Thru and its existing franchisees will develop a total of five to eight Good Times units in the Denver ADI in calendar 1996. Two of those units are anticipated to be joint venture units and the remainder are to be franchised units. The current plan in the Denver ADI in 1996 is that two new Good Times restaurants will be opened in the second quarter of calendar 1996, at least three new Good Times restaurants will be opened in the third quarter of calendar 1996 and two new Good Times units will be opened in the fourth quarter of calendar 1996.

The implementation of the development schedule set forth above for the Denver ADI during fiscal 1996 will help Drive Thru achieve the "critical mass" for media advertising necessary to effectively compete in the Denver market. Reaching such critical mass increases media advertising and supervision efficiencies thereby creating high consumer awareness so as to increase average restaurant sales volumes.

Drive Thru's ongoing objective is to continue to increase average restaurant sales through increased customer counts in each day part (lunch, dinner and late-night), selective menu and price promotions and effective marketing of Good Times competitive attributes of high quality products, quick service and low prices. Drive Thru is also evaluating the performance of Good Times units whose sales are significantly below the average of other Good Times locations. It is likely that two or three underperforming Good Times restaurants will be relocated in 1996 and that Drive Thru will take a charge against earnings relating to the write-off of certain non-reusable assets of these restaurants.

Operations and Management. Good Times has defined three ingredients essential to its success: (I) consistent delivery of high quality products; (ii) speed of service; and (iii) value pricing. 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. The total transaction time for the delivery of food at the window is approximately 30 to 45 seconds which is significantly faster than most of the larger full-service hamburger chains.

Each Good Times unit employs a general manager, two assistant managers and approximately 25 employees most of whom work part-time during three shifts. Operating systems and training materials are utilized to ensure consistent performance to Good Times' standards. An eight to ten week training program is utilized to train restaurant managers on all phases of the operation. Ongoing training is provided as necessary. Management of Drive Thru believes that incentive compensation of its restaurant managers is essential to the success of its business. Accordingly, in addition to a salary, managerial employees may be paid a bonus based upon proficiency in meeting financial and performance objectives. Drive Thru provides a medical and dental insurance plan to management with a portion of the cost contributed by the participating employee.

Drive Thru presently purchases its products from independent food processors and distributors and does not anticipate any difficulty in continuing to obtain an adequate quantity of food products of acceptable quality and at acceptable prices.

Financial and management control is maintained through the use of data processing and centralized accounting and management information systems which are provided by the Company. Restaurant managers forward sales reports, vendor invoices, payroll data and other operating information to Drive Thru's headquarters. Management receives weekly and monthly reports identifying food, labor and operating expenses and other significant indicators of restaurant performance. Management of Drive Thru believes that such reporting requirements enhance its ability to control and manage its expanding operations.

Drive Thru employs a full-time Director of Human Resources whose principal responsibility is to recruit and coordinate the training of management personnel required for continued expansion of Good Times units in

the Denver ADI. In addition, Drive Thru has one real estate manager whose responsibility is to lease or purchase sites for franchise and company development and one construction manager who is responsible for the construction of new units.

Marketing and Advertising. Marketing activities to date have focused on radio advertising and restaurant level promotions in the immediate trade area around each location. Drive Thru aired its first television advertising in fiscal 1995, however, additional restaurants in the Denver ADI are required to support a regular schedule of television media. Within the Denver market the ultimate objective is to develop adequate market penetration by establishing a sufficient number of Good Times restaurants to support radio and television advertising.

In April 1993, Good Times initiated its first radio advertising campaign. Management believes that the implementation of radio advertising and continued complimentary "word of mouth" was the principal reason that same store sales showed increases of 19.6% for fiscal 1994 over fiscal 1993 and 15.4% for the first six months of fiscal 1995 over fiscal 1994. Good Times ran its first television advertising campaign between March and June 1995. However, in the second half of fiscal 1995, Good Times' competitors increased their advertising, focusing on price promotions and tie-ins with major motion pictures. This, coupled with adverse weather in April and May, rendered the television and radio advertising for Good Times much less effective than in the past.

The cost of effective television advertising has also increased significantly and Drive Thru does not anticipate television advertising to be repeated in 1996. It is anticipated that with the fulfillment of the 1996 development schedule, Good Times will advertise on television in 1997. The marketing efforts of Good Times focus on building "brand awareness" of the Good Times concept, combined with product and pricing messages, which is important as hamburger operators compete against one another based on price. Drive Thru believes that it has a higher quality product, delivered to the customer faster, at an equal or better value than its competitors.

Signage is one of the most important elements for establishing identity at each location. The Good Times restaurant sign package that has been developed offers flexibility based on local codes, site layout and surrounding property. The free-standing sign can be dimensionally increased or decreased while maintaining the same look and can be pole-mounted for high traffic areas where allowed.

Franchise Program. Drive Thru has prepared prototype area rights and franchise agreements, a Uniform Franchise Offering Circular and advertising material to be utilized in soliciting prospective franchisees. Drive Thru seeks to attract franchisees having experience as restaurant operators, that are well-capitalized and have demonstrated the ability to develop multi-unit franchises. Drive Thru will carefully review sites selected for franchises and will monitor performance of franchise units. Good Times is currently working with potential franchisees only for development of units in Colorado.

Drive Thru estimates that it will cost a franchisee on average approximately $475,000 to $575,000 to open a Good Times restaurant, including pre-opening costs and working capital and assuming the land is leased. A franchisee typically will pay a royalty of 4% of gross sales, an advertising fee of at least .5% of gross sales, plus participation in regional or national advertising when developed up to 4% of sales, and initial development and franchise fees aggregating $20,000 per unit. Among the services and materials which Drive Thru provides to franchisees are site selection assistance, plans and specifications for construction of the Good Times restaurants, an operating manual which includes product specifications and quality control procedures, training, on-site pre-opening supervision and advice from time to time relating to operation of the franchised restaurant.

Initial franchise development has been focused principally in the Denver ADI. In fiscal 1995 Drive Thru entered into new franchise agreements for the Western Slope of Colorado and Boise, Idaho. In 1996, Good Times will seek franchisees for development of additional units in the Denver ADI.

Drive Thru has entered into four franchise development agreements in the Denver ADI. Six franchise units and nine joint-venture units have been developed under the development agreements for the Denver ADI. One joint-venture unit and two franchised units are expected to be developed in 1996 pursuant to these agreements. One franchise unit (in Grand Junction, Colorado) has been open pursuant to the development agreement for the Western Slope of Colorado and an additional unit in Silverthorne, Colorado is anticipated to be open by the franchisee in 1996. One joint-venture unit has been opened in Boise, Idaho in 1995, however, no additional units are planned to be open in Boise in 1996.

Pursuant to these development agreements, in the event that Drive Thru plans the development of a new Good Times unit in the franchisee's development area, Drive Thru must notify the franchisee, provide information regarding the site, including a site evaluation, and the franchisee then has the option to

franchise that unit or waive his rights as to that unit. In circumstances where Drive Thru and the franchisee have agreed to co-develop units, co-developed units will be established pursuant to limited partnerships in which Drive Thru will be the general partner and the developer will be the limited partner. Each partner will have a 50% interest in the partnership and will, therefore, be obligated to pay 50% of development costs. As general partner, Drive Thru receives a management fee and/or franchise royalty payments.

Currently, Drive Thru is negotiating with additional groups for franchises in Colorado. In addition to the Good Times restaurants being developed in 1996 pursuant to existing development agreements, Drive Thru anticipates two to four additional franchised units to be opened in the Denver ADI during calendar 1996. Furthermore, Drive Thru is negotiating the sale of two existing company-owned Good Times units to two existing franchisees.

Development agreements provide for payment of development fees to Drive Thru by the developer and require that the developer enter into a franchise agreement covering each franchised restaurant. The franchise agreements generally provide for payment of franchise fees and royalties of 4% of annual sales. Under certain circumstances, Drive Thru has allowed a sliding scale of royalty payments based on sales volumes.

Operations to Date. The first Good Times prototype unit was opened in Boulder, Colorado, in September 1987. Operations were refined at that restaurant so as to achieve greater efficiency and quality of products. The next two Good Times! Drive Thru BurgersSM restaurants were opened in 1988, one in Denver and one in Thornton, Colorado. Subsequently, after it was determined the Thornton location was not generating a desirable sales volume, the building was dismantled and reassembled on a site in Denver. Management believes that this relocation of the structure validated Drive Thru's subsequent decision to use a modular building which can be economically dismantled and moved to a more attractive site.

In August 1991, Drive Thru formed Good Times Limited Partnership I, of which Drive Thru was the sole general partner. The Partnership opened a Good Times restaurant in Greeley, Colorado, in August 1991. Effective October 1, 1992 all of the limited partners agreed to convert their limited partnership interests into a total of 114,306 shares of common stock of the Company and warrants to purchase 57,153 shares of common stock at $3.50 per share, such warrants expiring July 15, 1995. The expiration date of the warrants was subsequently extended to February 10, 1997. In March 1992, Drive Thru opened a fifth Good Times restaurant in Denver. The site was previously utilized for a Rally's double drive-through restaurant which had been closed. The building was remodeled to generally conform to the format, including signage, of Good Times units.

In November 1992 and March 1993, Drive Thru opened its sixth and seventh restaurants in the Denver metropolitan area. These units were subsequently sold to the franchisee for the south Denver metropolitan area pursuant to the development agreement between Drive Thru and the franchisee.

Drive Thru opened its eighth unit on October 19, 1993, 50% of which was sold to an existing franchisee on February 1, 1994, and opened twelve additional restaurants during calendar 1994. Six of these were co-developed with the same franchisee, two were franchises and four were company-owned. In calendar 1995, Drive Thru opened six new restaurants, including four units in the Denver ADI of which one was company-owned, two were joint-venture units and one was a franchised unit. Drive Thru opened one franchised unit in Grand Junction, Colorado and one joint-venture unit in Boise, Idaho.

Good Times opened two restaurants in June 1995 and two restaurants in August 1995 in Las Vegas, Nevada. These units were previously owned by a franchisee of Rally's Hamburgers, Inc. However, Drive Thru experienced unexpected difficulty in securing suitable locations on which it could develop new units at reasonable cost in the Las Vegas market and realized that critical mass could not be achieved within an acceptable period of time. Since the four units would continue to operate at a significant loss until Drive Thru could effectively advertise in the Las Vegas market, management decided to cease operations in Las Vegas and sell the stores. The four Las Vegas units were closed on October 31, 1995 and sold as of November 30, 1995. In addition to approximately $315,000 in operating losses in Las Vegas, the Company took a charge of $710,000 for the discontinuance of its Las Vegas operations and write-down of assets in fiscal 1995.

Employees. At December 1, 1995, Drive Thru employed approximately 572 persons (including approximately 513 hourly), of whom 33 were management and staff personnel, 72 were restaurant management and 467 were restaurant employees. Drive Thru considers its employee relations to be good. None of its employees is covered by a collective bargaining agreement.

Round The Corner

Round The Corner Restaurants, Inc., was founded in Boulder, Colorado in 1968. RTC operates eleven restaurants, with ten restaurants along the Eastern Slope of the Rocky Mountains in Colorado and a food court outlet located in the

California Mall in downtown Denver. RTC also has three franchises, two of which are operating in Colorado Springs and one 1,500 square foot restaurant in Dallas, Texas. Most facilities are approximately 4,000 square feet and are located in or adjacent to major shopping malls or other high traffic areas.

Though RTC contributed approximately $115,000 of cash flow to the Company in fiscal 1994, it experienced a net loss of $606,000 in fiscal 1995. In August 1994, management anticipated that RTC would incur losses in 1995 and, as a result of this expectation and the negative trends at RTC, Company and RTC management began an analysis of the business and assets of RTC in order to formulate a plan for RTC. This analysis resulted in the decision to sell RTC.

On September 30, 1995, the Company completed the sale of RTC to Hot Concepts in consideration for $100,000 in cash, a note in the amount of $291,394, and the assumption of all of RTC's liabilities. The sale of RTC by the Company resulted in a deferred gain of $66,000 which will be recognized as the note is paid off by Hot Concepts. As a result of the sale of RTC to Hot Concepts and the assumption of RTC's liabilities by Hot Concepts, the Company's financial performance will no longer be affected by RTC.

Government Regulation

Each of the Good Times 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 Good Times restaurant. Federal and state environmental regulations have not had a material effect on Good Times' 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. The Company and Drive Thru are subject to the Fair Labor Standards Act which governs such matters as minimum wages, overtime and other working conditions. In addition, the Company and Drive Thru are subject to the Americans With Disabilities Act (the "ADA") which requires restaurants and other facilities open to the public to provide for access and use of facilities by the handicapped. Management believes that the Company and Drive Thru are in compliance with the ADA.

The Company and Drive Thru 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.

Competition

The restaurant industry, including the fast food segment, is highly competitive. Drive Thru competes with a large number of other hamburger oriented, fast food restaurants in the areas in which it operates. Many of these restaurants are owned and operated by regional and national restaurant chains, many of which have greater financial resources and experience than does the Company. Restaurant companies that currently compete with Good Times in the Denver market include McDonald's, Burger King, Wendy's and Hardee's. Double drive through restaurant chains such as Rally's Hamburgers, Inc. and Checker's Drive-In Restaurants, Inc., currently operating a total of over 1,000 double drive through restaurants in various markets in the United States, are not currently operating in Colorado. Management of Drive Thru believes that such double drive through restaurant chains will not expand into Colorado; however, such possibility exists and would result in significant competition for Drive Thru.

Management of Drive Thru believes that it may have a competitive advantage in terms of quality of product and price-value compared to traditional fast food hamburger chains. However, recent price discounting by the major fast food hamburger chains has had a detrimental effect on Good Times' sales. Early development of its double drive through concept in Colorado has given Drive Thru an advantage over other double drive through chains that may seek to expand into Colorado because of Good Times' brand awareness and present restaurant locations. In addition, management of Drive Thru believes Drive Thru has a competitive advantage in the areas of purchasing and distribution, financial systems, marketing, construction, site selection, quality assurance and training. Nevertheless, Drive Thru may be at a competitive disadvantage with other restaurant chains with greater name recognition and marketing capability. Furthermore, most of Drive Thru's competitors in the fast-food business operate more restaurants, have been established longer and have greater financial resources and name recognition than Good Times. There is also active competition for management personnel, as well as for attractive commercial real estate sites suitable for restaurants.

Trademarks - Colorado

Drive Thru has registered its mark "Good Times! Drive Thru Burgers"SM in the state of Colorado and will endeavor to register such mark in each state it or a franchisee intends to open a restaurant. At present, Drive Thru relies

solely upon common law trademark protection and state registration. Such reliance will not protect Drive Thru against a prior user of the mark and, if prior use is established, Drive Thru may not be able to use the mark in the area of such use. Drive Thru has applied for federal trademark registration. No assurance can be given that any such registration will issue or, if it does issue, that Drive Thru's right to the name will be protected in all desirable jurisdictions. While the mark is important to Drive Thru, unavailability of the mark in any particular geographic area into which it desires to expand operations may not necessarily be materially adverse. Such name non-availability may, however, preclude the economies and other advantages which may be available through nationwide or regional marketing and advertising.

ITEM 2. PROPERTIES

As of December 31, 1995, Drive Thru has an ownership interest in 19 Good Times units, 18 of which are located in Colorado and one in Boise, Idaho. Ten are held in limited partnerships of which Drive Thru is a general partner and has a 50% interest in the partnership. There are nine Good Times units wholly-owned by Drive Thru.

Each of the Good Times restaurants is a free-standing structure containing approximately 880 square feet situated on lots of approximately 18,000 to 25,000 square feet. The land is leased at all of these locations. Drive Thru intends to enter into ground leases wherever possible. However, there is no assurance that leasing will be available for desirable sites and Drive Thru may be required to purchase such sites. In the event financing is not available for such acquisitions, Drive Thru may have to utilize cash that could otherwise be used to develop additional Good Times restaurants. In such event, Drive Thru will endeavor to enter into sale/leaseback transactions for such real estate.

All of the restaurants are regularly maintained by the Company's repair and maintenance staff as well as by outside contractors, when necessary. Management believes that all of its properties are in good condition and that there will not be a need for significant capital expenditures to maintain the operational and aesthetic integrity of the properties for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

To the knowledge of management, no legal proceedings are pending or threatened against the Company or Good Times or their respective properties which could have a material adverse effect upon the Company or Good Times.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's outstanding shares of Common Stock (the "Common Stock") and Common Stock Purchase Warrants (the "Warrants") are traded in the over-the-counter market. The following table sets forth the quarterly high and low bid prices as reported by the National Quotation Bureau Incorporated and NASDAQ from October 1, 1993 through September 30, 1995, as adjusted for the one-for-four reverse stock split in May 1992. The quotations represent prices quoted between dealers and do not include commissions, mark-ups or mark-downs and thus may not represent actual transactions.

	Common Stock Bid Prices		Series A Warrants Bid Prices		Series B Warrants Bid Prices	
Quarter Ended	High	Low	High	Low	High	Low
December 31, 1993	2.25	1.56	.59	.28	N/A	N/A
March 31, 1994	2.00	1.50	.50	.31	.50	.25
June 30, 1994	1.56	1.13	.25	.19	.34	.25
September 30, 1994	1.59	1.19	.25	.19	.31	.28
December 30, 1994	1.47	1.27	.22	.21	.31	.26
March 31, 1995	1.38	1.11	.11	.14	.26	.22
June 30, 1995	1.67	1.29	.15	.13	.32	.23
September 30, 1995	1.20	.96	.10	.08	.15	.09

As of September 30, 1995, there were approximately 385 holders of record of Common Stock and 109 holders of Warrants. However, management estimates that there are not fewer than 2,257 beneficial owners of the Company's Common Stock. The NASDAQ symbols for the Common Stock and the outstanding Series A warrants and Series B warrants are "GTIM", "GTIMW," and "GTIMZ", respectively.

In August 1994, the Company gave notice ot the holders of the Series A

warrants that the expiration date of such warrants had been extended from June 15, 1995 to February 10, 1997.

DIVIDEND POLICY

The Company has never paid dividends on its Common Stock and does not anticipate paying dividends in the foreseeable future. The Company's ability to pay future dividends will necessarily depend upon its earnings and financial condition. However, since restaurant development is capital intensive, it is the intention of the Company to retain earnings, if any, for that purpose.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE COMPANY, GOOD TIMES AND RTC

On July 27, 1992, the stockholders of the Company approved a merger with RTC. For financial statement purposes, RTC was considered the acquiring company and the transaction was treated as a purchase by RTC of the Company, effective August 1, 1992. For legal purposes, however, the Company remained the surviving entity and the combined entity retained the Company's capital structure.

In February 1993, the Company's operations and management were reorganized to allow Drive Thru and RTC to function as separately accountable entities and to allow RTC's and Drive Thru's managements to focus exclusively on their respective businesses. The Company provided administrative and accounting support to Drive Thru and RTC in fiscal 1995 and charged monthly management fees of $70,000 and $35,000, respectively, for such services. On September 29, 1995, the Company completed the sale of RTC to Hot Concepts and ceased providing these services to RTC. As a result, the Company will no longer receive management fees from RTC. The Company does not antncipate a material reduction in its general and administrative expenses due to the sale of RTC. However, the Company is able to provide management services to Drive Thru without significantly increasing general and administrative expenses in spite of the increase in the number of Drive Thru units. Beginning in fiscal 1996, the administrative and accounting functions of the Company will be consolidated with Drive Thru's operations and no management fees will be charged to Drive Thru.

The following selected financial data is derived from the companies' historical financial statements and is qualified in its entirety by such financial statements which are included in Item 7.

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

The following presents certain historical financial information of the Company. This financial information includes the combined operations of the Company, Drive Thru and RTC for the fiscal years ended September 30, 1994 and 1995.

	Year Ended September 30,	
Operating Data:	1994	1995
Net Revenues	$15,177,000	$17,522,000
Restaurant Operating Costs:		
Food and paper costs	4,984,000	6,090,000
Labor, occupancy and other	7,333,000	9,169,000
Depreciation and amortization	457,000	700,000
Loss on disposal of restaurant and equipment	-	(360,000)
Loss on Las Vegas discontinued operations	-	(710,000)
Total restaurant operating costs	12,774,000	17,029,000
Income From Restaurant Operations	2,403,000	493,000
Selling, General and Administrative Expense	2,279,000	2,343,000
Income (Loss) From Operations	124,000	1,850,000
Other Income and (Expenses):		
Minority income (expense), net	(141,000)	(131,000)
Interest, net	(71,000)	(10,000)
Other, net	(90,000)	(99,000)
Total other income and (expenses)	(302,000)	(240,000)
Net Loss	$ (178,000)	$(2,090,000)
Net Loss Per Share	$ (.04)	$ (.30)
Weighted Average Shares Outstanding	4,985,000	6,863,000

	September 30,	
	1994	1995

Balance Sheet Data:

Working Capital (deficit)	$(707,000)	$(795,000)
Total assets	12,802,000	9,285,000
Minority Interest	1,641,000	1,735,000
Long-term debt	1,374,000	378,000
Stockholders' equity	$7,050,000	$4,986,000

Results of Operations

For fiscal 1994, the operating results of the Company included its two operating subsidiaries, Drive Thru and RTC. The operating results for fiscal 1995 include a full year of operations for Drive Thru and the operations of RTC only for the first six months of fiscal 1995. Operating results of RTC from April 1, 1995 to September 30, 1995 are included in loss on disposal of restaurants and equipment in the consolidated statement of operations as a result of the Company's formal plan of disposal of RTC adopted on March 31, 1995. Therefore, in the following discussion and analysis, management has limited its discussion of RTC's operating results to its net revenues and the net losses of the Company attributable to RTC. Increases in revenues and expenses between years for the Company are primarily the result of the addition of new Good Times restaurants. These increases are partially offset by decreases in RTC revenues and expenses. Explanation of such changes is provided below in the detailed discussion of the operating performance between years.

Fiscal Years 1995 and 1994

Net Revenues. Net revenues for the year ended September 30, 1995, increased $2,345,000 (15.5%) to $17,522,000 from $15,177,000 for the year ended September 30, 1994. This increase is primarily attributable to an increase in revenue of Drive Thru of $7,157,000 (105%) to $13,959,000 in fiscal 1995 from net revenues of $6,802,000 for fiscal 1994. Fiscal 1995 net revenues includes RTC net revenues of $3,563,000 through March 31, 1995. RTC's full fiscal 1995 net revenues of $6,597,000 (including net revenues of $3,034,000, which are a component of loss on disposal of restaurants and equipment, for the period from April 1, 1995 to September 30, 1995) decreased by $1,775,000 from net revenues of $8,372,000 in fiscal 1994. The decline in RTC's net revenues was primarily attributable to increased competition and the Company's decision to focus its resources on Drive Thru rather than utilizing those resources to enhance the RTC concept to make it more competitive in the casual theme segment of the restaurant industry. The Company ceased reporting results from RTC as of April 1, 1995. Had the Company included a full year of RTC net revenues in its fiscal 1995 results, net revenues for the Company for the year ended September 30, 1995 would have been $20,556,000. One Good Times unit was sold by Drive Thru to a franchisee in March 1995. The unit generated net revenues of $139,000 during the time it was operated by Drive Thru in fiscal 1995. Therefore, the operating results of this restaurant are only included in Drive Thru's and the Company's operating results through February 28, 1995. The increase in revenues at Drive Thru is primarily attributable to the opening of additional company-owned and franchised Good Times units during fiscal 1995 and a 6.5% increase in same store sales for stores that have been open fifteen months or longer. However, in the last six months of fiscal 1995, same store sales declined 3.0% for all Good Times units opened fifteen months or longer. Average unit volumes for the company-owned Drive Thru restaurants open all of fiscal 1995 were $896,000. Based on the trend for the last six months of fiscal 1995, on an annualized basis average unit volumes for Company-owned and joint-venture units has declined to $859,000. Only three franchise restaurants were open for the full 1995 fiscal year. Those restaurants had net revenues of $1,067,000, $904,000, and $343,000, respectively, which was the basis for franchise royalty fees to be paid to Drive Thru. During the last six months of fiscal 1995, the six franchised Good Times units open for the full six month period are generating annual average unit volumes of $762,000 on an annualized basis.

Food and Paper Costs. In fiscal 1995, Drive Thru's food and paper costs were 36.5% of net restaurant sales compared to 37.2% of net restaurant sales in fiscal 1994. The decline in Drive Thru's food and paper costs is primarily attributable to lower beef prices and an improvement in overall commodity prices resulting from the increased purchasing economies of Drive Thru.

Income From Restaurant Operations. For the year ended September 30, 1995, the Company's income from restaurant operations was $493,000 (including $245,000 of income from restaurant operations of RTC through March 31, 1995) compared to $2,403,000 (including $1,136,000 in income from restaurant operations of RTC through March 31, 1995) in fiscal 1994. The decrease in income from restaurant operations is principally the result of a ($710,000) loss relating to Drive Thru's exit from the Las Vegas market and ($360,000) of operating losses associated with RTC oeprations from the time the disposal plan was approved through its disposal on September 30, 1995 and the disposal of restaurants and equipment resulting from the sale of RTC. Without those charges, the Company would have had income from restaurant operations (including income from restaurant operations of RTC through March 31, 1995) of $1,563,000 in fiscal 1995. Drive Thru's income from restaurant operations was $284,000 (excluding franchise revenues) in fiscal 1995 compared to $1,097,000 (excluding franchise

revenues) in fiscal 1994. The decrease in income from restaurant operations for Drive Thru is primarily attributable to the closure and sale of the Good Times units in Las Vegas and accrued expenses associated with the anticipated relocation of an existing Good Times restaurant. Drive Thru does not anticipate future charges associated with its discontinued operations in Las Vegas in future reporting periods. Drive Thru's income from restaurant operations was negatively impacted in fiscal 1995 by increased labor costs and lower average unit sales in the last six months of fiscal 1995. Labor costs rose due to higher management salaries and hourly wages resulting from an increasingly competitive labor market in Colorado. There was also an increase in Drive Thru net franchise development fees and royalties from $165,000 in fiscal 1994 to $209,000 in fiscal 1995. Income from restaurant operations for Drive Thru were negatively impacted by an increase in new store opening cost amortization of $422,000 in fiscal 1995 from $95,000 in fiscal 1994.

Income (Losses) From Operations. The Company had loss from operations before other income and expenses of ($1,850,000) in fiscal 1995 compared to income from operations of $124,000 in fiscal 1994. Income from operations was primarily affected by the losses associated with the closing of the four Las Vegas units and the sale of RTC and a decline in operating performance of RTC restaurants. Drive Thru had a loss from operations of ($599,000) in fiscal 1995 (exclusive of the $710,000 charge for the closure and sale of its Las Vegas units and $66,000 in accrued expenses for the anticipated relocation of one Drive Thru unit) compared to income from Drive Thru operations of $170,000 in fiscal 1994. Drive Thru does not anticipate future charges associated with its discontinued operations in Las Vegas in future reporting periods. Selling, general and administrative expenses decreased from $2,279,000 (15% of net revenues) to $2,343,000 (13.4% of net revenues) in fiscal 1995. Management of the Company believes that selling, general and administrative expenses will remain approximately the same in fiscal 1996.

Net Loss. The net loss for the Company was ($2,090,000) for the year ended September 30, 1995, compared to a net loss for the Company of ($178,000) for the year ended September 30, 1994. Drive Thru had a net loss of ($1,527,000) in fiscal 1995 compared to net income of $83,000 in fiscal 1994. Of this amount, ($710,000) is attributable to the closure of Drive Thru's Las Vegas operations and approximately ($315,000) are losses from operations in fiscal 1995 for the Las Vegas Good Times units. RTC incurred a net loss of ($606,000) in fiscal 1995 compared to a net loss of ($87,000) in fiscal 1994.

In addition to the net losses of Drive Thru and RTC in the year ended September 30, 1995, the Company, exclusive of its subsidiaries, had net income of $43,000 compared to a loss of ($175,000) in the year ended September 30, 1994. In fiscal 1995, the Company charged Drive Thru and RTC a monthly management fee for services equal to $70,000 and $35,000, respectively. Generally, the Company, exclusive of its subsidiaries, will incur a loss that is attributable principally to depreciation of corporate assets and net interest expense; however, in fiscal 1995, that loss was eliminated due to a decrease in general and administrative expenses incurred by the Company compared to its original budget, upon which the management fee was based. With the sale of RTC, the Company's general and administrative expenses will be consolidated with Drive Thru's operations.

Liquidity and Capital Resources

As of September 30, 1995, the Company had $767,000 of cash and marketable securities on hand. Drive Thru had cash on hand of $686,000. The remaining $81,000 was the Company's cash on hand. This amount is believed sufficient to cover working capital needs of the Company for the 1996 fiscal year. The Company and Drive Thru had a combined working capital deficit of ($795,000). In April 1995, the Company negotiated the extension of the maturity of $300,000 of notes that matured on May 31, 1995 for an additional five year term. Because restaurant sales are collected in cash and accounts payable for food and paper products are paid two to four weeks later, restaurant companies often operate with working capital deficits. It is anticipated that working capital deficits will expand as new Drive Thru restaurants are opened. Subsequent to September 30, 1995, Drive Thru utilized a significant portion of its cash-on-hand for the development of a joint-venture Good Times unit in Denver, which opened in December 1995. Drive Thru's co-development partner has not made its required payment to Drive Thru as of the date of this filing. Therefore, in order to bolster Drive Thru's cash reserves and provide additional working capital, Drive Thru is negotiating the sale of two company-owned Drive Thru restaurants. The sale of RTC is not expected to have an adverse impact on the cash flows of the Company or Drive Thru.

Net cash used in operating activities of the Company was ($451,000) for fiscal 1995 compared to net cash provided by operating activities of the Company of $1,063,000 in fiscal 1994. This was the result of a net loss of ($2,090,000) for fiscal 1995, non-cash reconciling items totaling $1,560,000 (comprised principally of depreciation and amortization, minority interest and a loss on the planned exit of the Las Vegas market of ($710,000) and increases in operating assets and liabilities totaling $79,000 (primarily a decrease in accounts receivable, prepaid expenses, accrued other liabilities, and accounts payable). The cash and cash equivalent balance was $767,000 and $522,000 as of September 30, 1995 and 1994, respectively.

Net cash provided by investing activities by the Company in fiscal 1995 was $1,041,000 which includes proceeds from the sale of assets of $2,792,000, the purchase of marketable securities for $2,541,000, the sale of marketable securities of $1,517,000 and the purchase of property and equipment for $2,775,000. Drive Thru utilizes all cash provided by investing activities for capital expenditures consisting primarily of expenditures for the development of new Good Times restaurants. In fiscal 1994 and 1995, Drive Thru developed five company-owned Good Times restaurants and eight co-developed units. The Company expects that capital expenditures will decrease in fiscal 1996 as additional Good Times restaurants are primarily developed by franchisees. Drive Thru entered into an equipment lease line of credit in the amount of $2 million of which it has utilized approximately $550,000 as of December 20, 1995. The line of credit required the Company and Drive Thru to maintain certain financial and operating criteria. One requirement is that the Company and Drive Thru each maintain a net worth of at least $5.5 million. As a result of the losses incurred by the Company and Drive Thru in fiscal 1995, the Company and Drive Thru are in violation of such requirement and the Lessor has declared an event of default to have occurred. The Company is currently negotiating the restructuring or prepayment of the lease financing and does not anticipate that such restructuring or prepayment will have a materially adverse impact on the operations of the Company or Drive Thru. However, it is anticipated that no further leases will be entered into pursuant to the lease line of credit.

Net cash used in investing activities by the Company in fiscal 1994 was $6,677,000, which included proceeds from the sale of assets of $400,000, the sale of marketable securities for $1,034,000, and the purchase of property and equipment for $6,071,000.

Net cash used in financing activities by the Company in fiscal 1995 was $345,000 which includes principal payments on notes payable and long-term debt of $630,000, borrowings on notes payable and long-term debt of $56,000 distributions to minority interests in partnerships of $414,000 and contributions from minority interests in partnerships of $643,000.

Net cash provided by financing activities by the Company in fiscal 1994 was $5,318,000, which included proceeds from the sale of common stock of $4,565,000, principal payments on notes payable and long-term debt of $424,000, distribution paid to minority interests in partnerships of $222,000, borrowings of $13,000, and contributions from minority interest in partnerships of $1,386,000.

Neither the Company nor Drive Thru currently have any bank lines of credit.

The Company and Drive Thru currently intends to use its cash resources and cash generated from operations for working capital and, to the extent possible, to build cash reserves. No new company-owned Good Times restaurants are planned for development in fiscal 1996. Drive Thru's existing cash resources, assuming the sale of two company-owned Good Times units, are sufficient to meet Drive Thru's current obligation to develop two co-developed units in Colorado in fiscal 1996. Drive Thru will require additional capital in order to develop additional company-owned Good Times Drive Thru restaurants in the future. In the event Drive Thru is not successful in obtaining additional capital, management intends to continue to develop Good Times Drive Thru restaurants through franchising and joint development activities with existing and new franchisees.

Impact of Recently Issued Accounting Standards

In March 1995, the Financial Accounting Standards Board issued a new statement titled "Accounting for Impairment of Long-Lived Assets." This new standard is effective for years beginning after December 15, 1995 and would change the Company's method of determining impairment of long-lived assets. Although the Company has not performed a detailed analysis of the impact of this new standard on the Company's financial statements, the Company does not believe that adoption of the new standard will have a material effect on the financial statements.

In October 1995, the Financial Accounting Standards Board issued a new statement titled "Accounting for Stock-Based Compensation (FAS 123). The new statement is effective for fiscal years beginning after December 15, 1995. FAS 123 encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on fair value. Companies that do not adopt the fair value accounting rules must disclose the impact of adopting the new method in the notes to the financial statements. Transactions in equity instruments with non-employees for goods or services must be accounted for on the fair value method. The Company currently does not intend to adopt the fair value accounting rules of FAS 123, and will be subject only to the disclosure requirements. However, the Company intends to continue its analysis of FAS 123 and may elect to adopt its provisions in the future.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES:

INDEX TO FINANCIAL STATEMENTS

Good Times Restaurants Inc. and Subsidiaries:

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and
Board of Directors
Good Times Restaurants Inc.

We have audited the accompanying consolidated balance sheet of Good Times Restaurants Inc. and subsidiaries as of September 30, 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended September 30, 1995 and 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Good Times Restaurants Inc. and subsidiaries as of September 30, 1995, and the results of their operations and their cash flows for the years ended September 30, 1995 and 1994, in conformity with generally accepted accounting principles.

Hein + Associates LLP

Denver, Colorado
December 1, 1995

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1995

ASSETS

Current Assets:	
Cash and cash equivalents	$ 767,000
Receivables	105,000
Inventories	70,000
Prepaid expenses and other	233,000
Total current assets	1,175,000
Property and Equipment, at cost:	
Land and building	2,574,000
Leasehold improvements	2,763,000
Fixtures and equipment	3,118,000
	8,455,000
Less accumulated depreciation and amortization	(1,305,000)
	7,150,000
Other Assets:	
Assets held for sale	61,000
Note receivables	744,000
Other	155,000
	960,000
Total Assets	$9,285,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Current portion of capital lease obligations	$298,000
Accounts payable	611,000
Accrued wages and salaries	215,000
Accrued property taxes	129,000
Accrued cost of lease abandonment	133,000
Accrued loss on planned exit of Las Vegas market	145,000
Accrued and other liabilities	439,000
Total current liabilities	1,970,000
Long-Term Capital Lease Obligations, net of current portion	78,000
Long-term Debt	300,000
Deferred Liabilities	216,000
Minority Interests in Partnerships	1,735,000
Commitments (Note 5)	
Stockholders' Equity:	
Common stock, $.001 par value; 50,000,000 shares authorized, 6,898,152 shares issued and outstanding	7,000
Capital contributed in excess of par value	11,683,000
Notes receivable from officers	(881,000)
Accumulated deficit	(5,823,000)
Total stockholders' equity	4,986,000
Total Liabilities and Stockholders' Equity	$9,285,000

See accompanying notes to these consolidated financial statements.

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended September 30, 1994	1995
Net Revenues:		
Restaurant sales	15,012,000	$17,313,000
Area development & franchise fees	85,000	55,000
Franchise royalties	80,000	154,000
	15,177,000	17,522,000
Restaurant Operating Costs:		
Food and paper costs	4,984,000	6,090,000
Restaurant labor costs	4,558,000	6,071,000
Restaurant occupancy costs	2,094,000	2,007,000
Other restaurant operating costs	681,000	1,091,000
Depreciation and amortization	457,000	700,000
Loss on disposal of restaurants and equipment	-	360,000
Loss on planned exit of the Las Vegas market	-	710,000
Total restaurant operating costs	12,774,000	17,029,000
Income from Restaurant Operations	2,403,000	493,000
Selling, General and Administrative Expense:		
General and administrative	1,540,000	1,549,000
Advertising	739,000	794,000
Total selling, general and administrative expenses	2,279,000	2,343,000
Other Income (Expenses):		
Interest income	111,000	90,000
Interest expense	(182,000)	(100,000)
Minority interest in income of partnerships	(141,000)	(131,000)
Other, net	(90,000)	(99,000)
Total other expenses, net	(302,000)	(240,000)
Net Loss	$ (178,000)	$2,090,000)
Net Loss per Share	$ (.04)	$ (.30)
Weighted Average Shares Outstanding	4,985,000	6,863,000

See accompanying notes to these consolidated financial statements.

<TABLE>

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM OCTOBER 1, 1993 THRU SEPTEMBER 30, 1995

<CAPTION>

	Common Stock Issued Shares	Common Stock Par Value	Capital In Excess Of Par Value	Officers Notes Receivbls	Accumulated Deficit	Total

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, October 1, 1993	2,979,102	$3,000	$6,140,000	$ -	$(3,555,000)	$2,588,000
Sale of stock in public offering	3,216,000	3,000	4,562,000	-	-	4,565,000
Stock issued for land	55,970	-	75,000	-	-	75,000
Net loss	-	-	-	-	(178,000)	(178,000)
Balances, September 30, 1994	6,251,072	6,000	10,777,000	-	(3,733,000)	7,050,000
Additional cost incurred for Good Times public offering	-	-	(7,000)	-	-	(7,000)
Stock issued to employee benefit plan	22,080	-	33,000	-	-	33,000
Stock purchased by officers	625,000	1,000	880,000	-	-	881,000
Notes receivable from officers for stock purchase	-	-	-	(881,000)	-	(881,000)
Net loss	-	-	-	-	(2,090,000)	(2,090,000)
Balances, September 30, 1995	6,898,152	$7,000	$11,683,000	$(881,000)	$(5,823,000)	$4,986,000

</TABLE>

See accompanying notes to these consolidated financial statements.

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended September 30, 1994	1995
Cash Flows from Operating Activities:		
Net loss	$(178,000)	$(2,090,000)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	457,000	700,000
Minority interest	141,000	131,000
Loss on planned exit of Las Vegas market	-	710,000
Unrealized loss on marketable securities	39,000	-
Cash transferred in sale of subsidiary	-	(7,000)
Common stock for services	-	26,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(47,000)	287,000
Inventories	(4,000)	(44,000)
Prepaid expenses and other	(283,000)	154,000
(Decrease) increase in:		
Accounts payable	310,000	(217,000)
Accrued and other liabilities	628,000	(101,000)
Net cash provided by (used in) operating activities	1,063,000	(451,000)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(6,071,000)	(2,775,000)
Proceeds from sale of assets	400,000	2,792,000
Principal payments on notes receivable	28,000	-
Purchase of marketable securities	(1,034,000)	(1,517,000)
Sale of marketable securities	-	2,541,000
Net cash (used in) provided by investing activities	(6,677,000)	1,041,000
Cash Flows from Financing Activities:		
Proceeds from sale of common stock (net)	4,565,000	-
Principal payments on notes payable and long-term debt	(424,000)	(630,000)
Borrowings on notes payable and long-term debt	13,000	56,000
Distributions paid to minority interests in partnerships	(222,000)	(414,000)
Contributions from minority interest in partnerships	1,386,000	643,000
Net cash provided by (used in) financing activities	5,318,000	(345,000)
Increase (Decrease) in Cash	(296,000)	245,000
Cash, beginning of period	818,000	522,000

Cash, end of period	$522,000	$767,000

See accompanying notes to these consolidated financial statements.

Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$166,000	$100,000
Purchase of land, building, and equipment through long-term debt and stock	$350,000	$351,000
Stock issued to officers for notes receivable	$ -	$881,000
Sale of land, building, and equipment for notes receivable	$ -	$450,000
Stock issued to employee 401(k) plan	$ -	$ 26,000
Sale of RTC for notes receivable	$ -	$391,000

See accompanying notes to these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies:

Organization - Good Times Restaurants Inc. (Good Times or the Company) is a Nevada corporation. In July 1992, Good Times merged with Round the Corner Restaurants, Inc. (RTC). Good Times, prior to the merger and currently as a subsidiary of the Company, operates as Good Times Drive Thru Inc. (Drive Thru). All of the stock of RTC was sold as of September 30, 1995.

Drive Thru commenced operations in 1986 and, as of September 30, 1995, operates 17 company-owned and joint venture double drive-thru fast food hamburger restaurants. In addition, Drive Thru has seven franchises operating in Colorado, and is offering franchises for development of additional Drive Thru restaurants. Subsequent to September 30, 1995, the Company opened two co-developed restaurants, one in Boise, Idaho and one in Denver, Colorado.

Principles of Consolidation - The consolidated financial statements include the accounts of Good Times and its subsidiaries, including a 50% owned limited partnership in which the Company exercises control as general partner. All intercompany accounts and transactions are eliminated. The unrelated limited partners' equity of each partnership has been recorded as minority interest in the accompanying consolidated financial statements.

Deferred Opening Costs - The Company has deferred certain direct incremental costs in connection with the opening of new restaurants. The net pre-opening costs included in prepaid expenses is $114,000 at September 30, 1995. The pre-opening costs are amortized over a one year period.

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

Property and Equipment - Depreciation is recognized on the straight-line method over the estimated useful lives of the assets or the lives of the related leases, if shorter, as follows:

Building	15 years
Leasehold improvements	7-15 years
Fixtures and equipment	3-8 years

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.

Sales of Restaurants and Restaurant Equity Interests - Sales of restaurants or non-controlling equity interests in restaurants developed by the Company are accounted for under the full accrual method or the installment method. Under the full accrual method, gain is not recognized until the collectibility of the sales price is reasonably assured and the earnings process is virtually complete without further contingencies. When a sale does not meet the requirements for income recognition, gain is deferred until those requirements are met. Under the installment method, gain is recognized as principal payments on the related notes receivable are collected.

During 1995, the Company completed a sales/lease back of four parcels of land with a cost basis of $1,287,000, which approximated the sales price.

Deferred Liabilities - Rent expense is reflected on a straight-line basis over the term of the lease for all leases containing step-ups in base rent. An obligation representing pro-rata future payments (which totaled $96,000 as of September 30, 1995) has been reflected in the accompanying consolidated balance sheet as a deferred liability. The remaining balance represents deferred gain of $120,000 on the sale of various buildings and RTC, as discussed in Note 2.

Advertising - The Company incurs advertising expense in connection with marketing of its restaurant operations. Advertising costs are expensed in the fiscal year incurred.

Franchise and Area Development Fees - Individual franchise fee revenue is deferred when received and is recognized as income when the Company has substantially performed all of its obligations under the franchise agreement and the franchisee has commenced operations. Area development fees and related direct expenses are recognized ratably upon opening of the applicable restaurants. Continuing royalties from franchisees, which are a percentage of the gross sales of franchised operations, are recognized as income when earned. Franchise development expenses, which consist primarily of legal costs associated with developing and executing master franchise agreements, are expensed as incurred.

Statement of Cash Flows - For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes - income taxes are provided for in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." SFAS No. 109 requires an asset and liability approach in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of the Company's assets and liabilities.

Net Loss per Common Share - The computations of loss per share are based on the weighted average number of common shares outstanding during each fiscal period. Warrants and options outstanding are not included in the computations in loss years because their effect would be antidilutive.

Impact of Recently Issued Accounting Standards - In March 1995, the Financial Accounting Standards Board issued a new statement titled "Accounting for Impairment of Long-Lived Assets." This new standard is effective for years beginning after December 15, 1995 and would change the Company's method of determining impairment of long-lived assets. Although the Company has not performed a detailed analysis of the impact of this new standard on the Company's financial statements, the Company does not believe that adoption of the new standard will have a material effect on the financial statements.

In October 1995, the Financial Accounting Standards Board issued a new statement titled "Accounting for Stock-Based Compensation (FAS 123). The new statement is effective for fiscal years beginning after December 15, 1995. FAS 123 encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on fair value. Companies that do not adopt the fair value accounting rules must disclose the impact of adopting the new method in the notes to the financial statements. Transactions in equity instruments with non-employees for goods or services must be accounted for on the fair value method. The Company currently does not intend to adopt the fair value accounting rules of FAS 123, and will be subject only to the disclosure requirements.

However, the Company intends to continue its analysis of FAS 123 and may elect to adopt its provisions in the future.

2. Sale of Restaurants:

On September 30, 1995, the Company sold all its stock in RTC, a 100% owned subsidiary, for $100,000 cash and a $291,000 note. The note has an interest rate of prime minus 2% and is payable quarterly based on an amortization period of 20 years, with a balloon payment at the end of 5 years. The Company has elected to report the gain on sale under the installment method and to defer the unrealized gain of $66,000 on the $291,000 note. The buyers of RTC were, in part, members of the management of RTC before the sale. An officer of the Drive Thru is also an investor in the entity that purchased RTC. Prior to the sale of RTC, Good Times retained certain assets and liabilities of RTC, including a $150,000 note payable and an $50,000 investment in a real estate joint venture. In conjunction with the sale certain RTC employees who owned Incentive Stock Options received new Non-statutory Options with the same terms and conditions as the old options, which were cancelled. Included in restaurant sales for the years ended September 30, 1995 and 1994 are revenues related to RTC of $3,563,000 and $8,550,000, respectively. Net losses of $614,000 and $87,000 are attributable to RTC operations for the years ended September 30, 1995 and 1994, respectively. The 1995 financial statements only reflect RTC net revenues and operating costs for the six months ended March 31, 1995, the date that a formal plan of disposition was approved. Included in the net losses of RTC, is an operating loss of approximately $229,000 from RTC operations from April 1, 1995 through September 30, 1995 (the effective sale date), which is included in loss on disposal of restaurants.

During the year, the Company opened four stores in Las Vegas, and operated the stores for approximately four months. Prior to year-end, the Company adopted a formal plan to exit from the Las Vegas market. Subsequent to year-end, the Company entered into an agreement to sell all of the Las Vegas stores, including certain items of furniture, fixtures, and equipment, for approximately $120,000, and assign its rights and obligations under the land and building leases to the purchaser. The Company has recognized an expected loss on the exit of approximately $710,000. The loss includes the write-off of approximately $417,000 of unsold assets which could not be salvaged, an accrual of approximately $74,000 for losses incurred after year end, an accrual for approximately $51,000 in rent payments expected to be made until the purchaser takes over the leases on or around February 1, 1995 and other expenses in the amount of approximately $167,000. The Company has segregated the assets held for sale in the Las Vegas restaurants on the balance sheet. Revenues of $332,000 and net loss of $315,000 are attributable to the Las Vegas restaurants' operations during the year ended September 30, 1995.

During the year, the Company adopted a plan to move a building and equipment currently utilized by one of its restaurants to a new location in 1996. Certain cost associated with the building, in the amount of approximately $66,000 have been expensed in the current year in loss on disposal of restaurants. These costs mainly consist of the write-off of leasehold improvements and a land lease termination penalty.

3. Notes Receivable:

Notes receivable consist of the following as of September 30, 1995:

Notes receivable, 10%, due March 1, 1997, monthly payments of interest only, collateralized by a building.	$315,000
Note receivable, from purchaser of RTC, interest payable at 2% below prime, payable in quarterly installments of approximately $4,000, with remaining balance due in 2005, collateralized by two RTC restaurants.	291,000
Note receivable, 12%, due October 1, 1997, monthly payments of interest only, collateralized by a building.	75,000
Note receivable, 9%, monthly payments of principal and interest in the amount of approximately $1,000, with final payment on September 1, 2000.	60,000
Other notes, various terms.	108,000
	849,000
Less current portion	(105,000)
	$744,000

4. Notes Payable and Long-Term Debt:

Long-term debt consist of notes payable totaling $300,000 to an individual and his pension plan with interest at 12%, payable quarterly,

principal due in May 2000.

Subsequent to year-end, a co-developed limited partnership, of which the Company is the general partner, entered into a $362,000 loan agreement to finance the development of a restaurant in Boise, Idaho.

5. Commitments:

The Company's office space, and the land underlying the Drive Thru restaurant facilities, are leased under operating leases. Certain leases include provisions for additional contingent rental payments if sales volumes exceed specified levels. Property and equipment includes equipment under capital leases at September 30, 1995 of approximately $440,000, less accumulated depreciation of approximately $75,000. Depreciation of leased equipment is included in depreciation and amortization expense. Two directors of the Company have personally guaranteed certain leases.

The terms of one of the capital lease agreement requires, among other items, the Company to maintain certain financial ratios and provide certain financial information. As of September 30, 1995, the Company was not in compliance with a covenant requiring the Company maintain equity of $5,500,000, however, the Company is current on its monthly payment obligation to the leasing company. Subsequent to September 30, 1995, the Company received a notice of an event of default from the lessor. The Company intends to renegotiate the terms of the lease agreement or pay down the lease agreement. As such, the lease obligation has been classified as a current liability. The future minimum rental commitments for capital leases shown below, however, include monthly payments based on the original terms of the agreement.

Following is a summary of operating lease activities:

	Operating Leases 1995
Minimum rentals	$649,000
Less sublease rentals	(76,000)
Net rent expense	$573,000

As of September 30, 1995, future minimum rental commitments required under Good Times and Drive Thru capital and operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

	Capital Leases	Operating Leases
1996	$123,000	$1,049,000
1997	118,000	1,074,000
1998	107,000	1,046,000
1999	84,000	984,000
2000	62,000	848,000
Thereafter	-	8,143,000
	494,000	13,144,000
Less sublease rentals	-	(904,000)
	494,000	$12,240,000
Less amount representing interest	(118,000)	
Present value of net minimum lease payments	$376,000	

The Company remains contingently liable on several leases of restaurants that were previously sold. The future minimum rental commitments relating to these leases totaled $1,500,000 at September 30, 1995, and have not been included in the future minimum rental commitment schedule above. The Company is also a guarantor on a RTC mortgage payable of approximately $750,000 and a Small Business Administration loan to a franchisee for approximately $400,000.

6. Franchise and Area Development Agreements:

The Company has five area development agreements which give the rights to co-develop or franchise approximately an additional 25 Drive Thru restaurants in Colorado and two in Boise, Idaho. Under the area development agreements, the Company generally has the right to build restaurants within the specified geographical areas. However, the Company must give the franchisee a right of first refusal to develop any

restaurant proposed to be constructed by the Company as one of the developer's restaurants under the agreement. If the developer elects not to develop the restaurant, or co-develop, then the Company has the option to solely operate, co-develop or franchise the restaurant and the developer retains the right and obligation to develop restaurants as scheduled in the development agreement or as otherwise mutually agreed upon. One agreement also requires the Company to issue the franchisee warrants for the purchase of the Company's common stock in an amount equal to the franchise or development fees paid divided by the exercise price of the warrants to purchase common stock. The exercise price of the warrants to purchase common stock is 120% of the fair market value of the common stock at the date of issuance and the warrants are exercisable over five years. As of September 30, 1995, 111,708 warrants have been issued, which are exercisable at $1.67 to $2.44. The Company has no other significant continuing obligations associated with the area development agreements.

Area development and franchise expenses for the years ended September 30, 1994 and 1995 primarily related to legal costs associated with area development agreements.

7. Managed Limited Partnerships:

Drive Thru is the general partner of a limited partnership. This partnership was entered into during the year ended September 30, 1994, and was formed to develop Drive Thru restaurants. Limited partner contributions have been used to construct new restaurants. Drive Thru, as a general partner, receives an allocation of 50% of the profit and losses and a fee for its management services. The limited partners' equity has been recorded as a minority interest in the accompanying consolidated financial statements.

8. Income Taxes:

Deferred tax assets (liabilities) are comprised of the following at September 30, 1995:

	Long-Term
Deferred assets (liabilities):	
Partnership basis difference	$ 540,000
ITC carryover	139,000
Net operating loss carryforward	1,340,000
Property and equipment basis differences	(1,186,000)
Net deferred tax assets	833,000
Less valuation allowance*	833,000
Net deferred tax assets	$ -

* The valuation allowance decreased by $842,000 during the year ended September 30, 1995.

The Company has had no taxable income under Federal and state tax laws. Therefore, no provision for income taxes was included. The Company has net operating loss carryforwards of approximately $3,500,000 for income tax purposes which expire from 1999 through 2009. The Company also has investment tax credit carryforwards of $139,000 which are all subject to limitation of use.

9. Stockholders' Equity:

During the year ended September 30, 1994, the Company completed a public offering of 1,608,000 units and received net proceeds of $4,565,000. Each unit sold for $3.50 and consisted of two shares of common stock and one three-year warrant for the purchase of one share of common stock at an exercise price of $2.50 per share. The warrants are redeemable under certain circumstances by the Company. The Company also sold the underwriter for $100, warrants to purchase an additional 160,800 units which are exercisable at $4.20. The underwriter warrants are currently exercisable through February 1999.

During 1995, the Board of Directors approved an executive stock purchase plan. Under the plan, executive management acquired 625,000 restricted shares of the Company's common stock at $1.41 per share, which was the market price of the Company's publicly traded common stock on the date of grant. The Company has agreed to allow the purchase of the common stock through interest bearing notes. The notes and accrued interest are payable in October 1999, and may be prepaid anytime. Each note has full recourse to the officers. The Company has the right to repurchase 80%, 60%, 40%, and 20% of the shares if the executive managements' employment terminates during the first, second, third, and fourth years the shares

are outstanding, respectively.

The Company has an incentive stock option plan (the ISO) and a non-statutory stock option plan (the NSO) whereby 750,000 shares and 300,000 shares, respectively, are reserved for issuance. As of September 30, 1995, options for the purchase of 507,500 and 125,598 shares of common stock are outstanding under these plans, respectively, and no options have been exercised. Options for the purchase of common stock under the ISO and NSO expire from 1997 through 1999.

The following is a table of activity under these plans:

	Incentive Stock Option Plan	Non-Qualified Stock Options	Exercise Price
Options outstanding			
October 1, 1993*	502,500	115,598	N/A
Options granted*	-	10,000	$1.75
Options granted*	10,000	-	$3.12
Options exchanged**	(256,250)	-	$3.12
Options granted	256,250	-	$1.75
Options outstanding September 30, 1994	512,500	125,598	N/A
Options granted*	25,000	-	$1.44
Options canceled	(15,000)	-	$3.12
Options canceled	(15,000)	-	$1.75
Options outstanding September 30, 1995	507,500	125,598	

* All options outstanding at October 1, 1993 expire in October 1997. Options issued in 1994 and 1995 expire from 1997 through 1999.

** One half of the incentive stock options outstanding at Apr. 26, 1994 were reissued in April 1994 with an exercise price of $1.75 with a vesting period of three years and the expiration date extended until April 1999.

On October 1, 1995, the Company exchanged 10,000 incentive stock options with an exercise price of $3.12 and 10,000 incentive stock options with an exercise price of $1.75 for an equal number of non-qualified stock options with the same terms. The exchange was made to enable former employees of RTC to maintain their options to buy Good Times stock.

Subsequent to year-end, the Company also issued 55,800 incentive stock options to certain employees with an exercise price of $1.25.

In connection with Good Times' prior public offerings and other debt financing arrangements of Drive Thru and RTC, various warrants and contingent shares have been granted. The following is a summary of shares reserved for possible future issuance:

	Shares	Price	Expiration
Warrants:			
Public offerings:			
1994 offering	1,608,000	$2.50	February 1997
1992 offering	987,500	$3.50	February 1997
Underwriters	689,400	$2.10-$5.78	July 1997 to February 1999
Converted partnerships	87,513	$3.50	February 1997
Employment termination	52,063	$1.75-3.12	October 1997-April 1999
Franchisees & Co-development partners	122,968	$1.67-$2.44	May 1996 to February 1998
Commission to broker	37,500	$1.17	August 1998
Consideration for sales leaseback	10,000	$1.75	March 1998-July 1998
Other	70,000	$3.50	February 1997
Consideration for various loans:	50,000	$1.40	May 2000
	3,714,944		
Option Plans (633,098 from options granted)	1,050,000	(See prior table)	Oct. 1997 to Oct. 2000

Total warrants, and options 4,764,944

10. Retirement Plan:

The Company has implemented a 401(k) profit sharing plan (the Plan). Eligible employees may make voluntary contributions to the Plan, which are matched by the Company, using the Company's common stock in an amount equal to 50% of the employees contribution up to 6% of their compensation. The amount of employee contributions is limited as specified in the Plan. The Company may, at its discretion, make additional contributions to the Plan. The Company has accrued for contributions of $60,000, at September 30, 1995.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS -- GOOD TIMES RESTAURANTS INC.

The executive officers and directors of the Company and Drive Thru are as follows:

Name	Age	Positions	Date Began With Company
Dan W. James II	47	Chairman, Director	August 1968 (2)
Boyd E. Hoback	40	President, Chief Executive Officer and Director (1)	September 1973 (2)
Thomas A. Gordon	41	Exec. Vice President, Chief Financial Officer, Treasurer, Secretary and Director (3)	October 1992
Robert D. Turrill	47	Vice President of Marketing	February 1971 (2)
Scott G. LeFever	37	Vice President of Operations (4)	September 1978 (2)
B. Edwin Massey	53	Director	August 1968 (2)
Richard J. Stark	55	Director	July 1990
Thomas P. McCarty	42	Director	April 1994
Alan A. Teran	50	Director	April 1994

(1) Director since February 1992.

(2) Dates reflect commencement of positions with a former wholly-owned subsidiary of the Company.

(3) Director since October 1994.

(4) Position is with Drive Thru.

All directors of the Company hold office until their successors have been elected and qualified. Officers serve at the discretion of the Board of Directors. The Company does not currently have standing audit or, nominating committees of the Board of Directors or committees performing similar functions. The Board of Directors established a compensation committee of the Board of Directors consisting of Directors Stark, Teran, McCarty and Massey.

There are no family relationships among the directors or executive officers. There are no arrangements or understandings between any director and any other person pursuant to which that director was elected.

Six meetings of the Board of Directors of the Company (including regularly scheduled and special meetings) were held during the last full fiscal year. No member of the Board of Directors attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors.

Dan W. James II. Mr. James became a Director of the Company on December 18, 1990 and was elected Chairman, on December 16, 1992. Mr. James is one of the co-founders of RTC, the Company's former subsidiary, and had served as a Director of RTC since 1968 until 1992. Mr. James devotes the majority of his time to the management of private investments. Mr. James is also a director of Drive Thru.

Boyd E. Hoback. Mr. Hoback had served as Vice President, Chief Operating Officer and Treasurer of the Company since the Paramount Merger with Drive Thru on December 18, 1990, and as a Director since February 1992. Prior to that merger, Mr. Hoback held similar positions with Drive Thru from its inception in December 1986. On December 16, 1992, Mr. Hoback was elected President and Chief Executive Officer of the Company. He is also Chairman, President and Chief Executive Officer of Drive Thru. Prior to assuming his positions with Drive Thru, Mr. Hoback served as Executive Vice President of Finance and Development of RTC since 1983. Mr. Hoback is also on the Board of Drive Thru.

Thomas A. Gordon. Mr. Gordon has served as Chief Financial Officer of the Company, RTC and Drive Thru since October 1992. On December 16, 1992, Mr. Gordon was elected Executive Vice President of the Company and in October 1994 was elected a Director. Prior to joining the Company, Mr. Gordon held various investment banking positions in Denver, Colorado, including Vice President and Manager at United Bank of Denver (1982 - 1987, 1990 - 1991), Senior Vice President at Boettcher & Company (1987 - 1990), and Vice President at Kirkpatrick Pettis (1991 - 1992). Mr. Gordon also practiced law with the firm of Kutak Rock (1977 - 1981). Mr. Gordon is also a Director of Drive Thru. As a result of various factors, including liabilities incurred in connection with real estate investments in Colorado in the late 1980s, Mr. Gordon filed a petition under Chapter 7 of the federal Bankruptcy Code in January 1992 and has since been discharged.

Robert D. Turrill. Mr. Turrill has been employed by RTC since 1971. Prior to becoming Executive Vice President of RTC in 1987, he was Vice President of Marketing and Food Service. Mr. Turrill has been involved in all phases of operations with direct responsibility for menu development, purchase and cost control, research and multi-media advertising for RTC. Subsequent to the merger of the Company and RTC, Mr. Turrill devoted a portion of his time to the development of a marketing program for Good Times. As Good Times continued to expand, Mr. Turrill's time devoted to Good Times increased significantly. Therefore, Mr. Turrill was transferred from RTC to the newly created Company position of Vice President of Marketing, effective October 1, 1994. Mr. Turrill is also a principal in Great Burgers, Inc., the franchisee of the RTC food court in Dallas, Texas.

Scott G. LeFever. Mr. LeFever has been employed by RTC since 1978. Prior to becoming President of Round The Corner in June 1993, he was Vice President of Operations. Mr. LeFever has been involved in all phases of operations with direct responsibility for unit service performance, personnel and cost controls. Mr. LeFever was Director of Operations for Round The Corner from 1983 to 1986. He then became Director of Operations for Good Times from 1986 to 1992 during which time he helped develop the Good Times operating systems. Mr. LeFever was reassigned to the position of Drive Thru's Vice President of Operations in August 1995 and devotes his time to the operational management of Drive Thru. Mr. LeFever continues as a Director of RTC and a principal in Great Burgers, Inc., the franchisee of the RTC food court in Dallas, Texas.

B. Edwin Massey. Mr. Massey had served as Director, President and Chief Executive Officer of the Company since December 1990. He founded RTC in 1968 and was its Chairman, President and Chief Executive Officer. He held similar positions with Drive Thru from its inception in December 1986. On December 16, 1992, Mr. Massey resigned his position as President and Chief Executive Officer of the Company, but remained President of RTC.

On June 1, 1993, the Company and Mr. Massey entered into an agreement pursuant to which Mr. Massey resigned his positions with RTC and agreed to the termination of his employment contract effective June 1, 1993. Mr. Massey acquired two restaurants from RTC in consideration of a $340,000 note payable to RTC and relinquishment of any claims under his employment contract. Mr. Massey transferred the ownership of those two restaurants to Hot Concepts in October 1995. See "Business of the Company - Certain Transactions."

Richard J. Stark, CFA. Mr. Stark is President of Boulder Asset Management, a firm advising several large individual investors. Prior to forming Boulder Asset Management in 1984, Mr. Stark served as Chief Investment Officer of InterFirst Investment Management in Dallas. Previously he was responsible for all individual money management at Standard & Poor's/Intercapital in New York.

Thomas P. McCarty. Mr. McCarty has spent the last 26 years in the food service industry including eleven years owning and operating his own group of restaurants, working for a major food service distributor, working for and eventually owning a real estate brokerage company which specialized in restaurant real estate and consulting, and he is currently the vice president for development of Rock Bottom Restaurants, Inc. Mr. McCarty also serves as the Vice President for Publications and Public Relations for the Colorado Restaurant Association and serves on its Executive Committee and as a member of its Board of Directors. Mr. McCarty has two degrees from the University of Colorado including a B.S. in Accounting and a B.S. in Journalism.

Alan A. Teran. Mr. Teran has spent the past 26 years working in the

restaurant industry, beginning in 1969 as restaurant manager at Cork & Cleaver. In 1971 Mr. Teran was a regional manager for Cork & Cleaver, in 1973 was promoted to Vice President of Operations and in 1976 became President of the company. In October 1981, Mr. Teran acquired the Cork & Cleaver in Boulder, Colorado. He went on to become one of the first franchisees of Le Peep Restaurants in 1983. Mr. Teran currently holds a seat on three different corporation's board of directors including Boulder Valley Bank and Trust, Quantum Restaurant Group, operator of Morton Steak Houses, Micks and Peasants restaurant concepts, and Good Times Restaurants Inc. Mr. Teran graduated from the University of Akron in 1968 with a degree in business.

Compliance with Section 16(a) of the Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Officers, directors and greater than ten-percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or written representations from certain reporting person, the Company believes that, during the fiscal year ended September 30, 1995, all filing requirements applicable to its officers, directors, and greater than ten-percent beneficial owners were complied with except that Director Massey made one late filing on Form 5 reporting one transaction.

ITEM 10. EXECUTIVE COMPENSATION

Cash Compensation

The following table shows all cash compensation paid by the Company or any of its subsidiaries, as well as other compensation paid or accrued during the fiscal years indicated, to the Chief Executive Officer and the next highest paid executive officer of the Company as of the end of the Company's last fiscal year (the "Named Executive Officers"). No other executive officers of the Company received cash compensation for such period in all capacities in which the executive officer served in excess of $100,000.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation
Name & Principal Position	Fiscal Year	Salary	Bonus(2)	Other Annual Compensation(3)	Options (4)(5)
Boyd E. Hoback,	1995	$110,000	-0-	$10,000	-0-
President & CEO(1)	1994	$97,500	$30,000	$10,000	-0-
	1993	$90,000	-0-	$10,000	175,000
Thomas A. Gordon,	1995	$90,000	-0-	$11,650	-0-
Executive Vice	1994	$82,500	25,000	$10,000	-0-
President & Chief	1993	$75,000	-0-	$10,000	150,000
Financial Officer					

(1) Elected to these positions on December 16, 1992. During the last three fiscal years he served continuously as an executive officer of Drive Thru.

(2) The Board of Directors approved a bonus plan in fiscal 1995 for Messrs. Hoback and Gordon that were contingent upon certain performance criteria. The plan provided for bonuses of up to 50% of salary for Mr. Hoback and 40% of salary for Mr. Gordon. Due to the Company's losses in fiscal 1995, no bonuses were awarded to Messrs. Hoback and Gordon.

(3) Consists of an officers' expense allowance.

(4) Includes previously-granted options, a portion of which were repriced during the fiscal year ended September 30, 1994, from an exercise price of $3.12 per share to $1.75 per share and which were extended to expire on October 26, 1999.

(5) Pursuant to an executive stock purchase plan approved by the Board of DIrectors on October 17, 1994, Messrs. Hoback and Gordon acquired 337,500 and 212,500 shares, respectively of the Company's common stock at $1.41 per share in consideration for interest bearing notes due October 1999. The Company has the right to reacquire a portion of such shares through October 1998 in the event of the termination of Mr. Hoback's or Mr. Gordon's employment with the Company on account of resignation or cause.

Option Grants

There were no grants of stock options made during the last fiscal year to any of the Named Executive Officers. In 1994, the Board of Directors repriced one-half of all employees' incentive stock options from $3.12 per share to $1.75 per share and extended the expiration date of these options to April 1999.

Options Exercises and Values

None of the Named Executive Officers exercised stock options during the last fiscal year of the Company. The fiscal year end value of unexercised options follows:

AGGREGATED OPTIONS EXERCISED IN LAST FISCAL YEAR
AND FY-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized	Number Unexercised Options at Fiscal Year End (#) Exercisable/ Unexercisable	Value Unexercised In-the-Money Options at Fiscal Year End ($) Exercisable/ Unexercisable
Boyd E. Hoback	N/A	N/A	151,666/23,334	None (1)
Thomas A. Gordon	N/A	N/A	130,834/19,166	None (1)

(1) As of September 30, 1995, the market value of the Common Stock was approximately $1.03 per share, or less than the lowest option exercise price.

Stock Options

On April 23, 1992, the Board of Directors of the Company adopted an incentive stock option plan (the "1992 ISO") covering 300,000 shares of the Company's Common Stock and a non-statutory stock option plan (the "1992 NSO") covering 150,000 shares of the Company's Common Stock less outstanding options for the purchase of 83,750 shares of such stock.

The optionees under the plans will not recognize income upon grant of the options. Holders of non-statutory stock options will have income on the date of exercise of the options equal to the then value of the Company's Common Stock less the option exercise price. The holders of incentive stock options will not be required to recognize income upon exercise of the options so long as the Company's Common Stock issued upon option exercise is not sold until the later of one year after the date of exercise or two years after the date of grant of the option. If these requirements are satisfied, then the optionee will realize capital gain upon sale of the Company's Common Stock in an amount equal to the sale price less the option exercise price. If these requirements are not satisfied, the optionee must recognize ordinary compensation income equal to the excess of the fair market value of the stock on the date of exercise over the price paid for such stock, and capital gain equal to the sale proceeds (or fair market value if not disposed of for cash) in excess of the optionee's tax basis (fair market value on exercise date); provided, however, such compensation income will not exceed the amount of the sale proceeds over the price paid for the stock on exercise of the option. For federal income tax purposes, the Company will be allowed a deduction for the foregoing compensatory element. For financial accounting purposes, so long as the exercise price is equal to or in excess of fair market value of the Company's Common Stock on the date of grant of the option, the Company will not be required to recognize any related compensation expense upon either option grant or exercise. It has been proposed that applicable accounting requirements be changed so as to require the issuer of stock options to realize related compensation expense. However, it is unknown when, if ever, such changes will be effective.

The spread between fair market value and exercise price as of the date of exercise of an incentive stock option is an adjustment to income for alternative minimum tax purposes, which, under certain conditions, may result in application of the alternative minimum tax rate to such spread.

On October 26, 1992 the Board of Directors of the Company cancelled all of the outstanding options granted to officers and directors of the Company, RTC and Drive Thru at various times and incentive stock options and non-statutory options were issued at an exercise price of $3.12 and expiring October 26, 1997 to replace previously issued ISO's and non-statutory options.

On May 18, 1993 the Board of Directors of the Company voted to increase the number of shares authorized in the 1992 ISO from 300,000 to 550,000 shares of the Company's Common Stock and on January 20, 1994, voted to increase the number of shares authorized in the 1992 NSO from 150,000 to 300,000. Additional options were granted to key management personnel and options were granted to management of the Company, Drive Thru and RTC who previously had not been

participants in the 1992 ISO or in the 1992 NSO. The increase in the number of shares authorized under the stock option plans and the granting of the additional options reflected the changing responsibilities of executive management as a result of the restructuring of the Company approved in December 1992, the need of the Company, Drive Thru and RTC to limit cash compensation to its key employees and the desire of the Board of Directors to retain and motivate key employees by providing quasi-equity participation in the Company. At the 1993 annual meeting held in March 1994, the shareholders approved an increase in the number of shares authorized under the 1992 ISO to 750,000 shares. In April 1994, the Board of Directors repriced one-half of the incentive stock options granted to employees to $1.75 per share, initiated a new three year vesting period for such options and extended the expiration date of the repriced options to April 1999.

The following table summarizes outstanding options granted to executive and other officers and current directors of the Company and Drive Thru as of September 30, 1995:

Incentive Stock Options

Name	Options Issued	Options Vested	Option Price	Expiration Date
Boyd E. Hoback	70,000	70,000	$3.12	10/26/97
	70,000	46,666	$1.75	4/26/99
Thomas A. Gordon	57,500	57,500	$3.12	10/26/97
	57,500	38,334	$1.75	4/26/99
Robert D. Turrill	30,000	30,000	$3.12	10/26/97
	30,000	20,000	$1.75	4/26/99
Scott G. LeFever	36,250	36,250	$3.12	10/26/97
	36,250	24,166	$1.75	4/26/99

Non-Statutory Stock Options

Name	Options Issued	Options Vested	Option Price	Expiration Date
Boyd E. Hoback	35,000	35,000	$1.75	10/26/97
Thomas A. Gordon	35,000	35,000	$1.75	10/26/97
Thomas P. McCarty	5,000	5,000	$1.75	4/26/99
Alan A. Teran	5,000	5,000	$1.75	4/26/99
Richard J. Stark	4,996	4,996	$3.12	10/26/97
	4,996	4,996	$1.75	4/26/99

The options are non-transferable other than by will or by the laws of descent and distribution and may be exercised during the optionee's lifetime only by the optionee. Neither the options nor the shares of Common Stock issuable upon exercise thereof have been registered for public sale under the Securities Act of 1933, although the Company reserves the right to do so at any time. Unless registered, the shares of Common Stock issued upon option exercise will be restricted securities as defined in Rule 144 under the Securities Act.

Report of Board of Directors Regarding Repricing of Options

Effective April 26, 1994, the Board of Directors authorized an adjustment to the exercise price of one-half of the incentive stock options granted under the 1992 ISO to $1.75 per share. In addition, the Board of Directors approved a new three year vesting period for such options and extended the expiration date of the repriced options to April 26, 1999.

Over the past several years, the trading price of the Company's Common Stock has declined significantly. Accordingly, the previously granted options, whose exercise prices initially exceeded the trading prices of the Company's shares, no longer provided the incentives to directors and employees that were intended by the issuance thereof. For this reason, the Board of Directors accepted management's recommendation that the outstanding options be repriced as noted above.

Board of Directors

Dan W. James II
Boyd E. Hoback
Thomas A. Gordon
B. Edwin Massey

Richard J. Stark
Thomas P. McCarty
Alan A. Teran

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of September 30, 1995, certain information with respect to the record and beneficial ownership of the Company's Common Stock by all stockholders known by the Company to own more than 5% of its outstanding Common Stock, and by directors and officers individually and as a group.

Name, Address and Position Held	Number of Shares Beneficially Owned	Percentage of Outstanding Common Stock **
Dan W. James II 8620 Wolff Court, Suite 330 Westminster, CO 80030 Chairman, Director	400,365(1)(2)	5.8%
First Registration Corporation of Oklahoma City 120 N. Robinson Ave. P.O. Box 25189 Oklahoma City, OK 73125 Shareholder	183,270(1)(2)	2.7%
Boyd E. Hoback 8620 Wolff Court, Suite 330 Westminster, CO 80030 Officer and Director	502,924(3)	7.1%
Thomas A. Gordon 8620 Wolff Court, Suite 330 Westminster, CO 80030 Officer	349,832(4)	4.9%
B. Edwin Massey 8620 Wolff Court, Suite 330 Westminster, CO 80030 Director	113,799(5)	1.6%
Richard J. Stark 6075 South Quebec Suite 103 Englewood, CO 80111 Director	17,083(6)	2.0%
Thomas P. McCarty 8779 Johnson Street Arvada, CO 80005 Thomas P. McCarty Director	5,000(7)	*
Alan A. Teran 2126 Knollwood Drive Boulder, CO 80302 Director	5,000(8)	*
Robert D. Turrill 8620 Wolff Court, Suite 330 Westminster, CO 80030 Officer	135,703(9)	1.9%
Scott G. LeFever 8620 Wolff Court, Suite 330 Westminster, CO 80030 Officer of RTC	62,552(10)	*
All officers and directors as a group (9 persons)	1,592,258(11)	21.5%

* Less than one percent

** Rule 13-d under the Securities Exchange Act of 1934, involving the determination of beneficial owners of securities, includes as beneficial owners of securities, among others, any person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares voting power and/or investment power with respect to such securities; and, any person who has the right to acquire beneficial ownership of such security within sixty days through means, including, but not limited to, the exercise of any option, warrant,

right or conversion of a security. Any securities not outstanding that are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person, but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other person.

All shares held by the Officers, Directors and Principal Shareholders listed above are "restricted securities" and are such are subject to limitations on resale. The shares may be sold pursuant to Rule 144 under certain circumstances.

(1) Includes 7,682 shares owned by the son of Mr. James, an aggregate of 6,966 shares owned by the Kent B. Hayes Trust, and an aggregate of 3,483 shares covered by presently exercisable warrants held by the Kent B. Hayes Trust for the benefit of Mr. James.

(2) May be deemed to be beneficially owned by Mr. James since First Registration Corporation of Oklahoma City is the nominee of trusts administered for Mr. James and members of his family.

(3) Includes an aggregate of 151,666 shares covered by presently exercisable options and warrants.

(4) Includes an aggregate of 130,834 shares covered by presently exercisable options.

(5) Includes 20,804 shares owned by the children of Mr. Massey and an aggregate of 52,063 shares covered by presently exercisable warrants.

(6) Includes an aggregate of 10,689 shares covered by presently exercisable options and warrants.

(7) Includes an aggregate of 5,000 presently exercisable options.

(8) Includes an aggregate of 5,000 presently exercisable options.

(9) Includes an aggregate of 50,000 shares covered by presently exercisable options.

(10) Includes an aggregate of 60,416 shares covered by presently exercisable options.

(11) Includes 465,668 shares covered by presently exercisable options and warrants and 218,722 shares held of record by others which may be deemed to be beneficially owned.

On October 17, 1994, the Board of Directors approved an executive stock purchase plan. Under the plan, executive management acquired 625,000 restricted shares of the Company's common stock at $1.41 per share which was the market price of the Company's publicly traded common stock on the date of grant. The Company has agreed to allow the purchase of the common stock through interest bearing notes. The notes and accrued interest are payable in October 1999 and may be repaid any time. Each note has full recourse to the officers. The Company has the right to repurchase 80%, 60%, 40% and 20% of the shares if executive managements' employment terminates during the first, second, third and fourth years the shares are outstanding, respectively. Mr. Hoback acquired 337,500 shares, Mr. Gordon acquired 212,500 share and Mr. Turrill acquired 75,000 shares pursuant to the plan.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Drive Thru and RTC historically have been under-capitalized and have found it difficult to obtain required financing without the assistance of certain of their officers and directors, primarily in the form of guarantees of payment of restaurant leases and bank debt by Messrs. Massey and James. These principally involved obligations of RTC. Neither Mr. Massey nor Mr. James receive any compensation in connection with these guarantees. While none of the related party transactions may be deemed to have been negotiated at arms' length, all such transactions were approved by the independent members of the RTC Board of Directors and, in the opinion of Company management, all such transactions were fair and are upon terms which were at least as favorable as could have been obtained from independent third parties. To the extent that Messrs. Massey and James continue to be guarantors of such obligations, the Company has agreed to indemnify each of them from any losses that they may incur resulting from such guarantees.

The infusion of capital provided by net proceeds from the public offering of the Company's stock in July 1992 and the subsequent merger of the Company and RTC in July 1992 substantially reduced or eliminated many actual and potential conflicts of interest as financial assistance from related parties was no longer required and the effect of existing financial arrangements with related parties (primarily guaranteed leases and loans) was diminished due to the enhanced

ability of Drive Thru and RTC to pay the guaranteed obligations. Also, consummation of the merger eliminated many actual and potential conflicts which arose as a result of the two companies being engaged in the same general business and from having common directors and officers.

On June 1, 1993, the Company and Mr. Massey entered into an agreement pursuant to which Mr. Massey resigned his positions with RTC and agreed to the termination of his employment contract effective June 1, 1993. Mr. Massey acquired two restaurants from RTC in consideration of a $340,000 note payable to RTC and relinquishment of any claims he may have had against the Company under the aforementioned employment contract. Mr. Massey operated the two restaurants as a franchisee of RTC. Mr. Massey transferred ownership of these restaurants to Hot Concepts in October 1995. The termination of Mr. Massey's employment at RTC was part of management's ongoing program to reduce overhead and attain profitability for RTC.

Messrs. Hoback and Gordon have each entered into employment agreements with the Company in July 1994 that provide for the payment of compensation equal to one year's base salary, expense allowance, and other benefits in the event of the sale of all or substantially all of the assets of the Company or its stock to an unrelated party, or a merger, acquisition, reorganization or other similar transaction in which the Company is not the surviving entity.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit Number	Description	Location
2.1	Acquisition Agreement between Registrant and RTC, as amended	(6) - Exhibit 2.1
3.1	Articles of Incorporation of the Registrant	(1) - Exhibit 3.1
3.2	Amendment to Articles of Incorporation of the Registrant dated January 23, 1990	(2) - Exhibit 3.1
3.4	Bylaws of the Registrant	(1) - Exhibit 3.2
3.5	Amendment to Bylaws of Registrant dated June 8, 1992	(6) - Exhibit 3.3A
4.11.	Form of Warrant Certificate for the purchase of an aggregate of 920,000 shares of Registrant's Common Stock issued in 1990 public offering	(3) - Exhibit 4.2
4.12.	Form of Underwriters' Warrant for the purchase of 80,000 shares issued in connection with 1990 public offering	(3) - Exhibit 1.4
4.13.	Form of Underwriters' Warrant for the purchase of 69,000 units issued in connection with 1992 public offering	(6) - Exhibit 1.4
4.14.	Form of Warrant Certificate for the purchase of an aggregate of 720,000 shares of Registrant's common stock issued in 1992 public offering	(6) - Exhibit 4.4
4.15.	Amended and Restated Warrant Agreement	(6) - Exhibit 4.3
4.16.	Form of Warrant Certificate to purchase an aggregate of 105,000 shares of Registrant's common stock issued in November 1991 Private Offering	(5) - Exhibit 4.2
4.17.	Form of registration rights agreement relating to 105,000 shares of the Registrant's common stock issuable upon exercise of warrants issued in November 1991 Private Offering	(5) - Exhibit 4.3
4.18.	Form of Warrant Certificate for the purchase of an aggregate 50,000 shares of Registrant's Common Stock issued to limited partners of Good Times Limited Partnership I	(6) - Exhibit 4.14
4.19.	Incentive Stock Option Plan of Registrant	(6) - Exhibit 4.9
4.20.	Non-Statutory Stock Option Plan of Registrant	(6) - Exhibit 4.10

4.21.	1992 Incentive Stock Option Plan of Registrant	(6) - Exhibit 4.18
4.22.	1992 Incentive Stock Option Plan of Registrant, as amended	(7) - Exhibit 4.20
4.23.	1992 Non-Statutory Stock Option Plan of Registrant	(6) - Exhibit 4.19
4.24.	1992 Non-Statutory Stock Option Plan of Registrant, as amended	(7) - Exhibit 4.22
4.25.	Form of warrant dated June 1, 1995 for the purchase of 50,000 shares of Registrant's Common Stock at an exercise price of $1.40 per share issued to Boulder Radiologists Inc., Defined Benefit Plan - Dubach, of indebtedness by Registrant to Dr. Kenneth Dubach	*
10.1	Acquisition Agreement dated April 29, 1992, by and among Registrant, RTC Acquisition Company and Round The Corner Restaurants, Inc., including the Plan of Merger attached thereto	(6) - Exhibit 2.1
10.2	Underwriting Agreement between Registrant and Cohig & Associates, Inc. dated June 21, 1990	(3) - Exhibit 1.1
10.3	Underwriting Agreement between Registrant and Cohig & Associates, Inc. dated June 15, 1992	(6) - Exhibit 1.1
10.4	Form of Agreement of Limited Partnership of Good Times Limited Partnership I	(5) - Exhibit 10.16
10.5	Employment Agreement dated March 17, 1992, between Registrant and Boyd E. Hoback	(6) - Exhibit 10.38
10.6	Promissory Note dated February 1, 1989, in the principal amount of $150,000 payable by Registrant and guaranteed by certain officers and directors of the Registrant to Boulder Radiologists Inc. Defined Benefit Plan - Dubach	(6) - Exhibit 10.21
10.7	Stipulation and Order dated February 13, 1990, requiring RTC-Colorado to pay Village on the Park Associates the sum of $328,000 in monthly installments of principal and interest at the rate of 4% per annum through November 1994, as executed	(6) - Exhibit 10.47
10.8	Form of Subscription Agreement used in connection with the purchase by Good Times of limited partnership interests in RTC Limited of Colorado, RTC Limited of Colorado - 1986 and Good Times Limited Partnership I	(7) - Exhibit 10.42
10.9	Development Agreement dated April 9, 1993, with Fast Restaurants, Inc.	(7) - Exhibit 10.43
10.10	Warranty Deed dated May 1, 1993, in connection with the sale of the Arapahoe Road Good Times restaurant to Fast Restaurants, Inc. for the sum of $1,088,174.80	(7) - Exhibit 10.44
10.11	Purchase Agreement dated May 3, 1993, between RTC, Good Times and B. Edwin Massey	(7) - Exhibit 10.45
10.12	Franchise Agreement between RTC and Ed Massey & Associates, Inc.	(7) - Exhibit 10.46
10.13	Supplemental Agreement between RTC and Ed Massey & Associates, Inc.	(7) - Exhibit 10.47
10.14	Promissory Note dated June 1, 1993, from Ed Massey & Associates, Inc. to RTC in the principal amount of $340,000	(7) - Exhibit 10.48
10.15	Promissory Note made by Fast Restaurants, Inc. and Colfax & Krameria Inc. to	

	Good Times in the principal amount of $280,000	(7) - Exhibit 10.49
10.16	Lease Termination and Purchase and Sale Agreement dated February 25, 1993, between Good Times and Fruehauf Investments, Ltd.	(7) - Exhibit 10.50
10.17	Promissory Note dated March 30, 1993, made by Good Times to Fruehauf Investments, Ltd. in the principal amount of $250,000	(7) - Exhibit 10.51
10.18	Master Equipment Lease Agreement dated March 16, 1993, between Community Bank of Parker and Good Times	(7) - Exhibit 10.54
10.19	Registration Rights Agreement dated September 30, 1993, between Good Times Restaurants Inc. and James M. Mansour	(7) - Exhibit 10.55
10.20	Franchise Agreement between Good Times Drive Thru Inc. and Colfax & Krameria Inc. dated August 1, 1993	(7) - Exhibit 10.56
10.21	Letter Agreement dated September 30, 1993, between Registrant and James M. Mansour regarding Mr. Mansour's option to purchase at par up to $850,000 principal amount of secured convertible debentures from Registrant	(7) - Exhibit 10.57
10.22	Development Agreement dated September 30, 1993, between Good Times Drive Thru Inc. and Rocky Mountain Burgers, Inc.	(7) - Exhibit 10.58
10.23	Form of Management Agreement among Registrant and its wholly-owned subsidiaries, Good Times Drive Thru Inc. and Round The Corner Restaurants, Inc.	(7) - Exhibit 10.65
10.24	Form of Promissory Note dated October 17, 1994 by and between Good Times Restaurants Inc. and Messrs. Hoback, Gordon and Turrill, respectively, in connection with the Executive Stock Purchase Plan	(8) - Exhibit 10.66
10.25	Franchise Agreement between Round The Corner Restaurants, Inc. and Great Burgers, Inc. dated January 31, 1994	(8) - Exhibit 10.67
10.26	Form of Stock Purchase Letter Agreement dated as of October 17, 1994 by and between Good Times Restaurants Inc. and Messrs. Hoback, Gordon and Turrill, respectively, in connection with the Executive Stock Purchase Plan	(8) - Exhibit 10.68
10.27	Form of Uniform Commercial Code - Security Agreement by and between Good Times Restaurants Inc. and Messrs. Hoback, Gordon and Turrill, respectively, in connection with the Executive Stock Purchase Plan	(8) - Exhibit 10.69
10.28	Form of Promissory Note dated June 1, 1995 by and between Good Times Restaurants Inc. and Boulder Radiologist Inc. Pension Plan FBO Dubach in the amount of $300,000 due and payable on May 31, 2000	*
10.29	Lease by and between Sheridan Park 7 Partners, a Colorado limited partnership, and Good Times Restaurants Inc. in consideration for the payment of rent for office space in the aggregate amount of $350,796, commencing April 1, 1993 through April 1998	*
10.30	Master Lease Agreement in the aggregate amount of $2,000,000 between Capital Associates International, Inc., as Lessor, and Good Times Drive Thru Inc. as Lessee	*
10.31	Purchase letter agreement dated November 13, 1995 between Steakout, King of Steaks and Good Times Drive Thru Inc. for the purchase of assets of four Las Vegas	

	Good Times restaurants (without exhibits)	*
10.32	Employment Agreement agreed to September 14, 1994 between Registrant and Boyd E. Hoback	*
10.33	Employment Agreement agreed to July 14, 1994 between Registrant and Thomas A. Gordon	*
10.34	Form of Promissory Note dated November 3, 1995 by and between AT&T Commercial Finance Corporation, Boise Co-Development Limited Partnership, Good Times Drive Thru Inc. as general partner, and Good Times Restaurants Inc. as guarantor in the amount of $254,625.	*
10.35	Form of Promissory Note dated November 3, 1995 by and between AT&T Commercial Finance Corporation, Boise Co-Development Limited Partnership, Good Times Drive Thru Inc. as general partner, and Good Times Restaurants Inc. as guarantor in the amount of $104,055.	*
22.1	Subsidiaries of Registrant	(8)- Exhibit 22.1
23.1	Consent of HEIN + ASSOCIATES LLP	*

(1) Incorporated by reference from Registrant's Registration Statement on Form S-18 as filed with the Commission on November 30, 1988 (File No. 33-25810-LA).

(2) Incorporated by reference from Registrant's current report on Form 8-K dated January 18, 1990 (File No. 33-25810-LA).

(3) Incorporated by reference from Registrant's Registration Statement on Form S-1 as filed with the Commission on March 26, 1990 (File No. 33-33972).

(4) Incorporated by reference from Registrant's Form 10-K for the fiscal year ended September 30, 1990

(5) Incorporated by reference from Registrant's Form 10-K for the fiscal year ended September 30, 1991

(6) Incorporated by reference from Registrant's Registration Statement on Form S-1 as filed with the Commission on March 27, 1992 (File No. 33-46813).

(7) Incorporated by reference from Registrant's Form 10-K for the fiscal year ended September 30, 1993

(8) Incorporated by reference from Registrant's Form 10-KSB for the fiscal year ended September 30, 1994.

* Filed herewith.

(b) Form 8-K, filed with the Commission October 16, 1995 pursuant to the Company completing the sale of 100% of the stock of Round The Corner Restaurants, Inc. ("RTC"), its wholly-owned subsidiary, to a private investor and members of RTC's management team as of September 29, 1995.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 10, 1996 GOOD TIMES RESTAURANTS INC.

By: /s/ Boyd E. Hoback, President
Boyd E. Hoback, President

Pursuant to the requirements of Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE

/s/ Dan W. James, II Dan W. James II	Chairman, Director	December 29, 1995
/s/ Boyd E. Hoback Boyd E. Hoback	President, Chief Executive Officer and Director	January 10, 1996
/s/ Thomas A. Gordon Thomas A.Gordon	Executive Vice President, Chief Financial Officer, Secretary/Treasurer, Director	January 10, 1996
/s/ B. Edwin Massey B. Edwin Massey	Director	December 28, 1995
/s/ Thomas P. McCarty Thomas P. McCarty	Director	December 29, 1995
/s/ Alan A. Teran Alan A. Teran	Director	January 10, 1996
/s/ Richard J. Stark Richard J. Stark	Director	December 27, 1995

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SECURITIES REASONABLY SATISFACTORY TO THE COMPANY STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT.

WARRANT TO PURCHASE COMMON STOCK

OF

GOOD TIMES RESTAURANTS INC.

This is to certify that, for value received, BOULDER RADIOLOGISTS INC., DEFINED BENEFIT PLAN-DUBACH, or its registered assigns ("Holder"), is entitled to purchase, subject to the provisions of this Warrant, from Good Times Restaurants Inc., a Nevada corporation (the "Company"), 50,000 shares of common stock, $.001 par value per share, of the Company (the "Common Stock"), at a purchase price per share as set forth herein. The number of shares of Common Stock to be received upon the exercise of this Warrant and the price to be paid for a share of Common Stock shall be adjusted from time to time as hereinafter set forth. The shares of Common Stock deliverable upon such exercise, and as adjusted from time to time, are hereinafter sometimes referred to as "Warrant Stock" and the exercise price of a share of Common Stock in effect at any time and as adjusted from time to time is hereinafter sometimes referred to as the "Exercise Price."

(a) Expiration of Warrant. This Warrant may be exercised in whole or in part at any time or from time to time on or after the date hereof but prior to the earlier to occur of (i) May 31, 2000, or (ii) a sale of substantially all of the stock or assets of the Company or a merger of the Company in a transaction in which it is not the surviving corporation, provided that the term surviving corporation shall not apply to the Company in a reverse triangular merger where the Company has become a wholly owned subsidiary of another corporation.

(b) Exercise of Warrant. This warrant shall be exercised by presentation and surrender hereof to the Company with the Purchase Form annexed hereto duly executed and accompanied by payment of the Exercise Price for the number of shares specified in such form, together with all federal and state taxes applicable upon such exercise. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for

cancellation, execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the Warrant Stock. Upon receipt by the Company of this Warrant at the office of the Company, in proper form for exercise, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder.

(c) Exercise Price. The Exercise Price shall be $1.40 per share of Common Stock, except that the Exercise Price shall be subject to adjustment from time to time as provided in Section (g) .

(d) Reservation of Shares. The Company hereby agrees that at all times there shall be reserved for delivery upon exercise of this Warrant such number of shares of Common Stock as shall be required for issuance or delivery upon exercise of this Warrant and that the par value of such shares will at all times be less than the applicable Exercise Price.

(e) Assignment or Loss of Warrant. This Warrant is assignable by the Holder in whole or in part, subject to the provisions of paragraph (k) hereof. Any such assignment shall be made by surrender of this Warrant to the Company, with the Assignment Form annexed hereto duly executed and funds sufficient to pay any transfer tax. Upon any assignment of this Warrant as aforesaid, the Company shall, without charge, execute and deliver a new Warrant of like tenor registered in the name of the assignee named in such Assignment Form entitling the assignee to purchase the number of shares of Common Stock purchasable hereunder (or under the portion hereof so assigned) and, in the event this Warrant shall be assigned in part, shall execute and deliver to the Holder hereof a new Warrant registered in the name of the Holder entitling him to purchase the balance of the number of shares of Common Stock purchasable hereunder, and this Warrant shall promptly be cancelled. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, or destruction or mutilation of this Warrant, and (in case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered shall constitute an additional contractual obligation on the part of the Company, whether or not this Warrant so lost, stolen, destroyed'. or mutilated shall be at any time enforceable by anyone.

(f) Rights of the Holder. The Holder shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or equity. The rights of the Holder are

limited to those expressed herein and are not enforceable against the Company except to the extent set forth herein.

(g) Anti-Dilution Provisions:

(1) Adjustment in Exercise Price. In case the Company shall at any time issue Common Stock or securities convertible into Common Stock by way of dividend or other distribution on any stock of the Company or subdivide or combine the outstanding shares of Common Stock, the Exercise Price shall be proportionately decreased in the case of such issuance (on the day following the date fixed for determining the Company shareholders entitled to receive such dividend or other distribution) or decreased in the case of such subdivision or increased in the case of such combination (on the date that such subdivision or combination shall become effective).

(2) No Adjustment for Small Amounts. Anything in this Section (g) to the contrary notwithstanding, the Company shall not be required to give effect to any adjustment in the Exercise Price unless and until the net effect of one or more adjustments, determined as above provided, shall have required a change of the Exercise Price by at least five cents ($.05), but when the cumulative net effect of more than one adjustment so determined shall be to change the actual Exercise Price by at least five cents ($.05), such change in the Exercise Price shall thereupon be given effect.

(3) Number of Shares Adjusted. Upon any adjustment of the Exercise Price, the Holder of this Warrant shall thereafter (until another such adjustment) be entitled to purchase, at the new Exercise Price, the number of shares, calculated to the nearest full share, obtained by multiplying the number of shares of Common Stock issuable upon exercise of this Warrant immediately prior to such adjustment by the Exercise Price in effect immediately prior to such adjustment and dividing the product so obtained by the new Exercise Price.

(4) Common Stock Defined. Whenever reference is made in this Section (g) to the issue or sale of shares of Common Stock, the term "Common Stock" shall mean the Common Stock of the Company of the class authorized as of the date hereof and any other class of stock ranking on a parity with such Common Stock. However, subject to the provisions of Section (j) hereof, shares issuable upon exercise hereof shall include only shares of the class designated as Common Stock of the Company as of the date hereof.

(h) Officer's Certificate. Whenever the Exercise Price shall be adjusted as required by the provisions of Section (g) hereof, the Company shall forthwith file in the custody of its

Secretary or an Assistant Secretary at its principal office, and with its agent, if any, an officer's certificate showing the adjusted Exercise Price determined as herein provided and setting forth in reasonable detail the facts requiring such adjustment. Each such officer's certificate shall be made available at all reasonable times for inspection by the Holder and the Company shall, forthwith after each such adjustment, deliver a copy of such certificate to the Holder. Such certificate shall be conclusive as to the correctness of such adjustment.

(i) Notices to Warrant Holders. So long as this Warrant shall be outstanding and unexercised, if (i) the Company shall pay any dividend or make any distribution upon the Common Stock, or (ii) the Company shall offer to the holders of Common Stock for subscription or purchase by them any shares of stock of any class or any other rights, or (iii) any capital reorganization of the Company, reclassification of the capital stock of the Company, consolidation or merger of the Company with or into another corporation, or voluntary or involuntary dissolution, liquidation or winding up of the Company shall be effected, then, in any such case, the Company shall cause to be delivered to the Holder at least twenty (20) days prior to the date referred to in (iv), (v) or (vi) below, as the case may be, a notice containing a brief description of the proposed action and stating the date on which (iv) a record is to be taken for the purpose of such dividend, distribution or rights, or (v) such reclassification, reorganization, consolidation, merger, conveyance, lease, dissolution, liquidation or winding up is to take place and the date, if any, to be fixed, as of which the holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, liquidation or winding up, or (vi) such public offering is to be completed.

(j) Reclassification, Reorganization, Etc. In case of any reclassification, capital reorganization or other change of outstanding shares of Common Stock of the Company (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of an issuance of Common Stock by way of dividend or other distribution or of a subdivision or combination), the Company shall cause effective provision to be made so that the Holder shall have the right thereafter, by exercising this Warrant, to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization or other change. Any such provision shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. The foregoing provisions of this Section (j) shall similarly apply to successive reclassifications, capital reorganizations and changes of shares of Common Stock.

(k) Transfer to Comply with the Securities Act of 1933. This Warrant or the Warrant Stock or any other security issued or issuable upon exercise of this Warrant shall not be sold or transferred except in compliance with the Securities Act of 1933 (the "Act"), or an exemption thereunder and then only against receipt by the Company of an agreement of such person to comply with the provisions of this Section (k) with respect to any resale or other disposition of such securities.

(l) Holder Representations and Warranties. Holder is aware of the business affairs and financial condition of the Company and has acquired sufficient information about such company to reach an informed and knowledgeable decision to acquire this Warrant and the Warrant Stock. Holder has had the opportunity to ask questions of and receive answers from such company and any persons acting on its behalf concerning such company and to obtain any additional information necessary to verify the accuracy of any information received concerning such company, this Warrant, and the Warrant Stock. Holder is capable of bearing the economic risk and burdens of this investment, including the possibilities of complete loss and the lack of public market such that he may not be possible to readily liquidate this investment whenever desired. The offer to make this investment was directly communicated to Holder by the Company in such a manner that Holder was able to ask questions of and receive answers from the Company or persons acting on its behalf concerning the terms and conditions of this transaction, and at no time was Holder presented with or solicited by any leaflet, public promotional meeting, circular, newspaper or magazine article, radio or television advertisement or any other form of general advertising. Holder has had substantial experience in business or investments in one or more of the following: (a) investment experience with securities, such as stocks and bonds; (b) ownership of substantial interest in real property investments;(c) experience as a businessman and/or member of a profession, and therefore Holder is familiar with business and financial dealings and problems. Holder understands that this Warrant and the Warrant Stock have not been and will not be registered under the Act, and that in selling this Warrant and the Warrant Stock, the Company has relied upon the exemption from registration under the Act contained in Section 4(2), which exemption depends upon, among other things, the bona fide nature and veracity of Holder's representations and warranties in Sections (l) and (m) hereof.

(m) Holder's Representations and Warranties: Investment Purpose. Holder is purchasing this Warrant and the Warrant Stock for investment for his own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Act. Holder acknowledges and understands that this Warrant and the Warrant Stock must be held indefinitely unless they are subsequently registered under the Act or an

exemption from such registration is available. Holder understands that the certificate evidencing this Warrant and the Warrant Stock will be imprinted with a legend which prohibits the transfer of this Warrant and the Warrant Stock unless they are registered or the Company receives an opinion of Holder's counsel reasonably satisfactory to the Company to the effect that such registration is not required. Holder further understands that stop transfer instructions will be in effect with respect to the transfer of this Warrant and the Warrant Stock consistent with the above.

(n) Warrant Stock Registration Rights. If at any time the Company proposes to register any of its Common Stock under the Act on a form that would also permit the registration of the Warrant Stock, the Company shall use its best efforts to cause to be registered under the Act at its expense all of the Warrant Stock.

(o) Applicable Law. This Warrant shall be governed by and in accordance with the laws of the State of Colorado.

IN WITNESS WHEREOF, Good Times Restaurants Inc. and Holder have executed this Warrant to become effective as of the 1st day of June, 1995.

GOOD TIMES RESTAURANTS INC.,
a Nevada corporation

By: /s/ Boyd E. Hoback, President

HOLDER:

BOULDER RADIOLOGISTS, INC.,
DEFINED BENEFIT PLAN-DUBACH

By:
Kenneth F. Dubach

PURCHASE FORM

Dated: _____, 19___

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing _____ shares

of Common Stock and hereby makes payment of $_____ in payment of the actual exercise price thereof.

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name:
(Please type or print in block letters)

Address:

Signature:

ASSIGNMENT FORM

FOR VALUE RECEIVED,

_____

hereby sells, assigns and transfers unto

Name:
(Please type or print in block letters)

Address:

the right to purchase Common Stock represented by this Warrant to the extent of _____ shares as to which such right is exercisable and does hereby irrevocably constitute and appoint

attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Signature:

Dated: , 19___

PROMISSORY NOTE

$300,000 Effective as of June 1, 1995

FOR VALUE RECEIVED, the undersigned, Good Times Restaurants Inc., a Nevada corporation ("Maker"), promises to pay to the order of Boulder Radiologists Inc. Pension Plan FBO Dubach ("Holder"), the principal sum of Three Hundred Thousand Dollars ($300,000), with interest on the outstanding principal balance, payable quarterly, at the rate of twelve percent (12%) per annum from the date hereof until paid in full. The principal of this Note shall be due and payable on May 31, 2000. Payment shall be made in lawful money of the United States of America at such address as Holder may reasonably request.

This Note may be prepaid either in whole or in part at any time without premium or penalty and without the prior written consent of the Holder hereof.

Upon default in the payment of any principal or interest when due under this Note continuing for fifteen (15) days after notice thereof to Maker, the entire principal balance of this Note and all accrued interest shall, at the option of Holder, be immediately due and payable. After maturity (whether by acceleration or otherwise), any unpaid amounts of principal and interest shall bear interest at the rate of eighteen percent (18%) per annum until paid.

In the event of any reverse stock split of Maker's common stock, Holder, upon written notification to Maker, may accelerate this Note to be due and payable sixty (60) days after completion of such reverse stock split, provided, however, that Holder shall not have such right if Maker issues within such sixty-day period additional common stock purchase warrants to Holder so that Holder will own in the aggregate warrants to purchase 50,000 shares of Maker's common stock, all at the same exercise price, which price will have been adjusted as a result of the reverse stock split. For example, if Maker completes a one for two reverse stock split which, under the terms of the Stock Purchase Warrant issued to Holder contemporaneously with this Note, the Stock Warrant Exercise Price of $1.40 would be increased to $2.80 and the number of shares to be issued pursuant to exercise of the Warrant would be reduced from 50,000 shares to 25,000 shares, then Maker will issue an additional Stock Purchase Warrant to Holder entitling Holder to purchase 25,000 shares of stock at a Warrant Exercise price of $2.80.

Maker hereby waives presentment for payment, demand, notice of dishonor, protest and notice of protest. Should the

indebtedness represented by this Note or any part hereof be collected at law or in equity or in bankruptcy, receivership or other court proceedings, Maker agrees to pay, in addition to the principal and interest due and payable hereof, all expenses of collection, including reasonable costs and attorneys' fees. Maker also agrees to pay all costs and expenses which Holder may incur by reason of any default by Maker hereunder, including, without limitation, reasonable attorneys' fees with respect to legal services relating to any such default and the determination of the rights and remedies of Holder as a result thereof.

This Note shall be governed by the laws of the State of Colorado.

MAKER:

GOOD TIMES RESTAURANTS INC.,
a Nevada corporation

By: /s/ Thomas A. Gordon

Title: Chief Financial Officer

OFFICE LEASE

THIS LEASE is made in duplicate this 7th day of January, 19 93,by and between Sheridan Park 7 Partners, a Colorado Limited Partnership , hereinafter called "Lessor", and Good Times Restaurants Inc. , hereinafter called "Lessee",

WITNESSETH:

That in consideration of the payment of the rent and the keeping and performance of the covenants and agreements by Lessee, as hereinafter set forth, Lessor has agreed to lease and hereby does lease and demise unto Lessee the premises known and described as suite number 330, consisting of approximately 5,658 rentable square feet, as described on Exhibit A attached hereto and made a part hereof by reference, hereinafter called the "Leased Premises", and being a part of that building located at 8620 Wolff Court, Suite 330, Westminster, CO 80030 , hereinafter called the "Building".

TO HAVE AND TO HOLD the same, with all the appurtenances, unto Lessee, from 12 o'clock noon on the 1st day of April , 1993, for, during and until 12 o'clock noon on the 1st day of April , 1998, hereinafter the "Lease Term" at and for a rental for the full term aforesaid in the sum of Three Hundred Fifty Thousand Seven Hundred Ninety Six & 00/100 Dollars ($ 350,796.00), payable in installments, the initial payment being the sum of Five Thousand Six Hundred Fifty Eight and 00/100 Dollars ($5,658.00), together with rent adjustments as set forth hereinafter, due upon execution of this Lease. Thereafter installments of see paragraph 44 for rent schedule Dollars ($ -------) per month, together with rent adjustments as set forth hereinafter, the first such installment being due and payable on the first calendar month following the month in which falls the first day of this Lease with other installments being due and payable on the first day of each and every calendar month of said term thereafter until the full payment of the total sum shall be made. Base Rental Rate shall mean $ 12.00 per rentable square foot of the Leased Premises. All rentals shall be paid without notice at the office of Lessor in accordance with Paragraph 4 below. Any rentals or other amounts to be paid under the terms of this Lease, if not paid within five (5) days of due date, shall, at Lessor's sole discretion, accrue a late charge of five percent (5%).

1. SERVICES

Lessor agrees, without extra charge, except as provided below, during the period Lessee shall occupy the Leased Premises under the

terms hereof, to furnish such heated or cooled air to the Leased Premises during ordinary business hours as may in the judgement of Lessor and in compliance with all applicable government regulations, be reasonably required for the comfortable use and occupancy of the Leased Premises; to provide the use of passenger elevators, if applicable, for access and egress to and from the Leased Premises at all times during ordinary business hours; to provide janitorial service for the Leased Premises (including such window washing as may in the judgment of Lessor be reasonably required); and to cause electric current to be supplied for lighting the Leased Premises and public halls, but it is understood that Lessee shall use such electric current as shall be supplied by Lessor only for lighting and standard office equipment and shall pay on demand to Lessor for the waste of electric current or unreasonable or extraordinary demand. Therefore, Lessee shall pay Lessor as additional rent the cost of electrical current for any non-standard office equipment. Portable cooling and heating units are not permitted. Lessor shall pay the cost of replacing light bulbs or tubes used in Lessor's ceiling fixtures in the Leased Premises.

1A.Additional and After - hour Services:

Lessor shall not be obligated to furnish any services or utilities, other than those stated above. If Lessor elects to furnish services or utilities requested by Lessee in addition to those listed or at times other than those stated, Lessee shall pay to Lessor the prevailing charges for such services and utilities, within 10 days after billing. If Lessee fails to make any such payment, Lessor may, without notice to Lessee and in addition to Lessor's other remedies under this Lease, discontinue any or all of such additional or after-hour services. No such discontinuance of any service shall result in any liability of Lessor to Lessee or be considered an eviction or a disturbance of Lessee's use of the Premises.

2. INTERRUPTION OR DISCONTINUANCE OF LESSOR'S SERVICE.

Lessee agrees that Lessor shall not be liable for failure to supply any such heating, air conditioning, elevator, janitor or lighting service, during any period when Lessor uses due diligence to supply such services, it being understood that Lessor reserves the right temporarily to discontinue such services, or any of them, at such times as may be necessary by reason of accident, unavailability of employees, repairs, alterations or improvements, or whenever by reason of strikes, lockouts, riots, acts of God or any other happening beyond control of Lessor, Lessor is unable to furnish such services.

3. QUIET ENJOYMENT

Lessor agrees to warrant and defend Lessee in the quiet enjoyment and possession of the Leased Premises during the term of this Lease.

4. PAYMENT OF RENT

Lessee agrees to pay all rents and sums to be paid to Lessor hereunder at the times and in the manner herein provided. Rental checks will be made payable to the order of: DENCOL/Sheridan Park 7 and be paid at: 8753 Yates Drive, Suite 220, Westminster, CO 80030. Lessor reserves the right to change the party to whom payment will be made and the address of the same by providing 15 days prior written notice to Lessee.

Lessee's covenants to pay rental and other sums due under this Lease are independent of any other covenant, condition, provision or agreement herein contained, and said rental payments shall not be subject to offsets or deductions of any kind by Lessee.

4A.Returned Check Fee:

A fee of the greater of $25.00 or actual cost associated to the returned check shall be paid by the Lessee to the Lessor for any returned check.

5. DEPOSIT

Lessee, concurrently with the execution of this Lease, has deposited with Lessor and shall keep on deposit at all times during the term of this Lease, the sum of Five Thousand Six Hundred Fifty Eight and 00/100 Dollars ($ 5,658.00) for the purpose hereinafter set for, to be held by Lessor at: 3680 Iquana Drive, Colorado Springs, Colorado 80910 , in a non-interest bearing account. If at any time during the term of this Lease, Lessee shall be in default in the performance of any of the terms, provisions, covenants or conditions of this Lease, Lessor shall have the right to apply said deposit, or so much thereof as may be necessary, toward the reimbursement for any physical damage to the Leased Premises and for any attorney's fees and legal costs incurred by Lessor by reason of such default; and in the event such deposit shall be diminished by any such payment from or application of the same, Lessee shall and will forthwith pay to Lessor, or its agent, as Lessor may request, such sum as shall be necessary to restore said deposit to the original amount mentioned above. If the amount of said deposit shall be insufficient to pay, reimburse and fully discharge such expenses and damages, Lessee shall be and remain liable for the balance thereof remaining unpaid, and shall pay the amount of such deficiency to Lessor. After the termination of the Lessee's tenancy, Lessor shall return to Lessee such part or portion of said deposit as shall not be required to pay, discharge and reimburse Lessor for the said expenses and damages.

In the event the property in which the Leased Premises is

located is sold or otherwise conveyed, or a new management agent is named by Lessor, said security deposit may be transferred by Lessor to the new owner of the property or new management agent, and notice thereof shall be given to Lessee.

6. INSURANCE

(1) Lessee, at its expense, shall maintain in force during the Term: comprehensive general liability insurance, which shall include coverage for personal liability, contractual liability, bodily injury, death and property damage, all on an occurrence basis with respect to the business carried on in or from the Premises and Lessee's use and occupancy of the Premises, with coverage for any one occurrence or claim of not less than $1,000,000 or such other amount as Lessor may reasonably require upon not less than six months' prior written notice, which insurance shall include Lessor as an additional named insured and shall protect Lessor in respect of claims by Lessee as if Lessor were separately insured;

(2) Lessor agrees to maintain adequate insurance on said building, including amounts sufficient to restore tenants structural improvements (excluding trade fixtures or equipment).

All insurance required to be maintained by Lessee shall be on terms with insurers reasonably acceptable to Lessor. Each policy shall contain an undertaking by the insurer that no material change adverse to Lessor or Lessee will be made, and the policy will not lapse or be canceled, except after not less than 30 days' prior written notice to Lessor of the intended change, lapse or cancellation. Lessee shall furnish to Lessor, if and whenever requested by it, certificates or other evidences acceptable to Lessor as to the insurance from time to time effected by Lessee and its renewal or continuation in force.

(3) Lessor and Lessee waive any and all rights to recover against the other or against any occupant of the building for any loss or damage to such waiving party arising from any cause covered by any insurance policy carried by such party. Each party will deliver to the other, appropriate waiver of subrogation rights endorsements to all such policies.

7. RENT ADJUSTMENTS--CONSUMER PRICE INDEX

8. RENT ADJUSTMENTS--OPERATING COST INCREASES

Lessee covenants and agrees to pay as Additional Rental an amount equal to Lessee's proportionate share of any increase in the amount of "Direct Operating Expenses" and "Real Estate Taxes" as said terms are hereinafter defined. (a) DIRECT OPERATING EXPENSES: All direct costs of operation and maintenance determined by standard accounting practices which shall include all costs, expenses and disbursements of every kind and nature which Lessor

shall pay or become obligated to pay in connection with the management, operation, maintenance, replacement and repair of all buildings, improvements and land comprising the Building and of the personal property, fixtures, machinery, equipment, systems and apparatus located in or used in connection therewith. By way of illustration, Direct Operating Expenses shall include but not be limited to the following: electricity, lamps, fluorescent tubes, ballasts, steam, fuel, utility costs, utility taxes, water (including sewer charges and/or rental), casualty and liability insurance, repairs and cleaning, janitorial supplies, management fees, service contracts with independent contractors, telephone, grounds maintenance, stationary advertising, equipment necessary for the maintenance and operation of the Building, reasonable reserves for operating expenses, salaries, wages, payroll charges and/or taxes, worker's compensation, hospitalization, medical, surgical, and general welfare benefits (including life insurance) and pension payments of employees of Lessor engaged in the operation and maintenance of the Building of which the Demised Premises form a part.

("Direct Operating Expenses" shall not include depreciation on the Building of which the Demised Premises are a part or equipment therein, loan payments, real estate brokers commissions, or capital expenditures for tenant finish expenses for other tenants or capital improvements to said building.)

(b) Real Estate taxes shall mean and include all general and special taxes and assessments levied upon or assessed against the Building. If at any time during the term of this Lease the method taxation of real estate prevailing at the time of execution hereof shall be or has been altered so as to cause the whole or any part of the taxes now or hereafter levied, assessed or imposed upon Lessor wholly or partially as a capital levy or measured by the rents received therefrom, then such new or altered taxes attributable to the Demised Premises shall be deemed to be included within the term "Real Estate Taxes" for the purpose of this paragraph, except that such shall not be deemed to include any enhancement of said tax attributable to other income or other ownerships of Lessor. Lessee shall in no event be responsible to reimburse Lessor for any general income tax liabilities incurred by Lessor.

(c) If the Direct Operating Expenses and Real Estate Taxes, respectively, paid or incurred by the Lessor for any year on account of the operation or maintenance of the Building of which the Demised Premises are a part are in excess of the actual Direct Operating Expenses and Real Estate Taxes for the Building for the calendar year (hereinafter called the "Base Year"), then the Lessee shall pay such excess amount multiplied by the Lessee's approximate proportionate share of the net rentable square footage of the Building. Lessee's approximate proportionate share is of the Building is %.

Lessor shall by the end of the first calendar quarter of each year during the term of the Lease, determine if the Direct Operating Expenses and Real Estate Taxes paid or incurred by Lessor exceed the actual cost to operate the Building during the Base Year. Lessor shall then give Lessee a written statement of said increase and statement of the additional rent payable by Lessee hereunder. (Failure by Lessor to give such statement shall not be deemed to constitute a waiver by Lessor of its right to require an increase in rent.) Lessee shall pay, either in a lump sum or with the permission of Lessor in four equal quarterly installments, the amount of any increases due hereunder. Lessee, upon prior written notice to Lessor and at Lessee's sole cost and expense, shall be entitled to inspect Lessor's books and records for the Building to confirm any rental adjustments as contemplated herein. Such right of inspection shall be limited to one (1) inspection per year and Lessee under no circumstances shall be entitled to withhold or delay payment of Additional Rent hereunder until Lessee inspects or completes his inspection of Lessor's books and records. At no time shall the rental amount be less than the base rental amount.

(d) Even though the term of the Original Lease has expired and Lessee has vacated the Demised Premises, when the final determination is made of Lessee's share of Direct Operating Expenses and/or Real Estate Taxes for the year in which this Lease terminates, Lessee shall immediately pay any Additional Rent due for expenses paid by Lessor.

(e) In the event the term of this Lease shall expire or be terminated on a day other than the last day of the year, then the Additional Rent due hereunder for the then current year may be estimated by Lessor in its discretion and shall be prorated and payable by Lessee upon Lessor's demand.

(f) Amounts payable by Lessee according to this Paragraph 8 will be payable as rent, without deduction or offset. If Lessee fails to pay any amounts due according to this Paragraph 8, Lessor will have all the rights and remedies available to it on account of Lessee's failure to pay rent.

9. CHARACTER OF OCCUPANCY

Lessee agrees to occupy the Leased Premises as business offices only and to use them in a careful, safe and proper manner; to pay on demand for any damage to the Leased Premises caused by misuse or abuse of the Leased Premises by Lessee, its agents or employees, or by any other person entering upon the Leased Premises under express or implied invitation of Lessee; not to use or permit the Leased Premises to be used for any purposes prohibited by the laws of the United States or any applicable state, county, or city law, statute, regulation or ordinance; and not to commit waste nor

suffer nor permit waste to be committed nor permit any nuisance on or in the Leased Premises.

10. ALTERATIONS BY LESSOR

Lessee agrees to permit Lessor at any time to enter the Leased Premises to examine and inspect the same or make such repairs, additions or alterations as Lessor may deem necessary or proper for the safety, improvement or preservation thereof, and it is expressly understood that Lessor shall at all times have the right at its election to make such alterations or changes in other portions of the Building as it may from time to time deem necessary and desirable, as long as such alterations and changes do not unreasonably interfere with Lessee's use and occupancy of the Leased Premises.

11. ALTERATIONS BY LESSEE

Lessee agrees to make no alterations in or additions to the Leased Premises without first obtaining the written consent of Lessor; and all alterations, additions or improvements made by either party at the expense of the Lessee (except only movable office furniture not attached to the Building) shall be deemed a part of the real estate and the property of Lessor and shall remain upon and be surrendered with the Leased Premises as a part thereof, without molestation, disturbance or injury at the end of said term, whether by lapse of time or otherwise. At its option, Lessor may require removal of all improvements made by Lessee to the Leased Premises and that the Leased Premises be returned to their condition at the time this Lease was executed. In the event Lessee makes any additions, alterations or improvements in excess of $1,000.00, a performance bond shall be posted by the Lessee insuring the Lessor against any liability for mechanic's liens.

Lessee shall not permit any lien or claim for lien of any mechanic, laborer or supplier or any other lien to be filed against the Complex, the Building, the Common Areas, the land which comprises the Complex, the Premises, or any part of such property arising out of work performed, or alleged to have been performed by, or at the direction of, or on behalf of Lessee. If Lessee fails to have such lien or claim for lien so released or to deliver such bond to Lessor, Lessor without investigating the validity of such lien, may pay or discharge the same and Lessee shall reimburse Lessor upon demand for the amount so paid by Lessor, including Lessors expenses and attorneys' fees.

12. REPAIRS

Lessee agrees to keep the Leased Premises in as good order, condition and repair as when they were entered upon, loss by fire (unless caused by negligence of Lessee, its agents, employees or invitees), inevitable accident or ordinary wear excepted.

12A.Lessor's Maintenance:

Lessor, at its expense, shall maintain and make necessary repairs to the structural elements and exterior windows of the Building and the Common Areas, and the electrical, plumbing, heating, ventilation and air conditioning systems therein during regular business hours, except that:

(1)Lessor shall not be responsible for the maintenance, repair or replacement of any such systems which are located within the Premises and are supplemental or special to the Building's standard systems, whether installed pursuant to the Work Agreement or otherwise; and

(2) The cost of performing any of said maintenance or repairs caused by the negligence of Lessee, its employees, agents, servants, licensees, subtenants, contractors or invitees, or the failure of Lessee to perform its obligations under this Lease, shall be paid by Lessee except the extent of insurance proceeds, if any, actually collected by Lessor with regard to the damage necessitating such repairs; and

(3) Lessor shall not be responsible for the repair of any floor coverings. The Lessor shall also not be responsible for the repair or maintenance of any wall finish or covering within the demised area; and

(4) Lessee agrees, at its expense, to use chair pads for all areas with carpeting to protect said carpet in the demised premises.

13. ASSIGNMENT AND SUBLETTING

Lessee shall not assign this Lease or any right hereunder or sublet the Leased Premises or any part thereof, nor permit any persons other than Lessee and its employees to operate in said Leased Premises without the prior written consent of Lessor, which consent shall not be unreasonably withheld for assigning or subletting to a tenant whose occupancy and use of the Leased Premises is compatible with the use and overall plan of Lessor. Lessor shall have the absolute right to withhold its consent to an assignment or subletting of the Leased Premises if Lessee is in breach of this Lease. A consent to any assignment of this Lease or any subletting of said Leased Premises shall not constitute a waiver or discharge of the provisions of this paragraph with respect to a subsequent assignment or subletting.

In the event Lessor consents to any assignment of this Lease or subletting of the Leased Premises, and as a condition thereto, Lessee shall pay to Lessor fifty percent (50%) of all profit derived by Lessee from such assignments or subletting. For purposes of the foregoing, profit shall be deemed to include, but shall not be limited to, the amount of all rent payable by such assignee or sublessee in excess of the Base Rental Rate and any adjustments thereto as defined in Paragraphs 7 and 8 above. If a

part of the con-sideration for such assignment or subletting shall be payable other than in cash, the payment to Lessor shall be in cash for its share of any non-cash consideration based upon the fair market value thereof.

In the event a sublease or assignment is made as herein provided, Lessee shall pay Lessor a charge of TWO HUNDRED AND 00/100 DOLLARS ($200.00) in order to reimburse Lessor for all of the necessary legal and accounting services required in order to accomplish such assignment or subletting.

14. ASSIGNMENT OR SALE BY LESSOR

In the event Lessor shall assign this Lease and/or sell or convey the Building, the same shall operate to release Lessor from any future liability upon any of the covenants or conditions, express or implied, herein contained in favor of Lessee, and in such event Lessee agrees to look solely to the successor in interest of Lessor in and to this Lease. This Lease shall not be affected by such assignment or sale, and Lessee agrees to attorn to the purchaser or assignee.

15. INJURY TO PERSON OR PROPERTY

Lessee agrees to neither hold nor attempt to hold Lessor liable for injury or damage, either proximate or remote, occurring through or caused by any repairs, alterations, injury or accident to the Leased Premises, whether by reason of the negligence or default of the owners or occupants thereof, or any other person, or otherwise, nor liable for any injury or damage occasioned by gas, smoke, rain, snow, defective electric wiring or breaking or stoppage of the plumbing or sewerage upon or in the Leased Premises.

16. INDEMNITY TO LESSOR

Lessee agrees to indemnify and save Lessor harmless of and from all liability for damages or claims against Lessor on account of injuries to the person or property of any other tenant in the Building or to any other person rightfully in the Building for any purpose whatsoever, where the injuries are caused by the negligence or misconduct of Lessee, its agents, servants or employees, or of any other person entering upon the Leased Premises under express or implied invitation of Lessee or where such injuries are the result of the violation of laws or ordinances, governmental orders of any kind, or any of the rules and regulations provided for in this Lease. Lessor shall indemnify Lessee the same.

17. ESTOPPEL CERTIFICATE

Lessee agrees that from time to time upon not less than ten (10) days prior written request by Lessor, Lessee (or any permitted assignee, sublessee, licensee, concessionee or other occupant of

the Premises claiming by, through or under Lessee) will deliver to Lessor, a statement in writing signed by Lessee certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and identifying the modifications); (b) the dates to which the rent and other charges have been paid; (c) that Lessor is not in default under any provision of this Lease, or, if in default, the nature thereof in detail; (d) that Lessee is in occupancy and paying rent on a current basis with no rental offsets or claims; (e) that there has been no prepayment of rent other than that provided for in this Lease; (f) that there are no actions, whether voluntary or otherwise, pending against Lessee under the bankruptcy laws of the United States or any State thereof, and (g) such other matters as may be required by a prospective purchaser of the Building. Lessee's failure to deliver such a statement within the specified time shall be conclusive upon Lessee that this Lease is in full force and effect, without modification except as may be represented by Lessor, that there are no uncured defaults in Lessor's performance and that not more than one month's rental has been paid in advance.

18. SURRENDER AND NOTICE

Lessee agrees to surrender and deliver possession of the Leased Premises promptly at the expiration of this Lease, or in the case of the termination of this Lease by Lessor by reason of a breach in any one or more of the covenants or agreements hereof, upon three (3) days notice after Lessor follows the required legal process.

19. ACCEPTANCE OF PREMISES BY LESSEE

Lessor and Lessee agree that the taking possession of the Leased Premises by Lessee shall be conclusive evidence as against Lessee that said premises were in good and satisfactory condition when possession was taken (except for latent defects).

20. FIRE, RESTORATION OF PREMISES

Lessor and Lessee agree that if the Leased Premises, or the Building shall be so damaged by fire or other casualty as to render the Leased Premises wholly untenantable, and if such damage shall be so great that a competent architect, in good standing and selected by Lessor, shall certify in writing to Lessor and Lessee that the Leased Premises with the exercise of reasonable diligence, cannot be made fit for occupancy within ninety (90) days from the happening thereof, then this Lease shall cease and terminate from the date of the occurrence of such damage; and Lessee thereupon shall surrender to Lessor the Leased Premises and all interest therein hereunder, and Lessor may reenter and take possession of the Leased Premises and remove Lessee therefrom. Lessee shall pay rent, duly apportioned, up to the time of such termination of this uch termination of this

ventilation and air conditioning systems therein during regular the Leased Premises can be made tenantable within said ninety (90) day period from the happening of such damage, then Lessor shall repair the damage so done with all reasonable speed and the rent shall be abated only for the period during which Lessee shall be deprived of the use of the Leased Premises by reason of such damage and the repair thereof.

If the Leased Premises, without the fault of Lessee, shall be slightly damaged by fire or other casualty, but not so as to render the same untenantable, Lessor, after receiving notice in writing of the occurrence of the injury, shall cause the same to be repaired with reasonable promptness; and in such event, there shall be a proportionate abatement of the rent.

If the fire or other casualty causing injury to the Leased Premises or other parts of the Building shall have been caused by the negligence or misconduct of the Lessee, its agents, servants or employees, or if any other person entering upon the premises under express or implied invitation of Lessee, such injury shall be repaired by Lessor at the expense of Lessee, to the extent that such damage is not covered by insurance.

In case the Building throughout be so damaged, whether by fire or otherwise (though said Leased Premises may not be affected) that Lessor within sixty (60) days after the happening of such damage shall decide not to reconstruct, rebuild, or raze the Building, then upon thirty (30) days' notice in writing to that effect given by Lessor to Lessee, this Lease shall cease and terminate from the date of the occurrence of said damage, and Lessee shall pay the rent, properly apportioned up to such date, and both parties hereto shall be discharged of all further obligations hereunder.

21. EMINENT DOMAIN, TERMINATION OF LEASE

If the Leased Premises or such portion thereof as shall render the remaining portion unusable by the Lessee for its intended purpose shall be taken by right of eminent domain, then this Lease, at the option of either party, shall forthwith cease and terminate, and the current rent shall be properly apportioned to the date of such taking; and in such event Lessor shall receive the entire award for the lands and improvements so taken.

22. BREACH OF LEASE

If default shall be made in the payment of any sum to be paid by Lessee under this Lease, and such default shall continue for five (5) days, or default shall be made in the performance of any of the other covenants or conditions which Lessee is required to observe and to perform, and such default shall continue for twenty (20) days, or if the interest of Lessee, under this Lease shall be levied upon under execution, or other legal process, or if any petition shall be filed by or against Lessee to declare Lessee a bankrupt, for the reorganization or rehabilitation of Lessee or to

delay, reduce or modify Lessee's debts or obligations, if any, or modify Lessee's capital structure if Lessee be a corporation or other entity, or if Lessee be declared insolvent according to law, or if any assignment of Lessee's property shall be made for the benefit of creditors, or if a receiver or trustee is appointed for Lessee or Lessee's property, or if Lessee shall abandon the Leased Premises during the term of this Lease or any renewals or extensions thereof, then Lessor may treat the occurrence of any one or more of the foregoing events as a breach of this lease (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall reasonably contest the same by appropriate proceedings and shall remove or vacate the same within twenty (20) days from this date of its creation, service or filing).

23. REMEDIES UPON BREACH

In the event of a breach of this Lease by Lessee, default interest of 18% per annum, compounded annually, shall accrue on all overdue sums and Lessor may have any one or more of the following described remedies,in addition to all other rights and remedies provided at law or in equity:

(a) Lessor may terminate this Lease by written notice and forthwith repossess the Leased Premises and be entitled to recover as damages a sum of money equal to the total of (I) the cost of recovering the Leased Premises, including Lessor's attorney's fees; (II) the unpaid rent earned at the time of termination; (III) default interest of 18% per annum, compounded annually, on all overdue sums; (IV) damages for the wrongful withholding of the Leased Premises by Lessee; and (V) any other sum of money and damages owed by Lessee to Lessor.

(b) Lessor may retake possession of the Leased Premises and shall have the right, but not the obligation, without being deemed to have accepted a surrender thereof, and without terminating this Lease, to relet the Leased Premises for the remainder of the term provided for herein; and if the rent received through such reletting does not at least equal the rent provided for herein, Lessee shall pay and satisfy any deficiency between the amount of the rent so provided for and that received through reletting; and, in addition thereto, Lessee shall pay all reasonable expenses incurred in connection with any such reletting, including, but not limited to, the cost of renovating, altering and decorating for a new occupant, and any and all leasing commissions paid for such reletting.

24. PREMISES LEFT VACANT--LESSOR MAY TAKE POSSESSION

Lessor and Lessee agree that if Lessee shall abandon or vacate the Leased Premises before the end of the term of this Lease, Lessor may, at its option and without notice, and using such force as may

be necessary, enter the Leased Premises, remove any signs of Lessee therefrom, and relet the same, or any part thereof, as Lessor may see fit for the account of Lessee, without thereby voiding or terminating this Lease, and, for the purpose of such releting, Lessor is authorized to make any repairs, changes, alterations or additions in or to the Leased Premises, as may in the opinion of Lessor, be necessary or desirable for the purpose of such releting, and if a sufficient sum shall not be realized from such releting (after payment of all the costs and expenses of such repairs, changes or alterations, and the expense of such releting and the collection of rent accruing therefrom) to equal the aggregate monthly rental agreed for the balance of this Lease Term or for any renewal period to be paid by Lessee under the provisions of this Lease, then Lessee agrees to pay such total deficiency upon demand therefore, and if no other rental can be obtained after reasonable effort by Lessor for a period of sixty (60) days after Lessee's breach as contemplated herein, then Lessee shall be liable for the total rental due for the balance of the period from the date of such default.

25. REMOVAL OF LESSEE'S PROPERTY

Lessor and Lessee agree that if Lessee shall fail to remove all effects from the Leased Premises upon the abandonment thereof or upon the termination of this Lease for any cause whatsoever, Lessor, at its option, may remove such effects in any manner that it shall choose, and store them without liability to Lessor for loss or damage thereof, and Lessee agrees to pay Lessor on demand any and all expenses incurred in such removal, including court costs and attorney's fees and storage charges on such effects for any length of time they shall be in Lessor's possession; or Lessor, at its option, without notice, may sell said effects, or any of them, at private sale and without legal process, for such prices as Lessor may obtain, and apply the proceeds of such sale upon any amounts due under this Lease from Lessee to Lessor and upon the expense incident to the removal and sale of said effects, rendering the surplus, if any, to Lessee.

26. LIEN ON LESSEE'S FURNISHINGS

27. CONSTRUCTIVE EVICTION--NOTICE REQUIREMENT

If Lessee believes that Lessor has or is committing an act or acts which constitute constructive eviction, Lessee must provide Lessor with written notice specifying the act or acts which allegedly constitute a constructive eviction, and Lessor shall have ten (10) days from the receipt of said notice to cure the alleged constructive eviction. Lessee shall not exercise his legal rights to assert a constructive eviction until Lessor's ten (10) day cure

period has expired, and Lessee shall be deemed to have conclusively waived its rights to assert a constructive eviction if he abandons the premises before the cure period has expired.

28. NO IMPLIED SURRENDER OR WAIVER

Lessor and Lessee agree that no act or thing done by Lessor or its agents during the term of this Lease shall be deemed an acceptance of a surrender of the Leased Premises, and no agreement to accept a surrender of the Leased Premises shall be valid, unless the same be made in writing and subscribed by Lessor. The mention in this Lease of any particular remedy shall not preclude Lessor from any other remedy Lessor might have, either in law or in equity, nor shall the waiver of any violation of any covenant or condition contained in this Lease or any of the rules and regulations set forth herein, or hereafter adopted by Lessor, prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of any original violation. In case it should be necessary or proper for Lessor to bring any action under this Lease or to place this Lease with an attorney for the enforcement of any of Lessor's right hereunder, then Lessee agrees in each and any such case to reimburse Lessor for Lessor's reasonable attorney's fees and legal expenses, including, but not limited to, in-house legal expenses. The receipt by Lessor of rent with knowledge of the breach of any covenant in this Lease, shall not be deemed a waiver of such breach. The failure to enforce any of the rules and regulations set forth herein, or hereafter adopted, against Lessee and/or any other Lessee in the Building shall not be deemed a waiver of such rules and regulations or any thereof. The receipt by Lessor of rent from any assignee, subtenant, or occupant of the Leased Premises shall not be deemed a waiver of the covenant contained in this Lease against assignment and subletting, or an acceptance of the assignee, subtenant or occupant as Lessee, or a release of Lessee from the further observance of performance by Lessee of the covenants in this Lease to be observed and performed by the Lessee. No provisions of this Lease shall be deemed to have been waived by Lessor unless such waiver be in writing and signed by Lessor.

29. RELOCATION TO OTHER SPACE IN THE BUILDING OR OFFICE PARK

30. FIRST RIGHT OF REFUSAL

31. HOLDING OVER--TENANCY MONTH TO MONTH

Lessor and Lessee agree that if after the expiration of this Lease, Lessee shall remain in possession of the Leased Premises and continue to pay rent and without any express agreement as to such holding over, then such holding over shall be deemed to be a tenancy from month to month, and Lessee shall be regarded as a

tenant from month to month, subject to all the terms and conditions of this Lease, except that Lessor may, upon Lessee's holding over and at Lessor's sole discretion, and upon written notice to Lessee by Lessor, at any time adjust the monthly rental rate to an amount equal to one and one half (1 1/2) times the last monthly rental amount.

32. PAYMENTS AFTER TERMINATION

Lessor and Lessee agree that no payments of money by Lessee to Lessor after the termination of this Lease, in any manner, or after the giving of any notice (other than a demand for payment of money) by Lessor to Lessee, shall reinstate, continue or extend the term of this Lease or affect any notice given to Lessee prior to the payment of such money, it being agreed that after the service of notice or the commencement of a suit or after final judgment granting Lessor possession of the Leased Premises, Lessor may receive and collect any sums of rent due, or any other sums of money due under the terms of this Lease, and the payment of such sums of money, whether as rent or otherwise, shall not waive said notice, or in any manner affect any pending suit or any judgment theretofore obtained.

33. COMPLETION OF THE LEASED PREMISES

Lessor and Lessee agree that the Leased Premises will be finished in accordance with the terms, specifications, and conditions contained in the "Tenant Work Letter" attached as Exhibit B to this Lease. The certificate of the architect (or company) in charge of the construction or preparation of the Leased Premises shall control conclusively the date upon which the Leased Premises are ready for occupancy. Lessor and Lessee also agree that for the purpose of completing or making repairs or alterations in any portion of the Building, Lessor may use one or more of the street entrances, the halls, passageways and elevators of the Building; provided, however, that there shall be no unnecessary obstruction of the right of entry to the Leased Premises while the same are occupied. It is mutually understood and agreed, however, that anything to the contrary or apparent contrary herein, acceptance of possession of the Leased Premises shall be conclusive evidence as against Lessee that the Leased Premises are complete and satisfactory whether all of the Building shall be completed or not.

34. AUTHORITIES FOR ACTION--NOTICE

Lessor and Lessee agree that Lessor may act in any matter provided for in this Lease by its President, Vice President or its Building Manager, and any notice to be given to Lessor as provided for in this Lease, shall be delivered in writing in person to its President, Vice President or its Building Manager or sent to its address as herein set forth or subsequently modified. Any notice to be given Lessee under the terms and provisions of this Lease shall be in writing and may be given in person to the chief official of Lessee located in the Leased Premises or sent to Lessee

by mail at its principal office in the Building.

35. RULES AND REGULATIONS

Lessor and Lessee agree that the following rules and regulations shall be and are hereby made a part of this Lease, and Lessee agrees that its employees and agents, or any others permitted by Lessee to occupy or enter the Leased Premises, will at all times abide by said rules and regulations and that a default in the performance and observance thereof shall operate the same as any other defaults herein:

(a) The sidewalks, entries, passages, corridors, stairways and elevators of the Building shall not be obstructed by Lessee or its agents or employees, or be used for any purpose other than ingress and egress to and from the Leased Premises.

(b) (1) Furniture, equipment or supplies shall be moved in or out of the Building only upon the elevator and/or through the access designated by Lessor and then only during such hours and in such manner as may be prescribed by Lessor.

(2) No safe or article of property, the weight of which may, in the opinion of Lessor, constitute a hazard or danger to the Building or its equipment, shall be moved into the premises.

(3) Safes and other equipment, the weight of which is not excessive shall be moved into, from or about the Building only during such hours and in such manner as shall be prescribed by Lessor, and Lessor shall have the right to designate the location of such articles in the Leased Premises.

(c) No sign, advertisement, or notice shall be inscribed, painted or affixed on any part of the inside or outside of the Leased Premises or the Building unless approved by Lessor as to color, size, style and location; but there shall be no obligation or duty on Lessor to allow any sign, advertisement or notice to be inscribed, painted or affixed on any part of the inside or outside of the Leased Premises or of the Building. Original building standard suite sign will be prepared for Lessee by the sign writer appointed by Lessor, the cost of the sign to be paid by Lessor. A directory in a conspicuous place, with the name of Lessee, will be provided by Lessor, with the original building standard directory strips being paid for by Lessor. Any necessary revision in the building standard suite sign and directory strip, will be made by Lessor within a reasonable time after notice from Lessee of the error or change making the revision necessary; such revisions being at the sole expense of Lessee. No furniture shall be placed in front of the Building or in any lobby or corridor without the prior written consent of Lessor. Lessor shall have the right to remove all non-permitted sign and furniture, without notice to Lessee, at the expense of Lessee.

(d) Lessee shall not do or permit anything to be done in the Leased Premises, or bring or keep anything therein, which will in any way increase the cost of fire insurance for the Building, or on property kept therein, or in any way injure or annoy them, or conflict with the laws relating to fire, or with any regulations of

the fire department, or with any insurance policy upon the Building or any part thereof, or conflict with any applicable fire or health law, statute, regulation or ordinance.

(e) Lessee shall not employ any person or persons other than the janitor of Lessor for the purpose of cleaning or taking care of the Leased Premises without the written consent of Lessor. Lessor shall not be responsible to Lessee for any loss of property from the Leased Premises, however occurring, or for any damage done to Lessee's furniture or equipment by the janitor or any of his staff, or by another person or persons whomsoever, except that Lessor agrees to be liable for any such damage caused by its employees occasioned, in Lessor's opinion, by unusual events, such liability, however, not to exceed in the aggregate, for each successive period of twelve months, one-half of one percent of the rent payable during each such period. Any person or persons employed by Lessee for the purpose of cleaning or taking care of the Leased Premises, with the written consent of Lessor, must be subject to and under the control of the janitor of the Building, in all things in the Building and outside of the Leased Premises. The janitor of the Building may at all times keep a pass key, and he and other agents of Lessor shall at all times be allowed admittance to Leased Premises.

(f) Water closets and other water fixtures shall not be used for any purpose other than that for which the same are intended, and any damage resulting to the same from misuse on the part of Lessee, its agents or employees, shall be paid for by Lessee. No person shall waste water by tying back or wedging the faucets in any manner.

(g) No animals, except handicapped assistance animals, shall be allowed in the offices, halls, corridors and elevators in the Building. No person shall disturb the occupants of this or adjoining buildings or premises by the use of any radio or musical instrument or by the making of loud or improper noises.

(h) Bicycles or other vehicles shall not be permitted in the offices, halls, corridors and elevators in the Building, nor shall any obstruction of sidewalks or entrances of the Building be permitted. Bicycles shall not be locked to trees, downspouts, signs or other portions of the Building or surrounding premises.

(i) Lessee shall not allow anything to be placed in the outside window ledges of the Building, nor shall anything be thrown by Lessee, its agents or employees, out of the windows or doors, or down the halls, elevator shafts or ventilating ducts or shafts of the Building. Lessee, except in the case of fire or other emergency, shall not open any outside window as this interferes with the proper functioning of the Building air conditioning system.

(j) No additional lock or locks or security system shall be placed by Lessee on any door in the Building unless written consent of Lessor shall first have been obtained, which consent shall not be unreasonably withheld. A reasonable number of keys to the Leased Premises and to the toilet rooms will be furnished by Lessor

to Lessee, and neither Lessee, its agents or employees shall have any duplicate key made. A reasonable charge for extra keys will be made to Lessee. At the termination of this tenancy, Lessee shall promptly return to Lessor all keys to offices, toilet rooms or vaults.

(k) No awnings shall be placed over the windows except by the prior written consent of Lessor. No inside screening, draping, shades or blinds shall be hung on or over the windows except by the prior written consent of Lessor.

(1) If Lessee desires telegraphic, telephonic, or other electronic connections, Lessor or its agents will direct the installers as to where and how the wires may be introduced, and without such directions, no boring or cutting for wires will be permitted. Any such installation and connection shall be made at Lessee's expense.

(m) Whenever heat generating machines or equipment, including telephone equipment, are used in the leased premises, and such machines or equipment affect the temperature otherwise maintained by the air conditioning system, Lessor reserves the right to install supplemental air conditioning units in the Leased Premises. The cost of such installation, operation and maintenance of such supplemental air conditioning, shall be paid by Lessee upon demand by Lessor.

(n) Lessee shall not install or operate any steam or gas engine or boiler, or carry on any mechanical business in the Leased Premises. The use of oil, gas or flammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Building.

(o) Any painting or decorating as may be agreed to be done by, and at the expense of Lessor, shall be done during regular working hours; should Lessee desire such work done on Sundays, holidays or outside of regular working hours, Lessee shall pay for the extra costs thereof.

(p) Except normal picture hanging and except as otherwise permitted by Lessor, Lessee shall not mark upon, paint signs upon, cut, drill into, drive nails or screws into, or in any way deface the walls, ceilings, partitions or floors of the Leased Premises or of the Building, and any defacement, damage or injury caused by Lessee, its agents or employees shall be paid for by Lessee.

(q) Lessor shall at all times have the right, by its officers or agents, to enter the Leased Premises, to inspect and examine the same, and to show the same to persons wishing to lease them, and may at any time within ninety (90) days prior to the termination of this lease, place upon the doors and windows of the Leased Premises the notice "For Rent", which notice shall not be removed by Lessee.

(r) Lessor reserves the right to make other reasonable rules and regulations, or amend these rules and regulations, as Lessor's judgment may from time to time be necessary and desirable for the safety, care and cleanliness of the Leased Premises, and for the preservation of good order thereof.

(s) No overnight parking or storing of vehicles shall be permitted.

36. SUBORDINATION

Lessor and Lessee agree that this Lease is subject to, and subordinate to, all ground or underlying leases and to all present mortgages affecting the real estate on which the Building is located and the Building of which the Leased Premises is a part, and to all renewals and extensions thereof, and to any mortgage or mortgages which may hereafter be executed affecting the same.

37. AMENDMENT OR MODIFICATION

Lessee acknowledges and agrees that it has not relied upon any statement, representation, agreement or warranty except such as is expressed herein, and that no amendment or modification to this Lease shall be valid or binding unless expressed in writing and executed by Lessor and Lessee in the same manner as in the execution of this Lease.

38. SEVERABILITY CLAUSE

If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of Lessor and Lessee that the remainder of this Lease shall not be affected thereby, and it is also the intention of Lessor and Lessee that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable. The caption of each paragraph hereof is added as a matter of convenience only and shall be considered to be of no effect in the construction of any provision or provisions of this Lease.

39. SUCCESSORS AND ASSIGNS

All terms, conditions and covenants to be observed and performed by Lessor and Lessee shall be applicable to and binding upon their respective heirs, administrators, executors, successors and assigns.

40.ADDENDUM

Where there is an Addendum to this Lease, if there are any conflicts between the provisions of the Addendum and the provisions of this Lease, the provisions of the Addendum shall control.

41.BROKERS

Lessee warrants that it has not dealt with any real estate broker or agent in connection with the negotiation of this Lease to whom a real estate commission might be due, or who might have an interest in this transaction, except DENCOL Real Estate Services, Inc. and Cushman Realty Corporation. .

Lessee agrees to indemnify and hold harmless Lessor and the Manager from and against any and all liabilities and claims for commissions and fees arising out of a breach of the foregoing representation. Lessor shall be responsible for the payment of all commissions to the broker, if any, specified in this Article, based upon the leasing commission policy of Lessor applicable to the Complex as of the date of this Lease.

42.LEGAL COUNSEL
No representation or recommendation is made by the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Lease, or the transactions relating thereto. It is recommended that the Lessee employ an attorney prior to executing this Lease to review the Lease and provide legal counsel.

43.DATE OF ACCEPTANCE
This Lease is conditioned upon the acceptance by Lessee and delivery to Lessor of an executed Lease on or before January 8, 1993.

44.RENT SCHEDULE

Year One thorugh Three = $12.00 per square foot - $5,658.00 per month.

Year Four and Five = $13.00 per square foot - $6,129.00 per month.

45. Tenant Improvements:

Owner will provide building standard finish to accommodate the lessee's layout to be determined by a space plan prepared by Lessor's space planner. The tenant improvements shall include all space and construction drawings and not exceed $10.38 per square foot for the leased space as Lessor costs. Any approved changes resulting in additional costs shallb e paid by Lessee prior to occupancy of premises.

46. Moving Allowance:

Lessor will provide Lessee a moving allowance for the actual cost of the move substantiated by paid invoices, not to exceed $.72 per rentable square foot of leased space.

47. Option to Renew:

Assuming Lessee is not in default of the Lease, Lessor will provide Lessee with one, (5) year renewal option at hte then current prevailing market rate for buildings of comparable quality and location to SheridanPark 7.

48. Exterior Signage:

Pursuant to Lessor's required specifications and City of Westminster approval, Lessee will be allowed appropriate signage on the building exterior at Lessor's sole expense. See Exhibit "C".

49. Interior Signage:

Lessor shall provide building standard directory and Suite identification at Lessor's expense for th einitial signage at occupancy of the space. changes t herafter shall be at Lessee's expense.

READ AND APPROVED this 12th day of January , 1993 .

Sheridan Park 7 Partners, a Colorado limited partnership.
Lessor

By: DENCOL Real Estate Services, Inc. Its Agent

By: /s/ John W. Waid, President
John W. Waid, President

READ AND APPROVED this 12th day of January , 1993 .

Good Times Restaurants Inc. Lessee

By: /s/ Thomas A. Gordon, Chief Financial Officer

ATTEST:

/s/ Boyd E. Hoback

ADDENDUM "A"

This addendum is attached hereto and forms a part of that certain Lease dated January 7, 1993, by and between Sheridan Park 7 Partners, hereinafter referred to as "Lessor" and Good Times Restaurants Inc., hereinafter referred to as "Lessee" covering 5,658 square foot located in Suite 330 at 8620 Wolff Court, Westminster, CO 80030.

1. Paragraph 1:

   a. "Ordinary business hours" are considered to be 8 am to 5 pm Monday through Friday, and 8 am to 12 pm Saturday, excluding holidays.
   b. "Standard Office Equipment" shall include those items of equipment that do not require additional electrical service; weigh such that requires an excessive floor load; or generates heat that requires separate cooling or ventilating over and above the building HVAC system.

2. Paragraph 2:

   Should there be a disruption of Lessee's business for a period in excess of five (5) business days, Lessor shall abate rent in the amount of the then current rent being paid by Lessee, for the period the disruption shall continue.

3. Paragraph 6:
   a. "Legal Liability" covers, among other things, persons authorized to sign and do business on behalf of the Lessee.
   b. "Insurance Against Such Other Perils" is inserted to cover changes in the insurance industry that may require changes in Lessee's coverage. The term "reasonably require" protects the Lessee from unreasonable requests by Lessor.

4. Paragraph 11:
   Excluding tenant improvements done at the time of occupancy of said Premises.

5. Paragraph 12A:
This paragraph refers to any special or supplemental equipment installed to accommodate Lessee's needs.

6. Paragraph 14:
This Lease shall remain in full force and effect should such an assignment or sale be consummated.

7. Paragraph 18:
Add: This time period comes into effect after Lessor has gone through the required legal procedures.

8. Paragraph 19:
Add: acknowledgement by Lessee that the premises are in satisfactory condition provided that Lessor is responsible for any latent defects or uncompleted tenant improvements as evidenced by a punch list prepared jointly by Lessor and Lessee.

9. Paragraph 33:
Add: provided that Lessor is responsible for any latent defects or uncompleted tenant improvements as evidenced by a punch list prepared jointly by Lessor and Lessee.

10. Paragraph 33:
Add: Lessor shall guarantee substantial completion of the premises and assure occupancy no later than April 1, 1993.

11. Paragraph 5:
Add: The amount of the security deposit may be applied toward the last months rent upon Lessee's written notice and Lessor's inspection of the premises.

12. Paragraph 6:
Add: Lessor at its expense, shall maintain during this Lease term; liability insurance, fire insurance with extended coverage, and other insurances on the building and all property and interest of Lessor in the building with coverage and amounts including exclusions and deductibles, that is customarily required for prudent Lessors of comparable properties in the Metro Denver, Colorado area. Policies for such insurance shall waive any right of subrogation against Lessee and all individuals and entities for whom Lessee is responsible in law.

13. Paragraph 15:
Add: The provisions of this paragraph 15, shall not supersede, abrogate or impair the waiver of any right of subrogation against Lessee in Lessor's insurance under paragraph 6 and the waiver of any right of subrogation against Lessor and Lessee's

insurance under paragraph 6.

EXHIBIT B
TENANT FINISH WORK LETTER

Lessee Good Times Restaurants, Inc. Projected Occupying Date April 1, 1993

Building Name & Address of Demised Premises: Sheridan Park 7, 8620 Wolff Court, Westminster, CO 80030, Suite 330

Lessor's Responsibility for Occupancy Preparation

Preparation of space per Exhibit "A" (space plan), not to exceed $10.28 per rentable square foot.

Lessee's Responsibility for Occupancy Preparation

Any approved changes resulting in additional cost, shall be paid by Lessee prior to occupancy of premises.

SPECIFICATIONS/DETAILS OF TENANT FINISH ITEMS

TYPE	ROOM DESCRIPTION OF WORK COLOR/PATTERN/MFGR.SPEC. NO.	COST RES.
Ceiling	Existing ceiling in place	
Electrical/ Lighting	As called for on space plan dated 12/07/92	
Flooring	To be selected from building standards by Lessee	
Phone Outlets	As called for on space plan dated 12/07/92	
Phone System	All ordering & installation of wiring and telephone hook-up Lessee	
Wall Treatment	Building standard paint to be selected by Lessee	
Window Covering	Existing mini blinds	
Special Construction	Walls, doors and side lites per space plan	

EXHIBIT "C"
SHERIDAN OFFICE PARK
EXTERIOR SIGNAGE POLICY

1. Minimum Space Requirements: 3,000 square foot net rentable.

2. Minimum Lease Requirements: 3 years.

3. Size Requirements:

   18" individual letters, no cursive,
   must be block letters, no logos

4. Approval Requirements: Artist rendition must be submitted and approved by:

   A. DENCOL Real Estate Services, Inc.
   B. Ownership
   C. City/County

5. One (1) sign per tenant.

6. All costs associated with the sign application and approvals shall be paid by tenant including sign, architectural drawings, installation, permits, city approval, etc.

7. An additional charge of $50.00 per month will be assessed to tenant for electrical usage.

Lease Agreement #4020

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT, dated as of May 24, 1995, (the "Master Agreement") is entered into between Capital Associates International, Inc., a Colorado corporation (hereinafter called "Lessor"), having its principal place of business at Capital Associates Tower, 7175 West Jefferson Avenue, Lakewood, Colorado 80235, and Good Times Drive Thru Inc., a Colorado corporation (hereinafter called "Lessee"), having its principal place of business at 8620 Wolff Court, Suite 330, Westminster, Colorado 80030.

As used herein, the terms "Basic Rent Date", "Casualty Value", "Expiration Date", "Installation Date", "Installation Location", "Overdue Rate" and any additional defined terms required shall have the meanings with respect to each item of Equipment set forth on the Equipment Schedule which describes such item of Equipment.

Section I - Lease and Rental

1.1 Lease of Equipment. Subject to the terms and conditions of this Master Agreement, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the items of personal property (collectively the "Equipment" or individually an "item of Equipment") described in Equipment Schedules executed by Lessor and Lessee from time to time pursuant to this Master Agreement. Each Equipment Schedule shall be considered a separate lease incorporating the terms and conditions of this Master Agreement and shall be referred to herein as the "Lease" with respect to the Equipment described on such Equipment Schedule. Notwithstanding Lessee's possession and use of the Equipment, Lessor shall retain the full legal title to the Equipment, it being expressly understood that the Lease is a true lease of Equipment owned by Lessor and not a security instrument. LESSEE ACKNOWLEDGES AND AGREES THAT (i) LESSEE HAS SELECTED BOTH THE EQUIPMENT AND ITS SUPPLIER; (ii) LESSOR IS NOT THE MANUFACTURER OR SUPPLIER OF THE EQUIPMENT AND HAS ACQUIRED THE EQUIPMENT IN CONNECTION WITH THE LEASE; (iii) LESSEE HAS BEEN PROVIDED WITH A COPY OF THE PURCHASE CONTRACT FOR THE EQUIPMENT; (iv) LESSEE IS ENTITLED TO THE BENEFIT

OF ANY PROMISES OR WARRANTIES PROVIDED TO LESSOR IN CONNECTION WITH THE EQUIPMENT BY THE MANUFACTURER/SUPPLIER OF THE EQUIPMENT AND MAY CONTACT THE MANUFACTURER/SUPPLIER TO RECEIVE AN ACCURATE AND COMPLETE STATEMENT OF THOSE PROMISES AND WARRANTIES (INCLUDING ANY DISCLAIMERS AND LIMITATIONS); AND (v) THE LEASE QUALIFIES AS A "FINANCE LEASE" PURSUANT TO ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE. On the Installation Date of each item of Equipment, such item of Equipment shall be deemed delivered, accepted by Lessee and subject to the terms and conditions of the Lease. Upon Lessor's request, Lessee will promptly execute and deliver an Acceptance Certificate (prepared by Lessor), confirming such Installation Date. Lessor may complete information, on Lessee's behalf, on the Acceptance Certificate if it is returned incomplete by Lessee.

1.2 Rental. Lessee shall pay to Lessor or its Assignee the rent set forth on the Lease for each item of Equipment (hereinafter referred to as "Basic Rent") and such additional amounts as are required to be paid by Lessee pursuant to the Lease ("Supplemental Rent"). Basic Rent and Supplemental Rent are referred to collectively as "Rent". In addition, Lessee shall pay to Lessor, on demand, to the extent permitted by applicable law, interest at the Overdue Rate on any payment of Rent which is not received by Lessor or Assignee on the applicable due date. Interest shall accrue from the due date until the amount is received.

1.3 Net Lease. The Lease is a net lease, and Lessee acknowledges and agrees that Lessee's obligation to pay all Rent thereunder, and the rights of Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment ("Abatements") for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of Lessee against Lessor under the Lease or otherwise, against the manufacturer or supplier of any item of Equipment, or by reason of any defect in or damage to, or any loss or destruction of any item of Equipment, or the interference with the use thereof, or the bankruptcy or insolvency of Lessor, it being the express intention of Lessor and Lessee that all Rent payable by Lessee thereunder shall be and continue to be payable in all events. To the extent it is determined that other provisions of this Lease are in conflict with Section 1.3 hereof, the parties hereby agree that the terms and conditions of such Section shall take precedence over such other provisions.

1.4 Term of Lease. The term of the Lease for each item of Equipment shall commence on the Installation Date and shall expire on the Expiration Date for such item of Equipment unless, as provided herein, the Lease shall have been earlier terminated, cancelled or the term of the Lease shall have been extended. The Lease shall be automatically extended beyond the Expiration Date, unless (i) Lessor has previously cancelled the Lease (as provided

in Section 4.2) or (ii) at least 120 days prior to the Expiration Date, Lessee gives Lessor written notice of its election to terminate the Lease on the Expiration Date and then properly surrenders the Equipment to Lessor (as set forth in Section 3.11 herein) on the day immediately following the Expiration Date. The term of the Lease extension shall be for successive full monthly periods until terminated by either party giving to the other not less than four months prior written notice of termination. If the term of the Lease is so extended, all terms and conditions of the original Lease shall remain in full force and effect.

Section II - Representations and Warranties

2.1 Warrantie BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE. LESSOR SHALL NOT BE LIABLE IN ANY WAY TO LESSEE (i) FOR ANY LOSS, DAMAGE, OR EXPENSE OF ANY KIND CAUSED DIRECTLY OR INDIRECTLY BY THE EQUIPMENT, ITS OPERATION, OR THE INSTALLATION, USE, MAINTENANCE, HANDLING, OR STORAGE THEREOF, OR BECAUSE IT IS OR BECOMES UNSUITABLE OR UNSERVICEABLE, OR FOR ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF, OR (ii) FOR ANY LOSS OF BUSINESS OR PROFITS OR INDIRECT, INCIDENTAL OR CONSEQUENTI BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE. LESSOR SHALL NOT BE LIABLE IN ANY WAY TO LESSEE (i) FOR ANY LOSS, DAMAGE, OR EXPENSE OF ANY KIND CAUSED DIRECTLY OR INDIRECTLY BY THE EQUIPMENT, ITS OPERATION, OR THE INSTALLATION, USE, MAINTENANCE, HANDLING, OR STORAGE THEREOF, OR BECAUSE IT IS OR BECOMES UNSUITABLE OR UNSERVICEABLE, OR FOR ANY INTERRUPTION OF SERVICE OR LOSS OF USE THEREOF, OR (ii) FOR ANY LOSS OF BUSINESS OR PROFITS OR INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHATSOEVER OR HOWSOEVER CAUSED, AND REGARDLESS OF WHETHER A CLAIM IS BASED UPON CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY IN TORT, OR OTHER THEORY. LESSOR MAKES NO PATENT OR INTELLECTUAL PROPERTY WARRANTIES OR REPRESENTATIONS WHATSOEVER. Lessee agrees to look solely to the manufacturer or the supplier of the Equipment and all assignable warranties made by the manufacturer or the supplier of Lessor are hereby assigned to Lessee for the term of the Lease.

2.2 Quiet Enjoyment. Lessor covenants that so long as no Event of Default has occurred under the Lease Lessee may quietly possess the Equipment subject to and in accordance with provisions of the Lease.

Section III - Covenants of Lessee

3.1 Use of Equipment. Lessee shall use the Equipment in a manner which will not disqualify it for manufacturer maintenance, and in compliance with all laws, rules and regulations of every governmental authority having jurisdiction over the Equipment and with the provision of all policies of insurance carried by Lessee pursuant to Section 3.5. Lessee shall obtain all permits licenses

or other authorizations necessary for the authorizations necessary for the operation and use of the Equipment. Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Equipment.

3.2 Maintenance. Lessee shall, at its expense, take all actions necessary to maintain and repair the Equipment to keep it in as good operating condition as it was when it first became subject to the Lease, ordinary wear and tear resulting from proper use excepted and, unless otherwise expressly provided for in the Lease, shall enter into and keep in force a maintenance agreement with the manufacturer or other maintenance provider acceptable to Lessor to provide such maintenance and repair. Lessee shall, at its expense, promptly replace all parts of any item of Equipment that become worn out, lost, stolen, destroyed, or unfit for use with replacement parts free of any encumbrance (and title thereto shall vest in Lessor immediately upon installation); provided, however that the foregoing requirement to replace parts of Equipment shall not apply in the case of an Event of Loss as described in Section 3.4(b)(ii) herein.

3.3 Taxes. In addition to the Rent due hereunder, Lessee agrees to pay and indemnify Lessor for, and hold Lessor harmless from and against all taxes, assessments, fees and charges (hereinafter called "Imposts") together with any penalties, fines or interest thereon levied and imposed by any governmental agency or unit (state, local, federal, domestic or foreign): (a) with respect to the Lease; (b) upon the Equipment, its value or any interest of Lessor and/or Lessee therein; (c) upon or on account of any sale, rental, purchase, ownership, possession, use, operation, maintenance, delivery or return of the Equipment; or (d) on account of, or measured by, the gross earnings or gross receipts arising from the Equipment, or value added thereto, other than taxes imposed on or measured by the net income or capital of Lessor. The amount of such Impost shall become Supplemental Rent to be paid by Lessee upon Lessor's demand. If any Impost relates to a period during the term of the Lease (no matter when it is assessed) then Lessee's liability for such Impost shall continue, notwithstanding the expiration or termination of the Lease, until all such Imposts are paid by Lessee.

3.4 Loss of Equipment.

(a) Risk of Loss. Lessee shall bear the entire risk of the Equipment being lost, damaged, destroyed or rendered permanently unfit or unavailable for use after its shipment to Lessee and until it is surrendered to Lessor in accordance with Section 3.11 hereof.

(b) Damage/Event of Loss. (i) In the event any item of Equipment is damaged to a material extent by any occurrence whatsoever, Lessee shall promptly notify Lessor and shall determine within 15 days of the date of such notice whether such item of Equipment can be repaired. If such Equipment can be repaired,

Lessee shall at its cost and expense repair such Equipment to its original condition. (ii) In the event any item of Equipment shall be lost, stolen, destroyed, damaged beyond repair or rendered permanently unfit or unavailable for use (through a governmental taking or any other event), for any reason whatsoever (any such occurrence being referred to as an "Event of Loss"), Lessee shall promptly notify Lessor and pay to Lessor, on the first day of the month immediately following such Event of Loss, an amount equal to the Casualty Value applicable to such item of Equipment calculated as of the immediately preceding Basic Rent Date plus any unpaid Rent and the installment of Basic Rent for such item of Equipment due on the Basic Rent Date following the Event of Loss. After the payment of such amounts, Lessee's obligation to pay further Basic Rent for such item of Equipment shall cease, but Lessee's obligation to pay Supplemental Rent, if any, for such item of Equipment, and to pay Rent for all other items of Equipment shall remain unchanged. (iii) Following payment of the Casualty Value and Rent for an item of Equipment in accordance with the provisions of paragraph (ii) of this Section 3.4(b), Lessor shall transfer title to such item of Equipment to Lessee on an AS IS, WHERE IS basis without representation or warranty.

(c) Disposition of Insurance and Other Proceeds. The proceeds of insurance or any condemnation of an item of Equipment for which an Event of Loss has occurred shall be paid to Lessor (to the extent that Lessor has not previously received all Casualty Value and other payments required to be made by Lessee pursuant to the Lease), and the remainder, if any, shall be paid to Lessee. The proceeds of insurance with respect to damage to an item of Equipment, the repair of which, in the opinion of Lessee, is practicable, shall unless an Event of Default hereunder has occurred and is continuing, be applied either to such repair or to the reimbursement of Lessee for the cost of such repair.

3.5 Insurance.

(a) Coverage. Lessee will insure for the following risks with insurers of recognized responsibility: (i) All risk of loss and physical damage to the Equipment in amounts not less than the greater of (A) the fair market replacement value or (B) the aggregate Casualty Value of all Equipment from time to time; and (ii) Comprehensive public liability and property damage insurance with respect to the condition, possession, maintenance, operation and use of the Equipment, in an amount not less than $2,000,000 for each occurrence.

(b) Delivery of Certificates. Lessee shall deliver to Lessor and any Assignee(s) a valid Certificate of Insurance for each such insurance policy upon the execution thereof and a Certificate of Insurance for each renewal policy not less than 30 days prior to the expiration of the original policy or any renewal policy. Such insurance shall (i) include as additional parties insured and loss payees Lessor and any Assignee(s) of whom Lessee has notice, (ii)

provide that such insurance shall not be materially changed or cancelled without at least 30 days notice to Lessor and such Assignees, and (iii) provide that such policy shall not be invalidated by any negligence of, or breach of warranty by, Lessee. Upon the request of Lessor, Lessee shall provide any additional data related to the insurance as Lessor reasonably requests.

3.6 Indemnity. Lessee agrees to indemnify, defend and hold Lessor harmless from and against all claims, costs, expenses, damages, losses and liabilities whatsoever incurred by Lessor (including reasonable attorneys' fees) as a result of or incident to (a) the ownership, management, control, use, operation, or storage of the Equipment, or any part thereof during the term of the Lease, or (b) any default by Lessee under the Lease. Lessee and Lessor shall each give the other immediate written notice of any suit, attachment, lien or other judicial process affecting the Equipment of which they have knowledge. Lessor shall have the right to appear in defense of any such suit or proceeding. The appearance of Lessor in such a suit or proceeding shall not constitute a waiver of its right to require Lessee to fulfill its obligations under the Lease.

3.7 Inspection. Lessee shall permit any person designated by Lessor, at Lessor's expense, to visit and inspect the Equipment, or any part thereof, at such reasonable times and places and as often as Lessor may reasonably request.

3.8 Sublease/Relocation; Lessee Assignment; Pledge.

(a) Provided that no Event of Default or event which, with notice or lapse of time could become an Event of Default, has occurred and is continuing, Lessee may, with Lessor's prior written consent, sublease or relocate the Equipment to another location within the continental United States, provided that (i) Lessee promptly upon invoice reimburses, and indemnifies and holds Lessor harmless from and against any costs, claims, damages and expenses relating in any way to such sublease or relocation (including without limitation, the cost of obtaining any necessary Assignee consent, any UCC filings, additional taxes, transportation charges and licenses); (ii) any sublease shall be expressly subject and subordinate to the terms of this Lease; (iii) Lessee shall assign its rights under such sublease to Lessor as additional collateral and security for Lessee's obligations hereunder; and (iv) Lessee and its sublessee shall cooperate with Lessor as necessary to protect Lessor's title to the Equipment and Lease. No relocation or sublease shall relieve Lessee from any of its obligations hereunder. EXCEPT AS EXPRESSLY PROVIDED ABOVE, LESSEE SHALL NOT ASSIGN, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF THIS LEASE OR ITS INTEREST HEREIN.

(b) Lessee shall not create, incur, assume or suffer to exist any liens on or with respect to the Equipment, Lessor's title thereto or any interest therein (and Lessee will promptly, at its

own expense, take such action as may be necessary duly to discharge any such lien), except (i) the respective rights of Lessor and Lessee as herein provided, (ii) inchoate materialmen's, mechanic's or other like liens arising in the ordinary course of business of Lessee and not delinquent, and (iii) liens granted by Lessor to any Assignee.

3.9 Identification. Upon request, Lessee shall mark or permit Lessor to mark each item of Equipment in a reasonably prominent location with a legend stating Lessor's ownership of such item of Equipment and Lessee shall not allow the name of any other party to be placed on the Equipment.

3.10 Alterations, Modifications or Additions. Lessee may, at its own expense and upon prior notice to Lessor, make or permit others to make Equipment alterations, modifications or additions (such as memory upgrades and feature additions), provided such alterations, modifications or additions are readily removable without causing material damage to the Equipment, do not interfere with the maintenance thereof, do not create a safety hazard, and are not subject to any security interest, rent or other right or claim held or retained by a third party. Such alterations, modifications and additions may be removed by Lessee at the expiration or termination of the Lease term (including any extensions), and shall be removed at such time if requested by Lessor. Any such alterations, modifications and additions which are not removed by Lessee shall become the property of Lessor. Except as specifically provided above, no Equipment alterations, modifications or additions shall be made or permitted by Lessee.

3.11 Transportation and Equipment Return. All transportation, rigging, transit insurance and other charges payable for delivery of the Equipment to and from the premises of Lessee, and all installation, disconnect and packing charges, shall be paid by Lessee or the Equipment supplier. On or before the Expiration Date or earlier termination of the Lease, Lessee shall at its cost and expense surrender possession of the Equipment at such location(s) in the continental United States of America as Lessor may direct. The Equipment is to be in the same condition upon its surrender as when the Lease commenced (ordinary wear and tear resulting from proper use excepted) and in the condition otherwise required by the provisions of the Lease. Notwithstanding anything to the contrary contained herein, the Lease shall remain in full force and effect and Lessee shall continue to pay Rent on the Equipment until it is surrendered to Lessor in the condition required by the Lease.

3.12 Financial Statements. Lessee shall upon execution hereof and within 120 days after the close of each fiscal year thereafter, furnish, or cause to be furnished to Lessor and any Assignee, the audited annual financial statements of Lessee. In addition, upon request Lessee will provide to Lessor and any Assignee quarterly

financial statements in a form reasonably acceptable to the Lessor.

3.13 Federal and State Income Taxes. Lessee acknowledges that Lessor shall be entitled to claim (or have claimed) for Federal and State income tax purposes interest and depreciation deductions on the total original cost of the Equipment utilizing any method of depreciation permitted for the Equipment under the Internal Revenue Code of 1986, as amended or any applicable state tax (hereinafter called the "Code"). (All interest and depreciation deductions to which Lessor is entitled under this Section 3.13 are collectively referred to as "Allowances".) Lessee agrees to take no action inconsistent with the foregoing or which would result in the loss, disallowance, recapture or unavailability to Lessor (or an Assignee of Lessor) of the Allowances, and represents and warrants that from the time Lessor becomes the owner of the Equipment no depreciation or other tax benefits will be claimed by Lessee with respect to the Equipment. Lessee shall indemnify Lessor on an after-tax basis for any loss of all or any portion of the Allowances due to Lessee's act, omission to act, misrepresentation or any Event of Loss under Section 3.4 above.

3.14 Representations and Warranties. Lessee hereby covenants, represents and warrants to Lessor that (i) it is a corporation duly organized, validly existing and in good standing in its state of incorporation and in every jurisdiction in which the Equipment will be located, (ii) it has taken all corporate action required to authorize the execution, delivery and performance of this Master Agreement and each Lease, and such execution, delivery and performance will not conflict with or violate any provisions of its charter or articles or certificate of incorporation, by-laws or any provisions of any agreement, order, decree or judgment by which it is bound, nor is it now in default under any of the same, (iii) there is no litigation or proceeding pending or threatened against it which may have a materially adverse effect on Lessee or which would prevent or hinder performance of its obligations hereunder, (iv) this Master Agreement, each Lease and all documents provided therewith constitute valid obligations of Lessee, binding and enforceable against it in accordance with their respective terms, (v) it has the power to enter into each Lease and no further action by any party is required to effectuate this Master Agreement and each Lease, (vi) all financial statements heretofore presented to Lessor are true, correct and present fairly the financial condition and results of operations of Lessee and do not contain any untrue statements or material omissions.

Section IV - Default & Remedies

4.1 Events of Default. The occurrence of any of the following shall constitute an "Event of Default" hereunder:

(a) Lessor shall fail to receive all or any portion of any installment of Rent or other payment on or before the date such sum

becomes due and payable; or

(b) Any representation or warranty made in the Lease, or in any report, certificate, financial statement or other statement furnished to Lessor (or Guarantor) pursuant to the provisions of the Lease (or any representation or warranty made by Guarantor in the Guaranty), shall prove to have been false or misleading in any material respect as of the date on which the same was made; or

(c) Lessee (or Guarantor) shall fail or refuse to duly observe or perform any other covenant, condition or agreement made by it hereunder or under any other agreement between Lessor and Lessee (or under the Guaranty), and such failure or refusal continues without remedy for a period of 15 days after written notice thereof to Lessee; or

(d) An attachment or other lien against the Equipment resulting from any Lessee action, failure to act or responsibility shall be issued or entered and shall remain undischarged or unbonded for 10 days; or

(e) Lessee (or Guarantor) (i) becomes insolvent, or (ii) files any application or petition in any tribunal for the appointment of a receiver or trustee for all or a significant portion of its assets, or (iii) commences any proceeding under any bankruptcy or reorganization statute or under any provision of the U.S. Bankruptcy Code or under any dissolution or liquidation law whether now or hereafter in effect, or if any petition or application of the type described above is commenced against Lessee and is not dismissed within 60 days, or (iv) makes an assignment for the benefit of creditors or an order is entered appointing a trustee or receiver for Lessee or any significant portion of its assets or adjudicating Lessee a bankruptcy.

4.2 Remedies.

(a) If an Event of Default occurs under the Lease, Lessor may give Lessee notice of the Event of Default and upon the giving of such notice or at any time thereafter do any or all of the following (as Lessor in its sole discretion elects): (1) proceed by appropriate court action or actions to enforce performance by Lessee of the applicable covenants and terms of the Lease or to recover damages for the breach thereof; (2) take possession (by summary proceedings or otherwise) of any or all items of Equipment subject to the Lease without prejudice to any other remedy or claim herein referred to; (3) hold, sell, lease, or otherwise dispose of, any or all items of Equipment subject to the Lease, in any manner Lessor (in its sole discretion) elects; (4) receive from Lessee upon demand for any or all Equipment subject to the Lease the following amounts which Lessee shall be obligated to pay: (i) any unpaid Rent past due, (ii) as liquidated damages for loss of bargain and not as a penalty, the aggregate Casualty Value for such Equipment under the Lease in effect as of the date on which such Event of Default occurred, (iii) all costs and expenses incurred in searching for, taking, removing, keeping, storing, repairing, and restoring such items of Equipment, (iv) all other amounts then

owing by Lessee hereunder, and (v) all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor as a result of an Event of Default, or the exercise by Lessor of its remedies under this Section 4.2; (5) by notice to Lessee, declare the Lease (for any or all Equipment) cancelled without prejudice to Lessor's rights in respect of all obligations set forth in this Section 4.2 and any other obligations under the Lease then accrued and remaining unsatisfied; or (6) avail itself of any other remedy or remedies provided for by any statute or otherwise available by law, in equity or in bankruptcy or insolvency proceedings.

(b) The remedies set forth in Section 4.2(a) are not intended to be exclusive, and each shall be cumulative. The amounts to be paid to Lessor under clause (4) of Section 4.2(a) shall be increased by interest, at the Overdue Rate, to the date of receipt by Lessor of the amount payable under said clause, from the respective due dates of such amounts or (with respect to costs, expenses, and losses for which Lessor is entitled to payment or reimbursement under said clause) from the respective dates incurred by Lessor.

(c) Any amounts received by Lessor as the result of its sale, lease during the original term hereof, or other disposition of the Equipment hereunder shall be paid or applied in the following order: (1) to any remaining obligation of Lessee under subparagraph (4) of Section 4.2(a), (2) to reimburse Lessee for the Casualty Value previously paid as liquidated damages, and (3) to Lessor, any remaining balance.

Section V - Miscellaneous

5.1 Reserved.

5.2 Expenses. Lessor and Lessee each shall bear and be responsible for its own respective costs and expenses incurred in connection with the preparation, execution and delivery of this Master Agreement and the Lease. Lessee shall pay and be responsible for any license or registration fees for the Equipment.

5.3 Performance of Lessee's Obligations. If Lessee shall fail to make any payment or perform any act required by the Lease, Lessor may, but shall not be obligated to, make such payment or perform such act for the account of and at the expense of Lessee without waiving or releasing any obligation or default. All sums expended and losses incurred by Lessor pursuant to this Section 5.3, plus interest thereon at the Overdue Rate from the date on which such sums are expended (or losses are incurred) to the date on which Lessee reimburses Lessor therefor, shall be included as Supplemental Rent hereunder and shall be paid by Lessee to Lessor upon demand.

5.4 Assignment by Lessor. Lessor may sell, transfer, grant a security interest in or assign part or all of its right, title and

interest in and to the Lease, the Equipment, the Rent or any other sums due or to become due by Lessee hereunder, to third parties; and such third parties may also make such sales, transfers, grants and assignments to other third parties (all third parties referred to in this Section 5.4 being called an "Assignee" or the "Assignees"). In the event of an assignment of the Lease, (a) such assignment (unless otherwise expressly set forth therein) will not relieve the original Lessor from its duties and obligations hereunder and shall not be construed to be an assumption by the Assignee of such obligation; (b) upon notice from Lessor, Lessee shall make all payments for Rent and other amounts due under the assigned Lease directly to the Assignee identified in such notice or its designee; (c) Lessee's obligations hereunder shall not be subject to any reduction, abatement, defense, set-off, counterclaim or recoupment for any reason whatsoever; and (d) Lessee will not, after obtaining knowledge of any such assignment, consent to any modification of the assigned Lease without the consent of any Assignees of which Lessee has notice. Reference to Lessor throughout this Master Agreement shall be deemed to include any Assignees; provided, however, that the Assignees shall have no duties and obligations hereunder, except the obligation, so long as no Event of Default has occurred and the Assignee continues to receive all sums assigned hereunder, to permit Lessee to possess, use, and quietly enjoy the Equipment, according to the terms hereof. Lessee acknowledges that Lessor's assignment pursuant hereto does not materially impair Lessee's right to obtain performance, materially change the duties of Lessee, or materially increase Lessee's burden or risk under the Lease. Upon request, Lessee shall promptly execute and deliver to Lessor a written acknowledgement of the provisions of this Section and such other matters as Lessor may reasonably request.

5.5 Further Assurances. It is expressly understood and agreed that all of the Equipment shall be and remain personal property notwithstanding the manner in which the same may be attached or affixed to realty, and Lessee shall do all acts and enter into all agreements necessary to insure that the Equipment remains personal property and hereby indemnifies Lessor for all loss, cost, damage, and expense (including fees and expenses of counsel) related to or arising out of any claim that the Equipment constitutes a fixture or a part of the realty in or upon which it is located. Upon request of Lessor, Lessee shall at any time and from time to time after the execution and delivery of the Lease execute and deliver such further documents (including but not limited to opinions of counsel, acknowledgements of assignment, waivers, certificates, and UCC-1 financing statements) and do such further acts and things as Lessor may reasonably request in order fully to effect the purposes of the Lease, and any assignment hereof. Lessee hereby appoints Lessor, with full power of substitution, as its agent and attorney-in-fact, which appointment is irrevocable and coupled with an interest, to execute any financing statements in Lessee's name

and to perform all other acts which Lessor deems appropriate and necessary to perfect Lessor's interest in the Equipment.

5.6 Rights, Remedies, Powers. Each and every right, remedy and power granted to Lessor hereunder shall be cumulative and in addition to any other right, remedy or power herein specifically granted or now or hereafter existing in equity, at law, by virtue of any statute or otherwise and may be exercised by Lessor from time to time concurrently or independently and as often and in such order as Lessor may deem expedient. Any failure, partial exercise, or delay on the part of Lessor in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect Lessor's right thereafter to exercise the same.

5.7 Communications. Any notice, request, demand, consent, approval or other communication provided or permitted hereunder shall be in writing (with a copy to any Assignee) and shall be sent by certified mail, or a receipted delivery service, to the address set forth herein or such other address as designated by proper notice.

5.8 Headings. Section headings are inserted for convenience only and shall not affect any interpretation of this Master Agreement. The words "herein", "hereof", "hereby", "hereto", "hereunder", and words of similar import refer to this Master Agreement as a whole (including any supplements, addenda and riders thereto to the extent applicable and the Lease on which the leased Equipment is described) and not to any particular section, or subdivision hereof.

5.9 GOVERNING LAW. THIS MASTER AGREEMENT AND EACH LEASE SHALL BE DEEMED TO HAVE BEEN MADE UNDER, AND SHALL BE GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF COLORADO (WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS) IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

5.10 Severability. If any provision of the Lease is prohibited by, or is unlawful or unenforceable under any applicable law of any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining provisions hereof; provided, however, that any such prohibition in any jurisdiction shall not invalidate such provisions in any other jurisdiction; and provided, further, that where the provisions of any such applicable law may be waived, they hereby are waived by Lessee to the full extent permitted by law to the end that the Lease shall be deemed to be valid and binding agreement in accordance with its terms.

5.11 Survival, Agreement and Modifications. All representations, warranties, indemnities and covenants of Lessee contained in this

Master Agreement, any Lease or other related document shall continue in full force and effect until the full payment of all amounts due notwithstanding the expiration, termination or cancellation of this Master Agreement or any Lease, provided, however, that the indemnification obligations of Lessee hereunder shall survive the payment of all amounts due hereunder and shall be available if any later claim arises which may be indemnified under the provisions hereof. This Master Agreement (including any supplements, addenda and riders) and each Lease describing the Equipment and referencing this Master Agreement contain the entire agreement between Lessor and Lessee with respect to the Equipment and supersede all prior communications,

agreements and understandings,
written or oral, relating to such subject matter.
In the event any conflict exists between the terms
of this Master Agreement and any provisions of a Lease, the Lease shall govern with respect to the Equipment described therein. This Master Agreement and each Lease shall be binding upon and shall inure to the benefit of the respective successors and permitted assigns of Lessee and Lessor. NO MODIFICATION OR WAIVER OF THE PROVISIONS HEREOF SHALL BE EFFECTIVE UNLESS IT IS IN WRITING AND SIGNED BY THE PARTIES HERETO.

5.12 Chattel Paper. An executed Lease (Equipment Schedule), marked "Original", shall be the original of the Lease for the Equipment described on such Lease. All other executed counterparts of the Lease shall be marked "Duplicate". To the extent that the Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code of the applicable jurisdiction, no security interest in the Lease may be created through the transfer of possession of any counterpart other than the Original of a Lease.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Master Agreement to be executed as of the date first written above.

CAPITAL ASSOCIATES INTERNATIONAL, INC. (Lessor)	GOOD TIMES DRIVE THRU INC. (Lessee)
By:	By: /s/ Thomas A. Gordon
Print Name:	Print Name: Thomas A. Gordon
Title:	Title: Chief Financial Officer
	Federal I.D. Number 84-1043488

AMENDMENT NO. 1 Doc #402001
to the
Master Lease Agreement #4020 dated May 24, 1995 (the "Master Agreement")
between

Capital Associates International, Inc. as Lessor
and
Good Times Drive Thru Inc. as Lessee

THIS AMENDMENT to the Master Agreement is entered into as of May 24, 1995, between Capital Associates International, Inc. ("Lessor") and Good Times Drive Thru Inc. ("Lessee").

WHEREAS, the parties wish to modify the Master Agreement as hereinafter set forth;

NOW THEREFORE, in consideration of these premises and other valuable consideration, Lessee and Lessor hereby agree to amend the following terms and conditions to the Master Agreement:

1. Section 3.4 Loss of Equipment. Insert the following in Section 3.4(b)(i) after "Equipment": "valued at more than $10,000."

2. Section 3.14 Representations and Warranties. Insert "identified" between "all" and "financial statements" in Section 3.14(vi) and delete the word "true" in Section 3.14(vi).

3. Section 4.1 Events of Default. Change "15 days" to "30 days" in Section 4.1(c).

4. Section 4.1 Events of Default. Insert the following at the end of Section 4.1 (e):

"or, (f) Lessee (or any Guarantor) fails to maintain at all times a Net Worth greater than or equal to $5,500,000 and a total long term liabilities to Net Worth ratio of less than or equal to 1.5 to 1. Net Worth shall be defined as net worth of the company at the time in question after deducting therefrom the amount of all intangible items, including all intangible expansion costs, all unamortized debt discount and expense, unamortized research and development expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, unamortized excess cost of investment in subsidiaries over equity at dates of acquisition, and all similar items which should properly be treated as intangibles in accordance with generally accepted accounting principles (excluding however, capitalized restaurant preopening expenses which are to be amortized over a twelve month period), or

(g) Lessee (or any Guarantor) shall suffer a material adverse change in its financial condition from the date hereof as a result of which the Lessor deems itself or any of the Equipment to be insecure, or

(h) Lessee (or any Guarantor) shall (1) sell all or substantially all of its assets, or (2) be a party to any merger or consolidation in which the Lessee (or any Guarantor) is not the surviving entity unless the buyer of such assets or the surviving entity satisfies all of the financial requirements of item (f) above and the buyer or surviving entity receives final credit approval by Lessor, or

(i) Lessee (or any Guarantor) shall default under any material agreement to which Lessee (or any Guarantor) is a party, including, but not limited to, any indenture or loan agreement, or lease, mortgage or deed of trust with respect to the real property on which the Equipment is located, and such default could have a material adverse effect on Lessee's (or Guarantor's) ability to perform its obligations under the Lease (or Guaranty Agreement) or on the Equipment or Lessor's interest therein."

5. Section 4.2 Remedies. Insert "10 days after" following "upon" and insert "provided that the Event of Default is not cured Lessor may" following "thereafter" in Section 4.2 (a).

6. Section 5.4 Assignment by Lessor. Delete "and" before "(d)" and after "notice" in (d) add: "and, (e) Lessee's obligations do not include any sales, use, property or other taxes which may be required to be paid in connection with the subsequent Assignment of the Lease to a third party."

7. It is understood and agreed that this Amendment shall become a part of and be incorporated into the Master Agreement effective upon its execution by all parties named below. All terms and conditions of the Master Agreement, except as expressly modified herein, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed this Amendment to the Master Agreement as of the date first written above.

CAPITAL ASSOCIATES INTERNATIONAL, INC. (Lessor)	GOOD TIMES DRIVE THRU INC. (Lessee)
BY: /s/ John A. Reed	BY: /s/ Thomas A. Gordon
PRINT NAME: John A. Reed	PRINT NAME: Thomas A. Gordon
TITLE: Vice President	TITLE: Chief Financial Officer

November 13, 1995

Mr. Gary Schwalb
President
Steakout, King of Steaks, Inc.
c/o Floyd Byrns, Esq.
2601 McLeod Drive
Las Vegas, Nevada 89121

Dear Gary:

This letter will set forth our agreement for the purchase by Steakout, King of Steaks, Inc., a Nevada corporation ("Steakout"), from Good Times Drive Thru Inc., a Colorado corporation ("Good Times"), of the assets of the four restaurants ("Restaurants") located at the following addresses:

2300 East Lake Mead Boulevard
North Las Vegas, Nevada

1900 East Charleston Boulevard
Las Vegas, Nevada

1325 East Tropicana Boulevard
Las Vegas, Nevada

868 North Nellis Boulevard
Las Vegas, Nevada

1. Purchased Assets. Steakout shall purchase all of the assets of the Restaurants consisting of Good Times' leasehold interests in the real property at the above-described locations together with the furniture, fixtures and equipment set forth in Exhibit A attached hereto. All of the foregoing purchased assets are hereinafter referred to as the "Assets." The Assets are being purchased by Steakout in "as is" condition and Good Times makes no warranties express or implied with respect to the Assets other than those set forth in this Agreement. Steakout shall not assume any liabilities associated with the Restaurants other than the assumption of the real property leases therefor for the period from and after the closing hereunder. Such real property leases, which are hereinafter referred to as the "Leases," consist of the following:

Lease dated November 30, 1990,

as heretofore amended, with College Park Realty Co. as lessor for the location at 2300 East Lake Mead Boulevard, North Las Vegas, Nevada;

Lease dated July 11, 1990, as heretofore amended, with Hasco NV as lessor for the location at 1900 East Charleston Boulevard, Las Vegas, Nevada;

Lease dated July 1, 1995, with MTK Corporation of America as lessor for the location at 1325 East Tropicana Boulevard, Las Vegas, Nevada; and

Lease dated July 1, 1995, with Cormore Partners, Ltd. as lessor for the location at 868 North Nellis Boulevard, Las Vegas, Nevada.

2. Consideration.

a. The assumption by Steakout of the Leases shall constitute the consideration for the assignment of Good Times' interests in the Leases. The obligations of Steakout under the Leases in which Good Times is not released from liability shall be secured by deeds of trusts covering the leasehold interests with respect thereto and the personal guarantees, for a period of two years, of Gary and Eileen Schwalb.

b. In consideration for the furniture, fixtures and equipment described in Exhibit A, Steakout shall pay Good Times the purchase price of $30,000 per Restaurant. Such amount shall be paid upon execution of this Agreement into an interest bearing escrow account established at Escrow Line, Inc. located at 2035 Paradise Road, Las Vegas Nevada. Upon the escrow company's receipt of written notification from Good Times of the satisfaction of the Contingency set forth in Section 3.b. hereof, $15,000 for each of the East Tropicana and Nellis Boulevard Restaurants shall be promptly distributed by

the escrow company to Good Times. Upon the escrow company's receipt of written notification from Good Times of the satisfaction of the Contingencies set forth in Sections 3.a. and 3.b. hereof, the escrow company shall promptly distribute $15,000 for each of the East Charleston and Lake Mead Restaurants to Good Times. The foregoing $15,000 payments to Good Times shall be non-refundable to Steakout unless Good Times breaches its obligations under this Agreement. The remaining $15,000 per Restaurant in escrow shall be distributed to Good Times promptly upon the escrow company's receipt of written notification from Steakout of the satisfaction of the Contingency set forth in Section 3.c. hereof, provided that the Contingencies in Section 3.a. and 3.b. have also been satisfied at such time, otherwise such amount shall be distributed to Good Times upon the last of the Contingencies to be satisfied.

3. Contingencies. The closing of the purchase of the Assets and the assumption of the Leases by Steakout is contingent upon the following ("Contingencies"):

a. The obtaining on or before November 24, 1995 of consents to assignments from the lessors under the East Charleston and Lake Mead Leases in forms reasonably acceptable to Good Times.

b. Good Times' approval on or before November 20, 1995 of the financial condition of Steakout.

c. Approval by Steakout on or before November 30, 1995 of the condition of the Assets.

4. Closing.

a. The closing of the purchase of the Assets and the assumption of the Leases by Steakout shall take place as soon as reasonably possible after the satisfaction of the Contingencies, but in no event later than November 30, 1995.

b. Good Times and Steakout, as applicable, shall execute the following documents in conjunction with or as soon as reasonably possible after the execution of

this Agreement:

(i) Consent to and Agreement Regarding Assignment with respect to the East Charleston and Lake Mead Leases, substantially in the forms attached hereto as Exhibit B (such documents shall also be executed by the applicable lessors on or before the closing);

(ii) Assignment of Lease and Assumption of Lease regarding the Tropicana and Nellis Leases, substantially in the forms attached hereto as Exhibit C;

(iii) Bills of Sale for the Assets described in Exhibit A with respect to each Restaurant, substantially in the form attached hereto as Exhibit D;

(iv) Guaranty Agreement of Gary and Eileen Schwalb substantially in the form attached hereto as Exhibit E;

(v) Deeds of Trust with respect to the leasehold interests of Steakout in each of the Restaurants, substantially in the forms attached hereto as Exhibit F; and

(vi) Such other documents and instruments as are reasonably necessary in order to effectuate the intentions of the parties with respect to the sale of the Assets to Steakout.

Upon execution of any of the foregoing documents prior to closing, such executed documents shall be placed in trust with a mutually agreeable third party. The holder of the executed documents shall deliver them at such time and in such manner as directed in writing by both Good Times and Steakout.

c. Utilities, taxes, insurance and other obligations, other than rent under the Leases, shall be prorated as of the date of closing. Good Times shall cancel all utilities for the Restaurants as of the date of closing and shall be entitled to all utility deposits therefrom. Notwithstanding the assignment of the Leases to Steakout at the closing, Good Times covenants and agrees to pay the base rent accruing under each of the Leases until the earlier of (i) the applicable Restaurant for each Lease opens for business to the public, or (ii) February 1, 1996.

5. Deposit Escrow. Steakout shall establish an interest bearing escrow account with Escrow Line, Inc. within thirty days prior to the expiration of the term of the Guaranty described in Section 4(b)(iv). Such escrow account shall be established for the entire term of the Leases and funded by Steakout with a minimum amount at all times equal to one month of rent due under each of the Leases as of February 1, 1998. Escrow Line, Inc. shall distribute funds in such amounts from such escrow account to Good Times promptly upon receipt from Good Times of proof of its payment of any rental or other amounts due under the Leases.

6. Representations and Warranties.

a. Good Times represents and warrants to Steakout that:

(i) At the closing the Assets will be in substantially the same physical condition in all material respects as on the date of this Agreement;

(ii) The Assets, including Good Times' interests in the Leases, are free and clear of all liens, encumbrances and restrictions other than the rights of the lessors under the Leases and current property taxes none of which are past due;

(iii) The Leases are in full force and effect and no monetary defaults exist thereunder;

(iv) The execution and carrying out of this Agreement has been duly authorized by the Board of Directors of Good Times.

b. Steakout represents and warrants to Good Times that the execution and carrying out of this Agreement has been duly authorized by the Board of Directors of Steakout and that no other authorizations are required therefor.

7. Indemnification.

a. Good Times shall indemnify and hold harmless Steakout with respect to any liability, loss, cost or expense resulting from (i) any breach by Good Times of a representation, warranty or any other provision of this Agreement and (ii) any liability or claim associated with the Restaurants relating to the period

prior to the closing hereunder.

b. Steakout shall indemnify and hold harmless Good Times with respect to any liability, loss, cost or expense resulting from (i) any breach by Steakout of a representation, warranty or any other provision of this Agreement, and (ii) any liability or claim associated with the Restaurants relating to the period after the closing hereunder.

8. Benefit. The terms and conditions of this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

If this letter correctly sets forth our agreement, kindly sign and return the attached copy hereof. This letter may be signed in counterparts by facsimile.

Very truly yours,

GOOD TIMES DRIVE THRU INC.,
a Colorado corporation

By: /s/ Thomas A. Gordon

Title: Chief Financial Officer

Agreed to this _____ day of November, 1995.

STEAKOUT, KING OF STEAKS, INC.,
a Nevada corporation

By: /s/ Gary Schwalb

Title: President

July 14, 1994

Mr. Boyd E. Hoback
Good Times Restaurants Inc.
8620 Wolff Court, Suite 330
Westminster, CO 80030

Dear Boyd:

This letter will set forth our agreement with respect to your continued employment by Good Times Restaurants Inc. (the "Company"). For convenience we shall refer to you as "Hoback".

1. Good Times currently employs Hoback as President and Chief Executive Officer. Hoback devotes his full time best efforts to such position and in general to protecting and advancing the best interests of the Company and its subsidiaries.

2. Hoback's base compensation is currently $100,000 per annum. Such base compensation shall be periodically increased to the extent, if any, determined reasonable and appropriate by the Board of Directors of the Company. Hoback also has an expense allowance of $10,000 per annum and continues to participate in the fringe benefits, including vacations, accorded by the Company to its key executives.

3. In consideration for the efforts put forth by him in enhancing the value of the Company, upon (i) the sale of all or substantially all of the assets of the Company to a party that is not a "Related Party" (as defined below), (ii) the sale of at least 90% of the capital stock of the Company to a party which is not a Related Party, or (iii) a merger, consolidation, reorganization or other similar transaction to which the Company is a party, except for a transaction in which the Company is the surviving corporation and, after giving effect to such transaction, the holders of the Company's outstanding capital stock immediately before the transaction own enough of the Company's outstanding capital stock after the transaction to elect a majority of the Company's Board of Directors under ordinary circumstances

(each, a "Sale"), Hoback will be entitled to compensation equal to one year's base salary, expense allowance and other benefits. For purposes of this Paragraph 3, a "Related Party" means any of the Shareholders or any entity which controls, is controlled by or under common control with a Shareholder or group of Shareholders that own enough of the Company's outstanding capital stock to elect a majority of the Company's Board of Directors.

If this letter correctly sets forth our agreement, kindly sign and return the attached copy hereof.

Sincerely,

/s/ Dan W. James

Dan W. James
Chairman

AGREED TO THIS 14th DAY OF September, 1994.

/s/ Boyd E. Hoback
Boyd E. Hoback

July 14, 1994

Mr. Thomas A. Gordon
Good Times Restaurants Inc.
8620 Wolff Court, Suite 330
Westminster, CO 80030

Dear Tom:

This letter will set forth our agreement with respect to your continued employment by Good Times Restaurants Inc. (the "Company"). For convenience we shall refer to you as "Gordon".

1. Good Times currently employs Gordon as Executive Vice President and Chief Financial Officer. Gordon devotes his full time best efforts to such position and in general to protecting and advancing the best interests of the Company and its subsidiaries.

2. Gordon's base compensation is currently $85,000 per annum. Such base compensation shall be periodically increased to the extent, if any, determined reasonable and appropriate by the Board of Directors of the Company. Gordon also has an expense allowance of $10,000 per annum and continues to participate in the fringe benefits, including vacations, accorded by the Company to its key executives.

3. In consideration for the efforts put forth by him in enhancing the value of the Company, upon (i) the sale of all or substantially all of the assets of the Company to a party that is not a "Related Party" (as defined below), (ii) the sale of at least 90% of the capital stock of the Company to a party which is not a Related Party, or (iii) a merger, consolidation, reorganization or other similar transaction to which the Company is a party, except for a transaction in which the Company is the surviving corporation and, after giving effect to such transaction, the holders of the Company's outstanding capital stock immediately before the transaction own enough of the Company's outstanding capital stock after the transaction to elect a majority of the Company's Board of Directors under ordinary circumstances (each, a "Sale"), Gordon will be entitled to compensation

equal to one year's base salary, expense allowance and other benefits. For purposes of this Paragraph 3, a "Related Party" means any of the Shareholders or any entity which controls, is controlled by or under common control with a Shareholder or group of Shareholders that own enough of the Company's outstanding capital stock to elect a majority of the Company's Board of Directors.

If this letter correctly sets forth our agreement, kindly sign and return the attached copy hereof.

Sincerely,

/s/ Dan W. James

Dan W. James
Chairman

AGREED TO THIS 14th DAY OF September, 1994.

/s/ Thomas A. Gordon
Thomas A. Gordon

$254,625.00

November 3, 1995

Westminster, Colorado

PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, jointly and severally if more than one, promises to pay to the order of AT&T Commercial Finance Corporation or its successors or assigns at PO Box 440, 2 Gatehall Drive, Parsippany, New Jersey 07054-0440 or such other place as the holder hereof may from time to time designate in writing, the principal sum of Two Hundred Fifty-Four Thousand Six Hundred Twenty-Five Dollars and No Cents ($254,625.00) plus interest on the unpaid principal balance at the rates specified below.

Interest shall accrue from the date of disbursement of the principal amount hereof or any portion thereof until December 1, 2000, at the initial rate of Ten percent (10.00%) per annum.

Commencing December 2, 2000, (the "Conversion Date") and continuing thereafter interest shall-convert to a floating rate (the "Floating Rate") equivalent to the Prime Rate (as defined below) as of the Conversion Date plus 2.25%. The undersigned also may prepay this Note on or after the Conversion Date in full without a prepayment premium. If the rate converts to the Floating Rate, the interest rate shall be adjusted on the first day of each calendar quarter (i.e., each January 1, April 1, July 1 and October 1) upon any change in the Prime Rate to the rate of two and twenty-five hundredths percent (2.25%) above the Prime Rate in effect on such date, provided, however, that in no event shall the interest rate payable hereunder be less than seven percent (7%) nor greater than the maximum permitted by applicable law.

The "Prime Rate" is defined as the Prime Rate published in the honey Rates section of The Wall Street Journal, or if no such rate is published in The Wall Street Journal, then the nearest comparable published rate, as determined by the holder of this Note.

In all cases, interest shall be calculated on the basis of the actual number of days elapsed over a year of 365 days.

Principal and interest are payable as follows:

One installment of interest only shall be payable on the first day of the month following the date of this Note.

Then equal monthly installments of principal and interest will be due and payable on the first day of each and every month thereafter, and the entire unpaid principal balance together with accrued and unpaid interest and other charges shall be due and payable in full on or before December 1, 2015. Unless and until the amount of any installment changes as set forth herein, the monthly amount of principal and interest payments shall be $2,458.00.

In addition to the foregoing installments, the above monthly principal and interest may be adjusted from time to time to amortize the remaining principal balance in equal monthly payments over the remaining term of the loan.

Payments, when made, shall be applied in a manner and order according to the sole discretion of the holder of this Note without notice or demand.

If any payment required to be paid by this Note is not paid in full within ten (10) days after its scheduled due date, the holder hereof may assess a late charge in the amount of five percent (5%) of the unpaid amount of the payment, or the maximum permitted by applicable law, whichever is less.

Failure to make any payment when due, or any default under any encumbrance or agreement securing this Note shall cause the entire remaining unpaid balance of principal and interest to be declared immediately due and payable at the option of the holder of this Note without notice or demand. This Note also shall be due and payable in full, at the option of the holder hereof, without notice or demand, upon any default in any other obligations owed to the holder by the undersigned, whether now in existence or hereafter created, including any indebtedness evidenced by a promissory note or any document securing any such promissory note.

The undersigned and any endorser or guarantor of this Note hereby each waive presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands and notices in connection with the delivery, performance and enforcement of this Note and waive all defenses that may be based on suretyship or impairment of collateral. The undersigned is bound as a principal and not as a surety. This Note shall bear interest at the rate of four percent (4.0%) per annum above the interest rate otherwise payable under the terms of this Note, or the maximum permitted by applicable law, whichever is less (the "Default Rate"), after the maturity hereof or following an event of default hereunder until paid in full.

In the event holder shall employ counsel to collect this obligation or to administer, protect or foreclose the security given in connection herewith, the undersigned, jointly and severally if more than one, agrees to pay reasonable attorney's fees for services of such counsel, whether or not suit is brought, plus costs incurred in connection therewith.

The undersigned shall have the option of prepaying this Note in full or in part at any time hereafter, provided, however, that the undersigned, jointly and severally if more than one, agrees to pay a prepayment penalty in accordance with the following schedule: Five percent (5.0%) of the amount prepaid in the event such payment is made on or before December 1, 1996; Four percent (4.0%) of the amount prepaid in the event such payment is made on or before December 1, 1997; Three percent (3.0%) of the amount prepaid in the event such payment is made on or before December 1, 1998; Two percent (2.0%) of the amount prepaid in the event such payment is made on or before December 1, 1999; and One percent (1.0%) of the amount prepaid in the event such payment is made on or before December 1, 2000. A prepayment is any payment made ahead of schedule that exceeds twenty percent (20%) of the then outstanding principal balance before such prepayment.

If suit is instituted to enforce the terms of this Note, the Courts of the State of Idaho and the Federal Courts located in the State of Idaho shall have non-exclusive personal jurisdiction over the undersigned, and the venue of the suit, at the option of the holder of this Note, may be laid in Ada County, Idaho The undersigned agrees not to claim that Idaho is an inconvenient place for trial.

This Note shall be construed and enforced in accordance with the laws of the State of Idaho.

If the Note is mutilated, lost, stolen or destroyed, then upon surrender thereof (if mutilated) or receipt of evidence and indemnity (if lost, stolen or destroyed) the undersigned shall execute and deliver a new note of like tenor, which shall show all payments which have been made on account of the principal hereof.

The undersigned and any endorser or guarantor of this Note each hereby agree and consent that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any state or federal court sitting in the State of Idaho may be made by certified or registered mail, return receipt requested, directed to the undersigned at the following address:

BOISE CO-DEVELOPMENT LIMITED PARTNERSHIP,

a Colorado limited partnership
8620 Wolff Court, Suite 330
Westminster, CO 80030

THE UNDERSIGNED AND ANY ENDORSER OR GUARANTOR OF THIS NOTE EACH HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY AND ALL RIGHTS TO ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

IN WITNESS WHEREOF, the undersigned have executed this Note as of the date first above written.

BOISE CO-DEVELOPMENT LIMITED PARTNERSHIP,
a Colorado limited partnership

By: Good Times Drive Thru, Inc.,
a Colorado corporation as general partner of
BOISE CO-Development LIMITED PARTNERSHIP,
a Colorado limited partnership

By: /s/ Boyd E. Hoback, President
Boyd E. Hoback, President

STATE OF COLORADO)
) ss.
COUNTY OF Adams)

On this 3rd day of November, in the year of 1995, before me Gina M. Wesolek, personally appeared Boyd E. Hoback, known or identified to me (or proved to be on the oath of _____) to be the president, or vice-president, or secretary or assistant secretary, of the corporation that executed the instrument or the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation exected the same.

/s/ Gina M. Wesolek
[SEAL] Notary Public

My commission expires on

November 23, 1995

FL WI RATE REVIEW
CONV
9/19/95

$104,055.00

November 3, 1995

Westminster, Colorado

PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, jointly and severally if more than one, promises to pay to the order of AT&T Commercial Finance Corporation or its successors or assigns at PO Box 440, 2 Gatehall Drive, Parsippany, New Jersey 07054-0440 or such other place as the holder hereof may from time to time designate in writing, the principal sum of One Hundred Four Thousand Fifty-Five Dollars and No Cents ($104,055.00) plus interest on the unpaid principal balance at the rates specified below.

Interest shall accrue from the date of disbursement of the principal amount hereof or any portion thereof until December 1, 2000, at the initial rate of Ten percent (10.00%) per annum.

Commencing December 2, 2000, (the "Conversion Date") and continuing thereafter interest shall convert to a floating rate (the "Floating Rate") equivalent to the Prime Rate (as defined below) as of the Conversion Date plus 2.25%. The undersigned also may prepay this Note on or after the Conversion Date in full without a prepayment premium. If the rate converts to the Floating Rate, the interest rate shall be adjusted on the first day of each calendar quarter (i.e., each January 1, April 1, July 1 and October 1) upon any change in the Prime Rate to the rate of two and twenty-five hundredths percent (2.25%) above the Prime Rate in effect on such date, provided, however, that in no event shall the interest rate payable hereunder be less than seven percent (7%) nor greater than the maximum permitted by applicable law.

The "Prime Rate" is defined as the Prime Rate published in the Money Rates section of The Wall Street Journal, or if no such rate is published in The Wall Street Journal, then the nearest comparable published rate, as determined by the holder of this Note.

In all cases, interest shall be calculated on the basis of the actual number of days elapsed over a year of 365 days.

Principal and interest are payable as follows:

One installment of interest only shall be payable on the first day of the month following the date of this Note.

Then equal monthly installments of principal and interest will be due and payable on the first day of each and every month thereafter, and the entire unpaid principal balance together with accrued and unpaid interest and other charges shall be due and payable in full on or before December 1, 2002. Unless and until the amount of any installment changes as set forth herein, the monthly amount of principal and interest payments shall be $1,728.00.

In addition to the foregoing installments, the above monthly principal and interest may be adjusted from time to time to amortize the remaining principal balance in equal monthly payments over the remaining term of the loan.

Payments, when made, shall be applied in a manner and order according to the sole discretion of the holder of this Note without notice or demand.

If any payment required to be paid by this Note is not paid in full within ten (10) days after its scheduled due date, the holder hereof may assess a late charge in the amount of five percent (5%) of the unpaid amount of the payment, or the maximum permitted by applicable law, whichever is less.

Failure to make any payment when due, or any default under any encumbrance or agreement securing this Note shall cause the entire remaining unpaid balance of principal and interest to be declared immediately due and payable at the option of the holder of this Note without notice or demand. This Note also shall be due and payable in full, at the option of the holder hereof, without notice or demand, upon any default in any other obligations owed to the holder by the undersigned, whether now in existence or hereafter created, including any indebtedness evidenced by a promissory note or any document securing any such promissory note.

The undersigned and any endorser or guarantor of this Note hereby each waive presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands and notices in connection with the delivery, performance and enforcement of this Note and waive all defenses that may be based on suretyship or impairment of collateral. The undersigned is bound as a principal and not as a surety. This Note shall bear interest at the rate of four percent (4.0%) per annum above the interest rate otherwise payable under the terms of this Note, or the maximum permitted by applicable law, whichever is less (the "Default Rate"), after the maturity hereof or following an event of default hereunder until paid in full.

In the event holder shall employ counsel to collect this obligation

or to administer, protect or foreclose the security given in connection herewith, the undersigned, jointly and severally if more than one, agrees to pay reasonable attorney's fees for services of such counsel, whether or not suit is brought, plus costs incurred in connection therewith.

The undersigned shall have the option of prepaying this Note in full or in part at any time hereafter, provided, however, that the undersigned, jointly and severally if more than one, agrees to pay a prepayment penalty in accordance with the following schedule: Five percent (5.0%) of the amount prepaid in the event such payment is made on or before December 1, 1996; Four percent (4.0%) of the amount prepaid in the event such payment is made on or before December 1, 1997; Three percent (3.0%) of the amount prepaid in the event such payment is made on or before December 1, 1998; Two percent (2.0%) of the amount prepaid in the event such payment is made on or before December 1, 1999; and One percent (1. 0%) of the amount prepaid in the event such payment is made on or before December 1, 2000. A prepayment is any payment made ahead of schedule that exceeds twenty percent (20%) of the then outstanding principal balance before such prepayment.

If suit is instituted to enforce the terms of this Note, the Courts of the State of Idaho and the Federal Courts located in the State of Idaho shall have non-exclusive personal jurisdiction over the undersigned, and the venue of the suit, at the option of the holder of this Note, may be laid in Ada County, Idaho The undersigned agrees not to claim that Idaho is an inconvenient place for trial.

This Note shall be construed and enforced in accordance with the laws of the State of Idaho.

If the Note is mutilated, lost, stolen or destroyed, then upon surrender thereof (if mutilated) or receipt of evidence and indemnity (if lost, stolen or destroyed) the undersigned shall execute and deliver a new note of like tenor, which shall show all payments which have been made on account of the principal hereof.

The undersigned and any endorser or guarantor of this Note each hereby agree and consent that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any state or federal court sitting in the State of Idaho may be made by certified or registered mail, return receipt requested, directed to the undersigned at the following address:

BOISE CO-DEVELOPMENT LIMITED PARTNERSHIP,
a Colorado- limited partnership
8620 Wolff Court, Suite 330
Westminster, CO 80030

THE UNDERSIGNED AND ANY ENDORSER OR GUARANTOR OF THIS NOTE EACH HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY AND ALL RIGHTS TO ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

IN WITNESS WHEREOF, the undersigned have executed this Note as of the date first above written.

BOISE CO-DEVELOPMENT LIMITED PARTNERSHIP,
a Colorado limited partnership

By: Good times Drive Thru, Inc.,
a Colorado corporation as general partner of
BOISE CO-DEVELOPMENT LIMITED PARTNERSHIP,
a Colorado limited partnership

By:/s/ Boyd E. Hoback, President
Boyd E. Hoback, President

STATE OF COLORADO)
) ss.
COUNTY OF Adams)

On this 3rd day of November, in the year of 1995, before me Gina M. Wesolek personally appeared Boyd E. Hoback, known or identified to me (or proved to be on the oath of _____) to be the president, or vice-president, or secretary or assistant secretary, of the corporation that executed the instrument or the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation exected the same.

/s/ Gina M. Wesolek
[SEAL] Notary Public

My commission expires on

November 23, 1995

FX W/ RATE REVIEW

CONV
9/19/95

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and
Board of Directors
Good Times Restaurants Inc.

We have audited the accompanying consolidated balance sheet of Good Times Restaurants Inc. and subsidiaries as of September 30, 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended September 30, 1995 and 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Good Times Restaurants Inc. and subsidiaries as of September 30, 1995, and the results of their operations and their cash flows for the years ended September 1995 and 1994, in conformity with generally accepted accounting principles.

/s/ Hein + Associates LLP

Hein + Associates LLP

Denver, Colorado
December 1, 1995

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