

Good Times Restaurants Inc.
Form SC TO-I
June 22, 2018

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

SCHEDULE TO
(Rule 14d-100)
TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR
13(e)(1) OF THE SECURITIES EXCHANGE ACT OF 1934

Good Times Restaurants Inc.
(Name of Subject Company (Issuer) and Filing Person (Offeror))

Common Stock, Par Value \$.001 per share
(Title of Class of Securities)

382140879
(CUSIP Number of Class of Securities)

Ryan Zink
Chief Financial Officer
141 Union Boulevard #400
Lakewood, CO 80228
(303) 384-1400
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of Filing Person)

CALCULATION OF FILING FEE:
Transaction valuation Amount of filing fee
U.S. \$496,524.10⁽¹⁾ U.S. \$99.30⁽²⁾

(1) For purpose of calculating the amount of filing fee only in accordance with Rule 0-11 under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). The calculation of the Transaction Valuation assumes that all outstanding options to purchase shares of Good Times Restaurants Inc. common stock that may be eligible for exchange in the offer will be exchanged pursuant to the offer. These options cover an aggregate of 136,034 shares of Good Times Restaurants Inc. common stock and have an aggregate value of \$496,524.10 as of June 20, 2018, calculated using the Black-Scholes option pricing model.

(2) The amount of the filing fee, calculated in accordance with Rule 0-11(b) of the Exchange Act, equals one-fiftieth of one percent of the aggregate amount of the Transaction Valuation. The Transaction Valuation set forth above was calculated for the sole purpose of determining the filing fee and should not be used for any other purpose.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: Good Times Restaurants Inc. - Form SC TO-I

Amount Previously Paid: N/A Filing Party: N/A

Form or Registration Number: N/A Date Filed: N/A

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of a tender offer:

If applicable, check the appropriate box(es) below to designate the appropriate rule provision(s) relied upon:

Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

Item 1. Summary Term Sheet

The information set forth under “Summary Term Sheet” in the Offer to Exchange Certain Outstanding Options to Purchase Common Stock for a Number of Replacement Options Exercisable at a Lower Price, dated June 22, 2018 (the “Offer to Exchange”), attached hereto as Exhibit (a)(1)(i), is incorporated herein by reference.

Item 2. Subject Company Information

(a) Name and address. Good Times Restaurants Inc., a Nevada corporation (“Good Times” or the “Company”), is the issuer of the securities subject to the Offer to Exchange. The Company’s principal executive offices are located at 141 Union Blvd #400, Lakewood, CO 80228, and the telephone number of its principal executive offices is (303) 384-1400. The information set forth in the Offer to Exchange under “This Offer – Section 9 (Information Concerning Good Times)” is incorporated herein by reference.

(b) Securities. This Tender Offer Statement on Schedule TO relates to an offer by the Company to exchange options to purchase shares of the Company’s common stock, par value \$0.001 per share, with exercise prices ranging from \$7.79 to \$9.17 per share held by employees and non-employee directors, for replacement options to purchase a lesser number of shares of common stock at a lower price to be granted under the 2018 Omnibus Equity Incentive Plan (the “2018 Plan”), upon the terms and subject to the conditions set forth in the Offer to Exchange, and the related Terms of Election (the “Terms of Election” and, together with the Offer to Exchange, as they may be amended from time to time, the “Option Exchange”), attached hereto as Exhibit (a)(1)(i) and Exhibit (a)(1)(iv), respectively. Each option holder that elects to exchange options pursuant to the Option Exchange must submit his or her election via email or submit a paper election form (the “Election Form”) by facsimile, Federal Express (or similar delivery service), or a hand delivery service and agree to the Terms of Election and will be granted replacement options to purchase a lesser number of shares of common stock. As of June 22, 2018, there were outstanding eligible options to purchase an aggregate of approximately 136,034 shares of the Company’s common stock.

The information set forth in the Offer to Exchange under “Summary Term Sheet,” “This Offer – Section 1 (Eligibility; Number of Options; Offer Expiration Date),” “This Offer – Section 5 (Acceptance of Options for Exchange; Grant of Replacement Options),” and “This Offer – Section 8 (Source and Amount of Consideration; Terms of Replacement Options)” is incorporated herein by reference.

(c) Trading market and price. The information set forth in the Offer to Exchange under “This Offer – Section 7 (Price Range of Common Stock Underlying the Options)” is incorporated herein by reference.

Item 3. Identity and Background of Filing Person

(a) Name and Address. The Company is both the subject company and the filing person. The Information set forth under Item 2(a) above and in the Offer to Exchange under “This Offer – Section 10 (Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning our Securities)” is incorporated herein by reference.

Item 4. Terms of the Transaction

(a) Material Terms. The information set forth in the Offer to Exchange under “Summary Term Sheet” and the sections under “This Offer” titled “Section 1 (Eligibility; Number of Options; Offer Expiration Date),” “Section 3 (Procedures for Electing to Exchange Options),” “Section 4 (Withdrawal Rights),” “Section 5 (Acceptance of Options for Exchange; Grant of Replacement Options),” “Section 6 (Conditions of this Offer),” “Section 7 (Price Range of Common Stock Underlying the Options),” “Section 8 (Source and Amount of Consideration; Terms of Replacement Options),” “Section 11 (Status of Options Acquired by Us in this Offer; Accounting Consequences of this Offer),” “Section 12 (Agreements; Legal Matters; Regulatory Approvals),” “Section 13 (Material U.S. Federal Income Tax Consequences),” and “Section 14 (Extension of Offer; Termination; Amendment)” is incorporated by reference.

(b) Purchases. The information set forth in the Offer to Exchange under “This Offer – Section 10 (Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning our Securities)” is incorporated herein by reference.

Item 5. Past Contracts, Negotiations and Agreements

(e) Agreements involving the subject company’s securities. The information set forth in the Offer to Exchange under “This Offer – Section 10 (Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning our Securities)” is incorporated herein by reference. The terms and conditions of the 2018 Plan are incorporated herein by reference.

Item 6. Purposes of the Transaction and Plans or Proposals

(a) Purposes. The information set forth in the Offer to Exchange under “Summary Term Sheet” and “This Offer – Section 2 (Purpose of this Offer)” is incorporated herein by reference.

(b) Use of securities acquired. The information set forth in the Offer to Exchange under “This Offer – Section 5 (Acceptance of Options for Exchange; Grant of Replacement Options),” and “This Offer – Section 11 (Status of Options Acquired by Us in this Offer; Accounting Consequences of this Offer)” is incorporated herein by reference.

(c) Plans. The information set forth in the Offer to Exchange under “This Offer – Section 2 (Purpose of this Offer)” is incorporated herein by reference.

Item 7. Source and Amount of Funds or Other Consideration

(a) Source of funds. The information set forth in the Offer to Exchange under “This Offer – Section 8 (Source and Amount of Consideration; Terms of Replacement Options),” and “This Offer – Section 15 (Fees and Expenses)” is incorporated herein by reference.

(b) Conditions. The information set forth in the Offer to Exchange under “This Offer – Section 6 (Conditions of this Offer)” is incorporated herein by reference. There are no alternative financing arrangements or alternative financing plans in the event the primary financing plans fall through for this Offer.

(d) Borrowed Funds. Not applicable.

Item 8. Interest in Securities of the Subject Company

(a) Securities ownership. The information set forth in the Offer to Exchange under “This Offer – Section 10 (Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning our Securities)” is incorporated herein by reference.

(b) Securities transactions. The information set forth in the Offer to Exchange under “This Offer – Section 10 (Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning our Securities)” is incorporated herein by reference.

Item 9. Persons/Assets, Retained, Employed, Compensated or Used

(a) Solicitations or recommendations. Not applicable.

Item 10. Financial Statements

(a) Financial information. The information set forth in the Offer to Exchange under “This Offer – Section 9 (Information Concerning Good Times),” and “This Offer – Section 16 (Additional Information)” is incorporated herein by reference. Our Annual Report on Form 10-K for the fiscal year ended September 26, 2017, filed with the Securities and Exchange Commission (the “SEC”) on December 22, 2017, including the financial information set forth in Item 8 – Financial Statements and Supplementary Data of our Annual Report on Form 10-K, and our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 27, 2018 and December 26, 2017, filed with the SEC on May 11, 2018 and February 9, 2018, respectively, including the financial information set forth in Item 1 – Financial Statements therein are incorporated herein by reference. Our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are available electronically on the SEC’s website at <https://www.sec.gov>.

(b) Pro forma information. Not applicable.

Item 11. Additional Information

(a) Agreements, regulatory requirements and legal proceedings. The Information set forth in the Offer to Exchange under “Risk Factors,” “This Offer – Section 10 (Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning our Securities),” and “This Offer – Section 12 (Agreements; Legal Matters; Regulatory Approvals)” is incorporated herein by reference.

(c) Other material information. Not applicable.

Item 12. Exhibits

Exhibit

Number Description

- (a)(1)(i) Offer to Exchange Certain Outstanding Options to Purchase Common Stock for a Number of Replacement Options Exercisable at a Lower Price, dated June 22, 2018
- (a)(1)(ii) Communication to All Eligible Exchange Option Holders from Good Times Restaurants Inc.
- (a)(1)(iii) Election Form
- (a)(1)(iv) Form of Terms of Election
- (a)(2) Not applicable
- (a)(3) Not applicable
- (a)(4) Not applicable
- (a)(5) Not applicable
- (b) Not applicable
- (d)(1) Form of Award Agreement under the 2018 Omnibus Equity Incentive Plan
- (d)(2) Form of Stock Option Grant Notice under the 2018 Omnibus Equity Incentive Plan
- (d)(3) 2018 Omnibus Equity Incentive Plan filed as Annex A on Form DEF 14A filed with the SEC on April 25, 2018, incorporated herein by reference
- (d)(4) Agreement dated March 12, 2018 between Good Times Restaurants Inc. and Robert J. Stetson and where applicable his controlled affiliates, and Charles Jobson and where applicable his controlled affiliates filed as Exhibit 10.1 on Form 8-K filed with the SEC on March 13, 2018, incorporated herein by reference
- (d)(5) Employment Agreement dated September 27, 2016, between Boyd E. Hoback and Good Times Restaurants Inc. filed as Exhibit 10.1 on Form 8-K filed with the SEC on September 30, 2016, incorporated herein by reference
- (d)(6) Employment Agreement dated September 27, 2016, between Scott G. LeFever and Good Times Restaurants Inc. filed as Exhibit 10.3 on Form 8-K filed with the SEC on September 30, 2016, incorporated herein by reference
- (d)(7) Employment Agreement dated September 27, 2016, between Susan M. Knutson and Good Times Restaurants Inc. filed as Exhibit 10.4 on Form 8-K filed with the SEC on September 30, 2016, incorporated herein by reference
- (d)(8) Employment Agreement dated July 18, 2017, between Ryan M. Zink and Good Times Restaurants Inc. filed as Exhibit 10.1 on Form 8-K filed with the SEC on July 19, 2017, incorporated herein by reference
- (g) Not applicable
- (h) Not applicable

Item 13. Information Required by Schedule 13E-3. Not applicable.

EXHBIT (a)(1)(i)

GOOD TIMES RESTAURANTS INC.

OFFER TO EXCHANGE CERTAIN OUTSTANDING OPTIONS
TO PURCHASE COMMON STOCK
FOR A NUMBER OF REPLACEMENT OPTIONS EXERCISABLE AT A LOWER PRICE

THIS OFFER AND WITHDRAWAL RIGHTS EXPIRE
AT 5:00 P.M. MOUNTAIN TIME ON JULY 23, 2018
UNLESS THIS OFFER IS EXTENDED

Good Times Restaurants Inc., which is sometimes referred to herein as the “Company,” “Good Times,” “our,” “us,” or “we” is offering eligible employees and non-employee directors the opportunity to exchange certain outstanding options to purchase shares of our common stock for new options covering a lesser number of shares of our common stock exercisable at a lower price (“Replacement Options”), calculated in accordance with specified exchange ratios. We expect to grant the Replacement Options on the date on which we cancel the options accepted for exchange, which will be on the completion date of this offer. We are making this offer (“Offer”) upon the terms, and subject to the conditions, set forth in this Offer to Exchange Certain Outstanding Options to Purchase Common Stock for a Number of Replacement Options Exercisable at a Lower Price (this “Offer to Exchange”) and in the related Terms of Election (the “Terms of Election” and, together with this Offer to Exchange, as they may be amended from time to time, the “Option Exchange”).

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SUMMARY TERM SHEET

1. **Eligibility.** Only eligible options may be exchanged in the Option Exchange. For these purposes, eligible options are those options issued in 2015 that have exercise prices ranging from \$7.79 to \$9.17 per share (“Eligible Exchange Options”). Options issued in 2015 with an exercise price less than \$7.79 per share are not eligible to be exchanged in the Option Exchange.

Options that expire pursuant to their terms prior to the completion of the Option Exchange are forfeited and not eligible to be exchanged for Replacement Options.

You are eligible to participate in the Option Exchange only if you are:

An employee who holds Eligible Exchange Options and who is employed by us, or one of our subsidiaries, at the time of commencement of the Option Exchange, and who continues to be an employee and hold such Eligible Exchange Options through the date on which Replacement Options are granted at the conclusion of the Option Exchange; or

A non-employee director who holds Eligible Exchange Options and is serving as a director at the time of commencement of the Option Exchange, and who continues to serve as a director and hold such Eligible Exchange Options through the date on which Replacement Options are granted at the conclusion of the Option Exchange.

The outstanding options that you hold under our existing equity incentive plans give you the right to purchase shares of our common stock once those options vest and you exercise those options by paying the applicable exercise price (and satisfying any applicable tax withholding obligations). Thus, when we use the term “option” in this Offer to Exchange, we refer to the actual options you hold to purchase shares of our common stock and not the shares of our common stock underlying those options. (See Section 1 of this Offer to Exchange entitled “Eligibility; Number of Options; Offer Expiration Date” and Section 5 of this Offer to Exchange entitled “Acceptance of Options for Exchange; Grant of Replacement Options” below for additional information.)

2. **Exchange Ratios.** The exchange ratios in the Option Exchange represent the number of shares subject to Eligible Exchange Options that an employee or non-employee director must surrender in order to receive one Replacement Option, and vary based on the exercise price of the Eligible Exchange Options. The following exchange ratios for the Option Exchange were determined using the Black-Scholes model and are based on, among other things, the closing price of our common stock on June 20, 2018 of \$3.65, the volatility of our common stock, U.S. treasury rates, the exercise prices of the Eligible Exchange Options, the remaining terms of the Eligible Exchange Options and the term of the Replacement Options. The exchange ratios were calculated to result in grants of Replacement Options with a fair value, for accounting purposes, that is approximately equal to the fair value of the Eligible Exchange Options that are surrendered in the Option Exchange. Such a fair value exchange is intended to balance the compensatory goals of the Option Exchange and the interests of our stockholders, including reducing our total number of outstanding options, avoiding further dilution to our stockholders and minimizing the accounting expense of the grants of Replacement Options. Replacement Options calculated according to the exchange ratios will be rounded down to the nearest whole share of our common stock. Replacement Options to purchase fractional shares will not be granted and cash will not be paid for any fractional shares. The table below sets forth the exchange ratios to be used based on the exercise price of the Eligible Exchange Options. This means that you must surrender 3.30 Eligible Exchange Options with an exercise price of \$9.17 per share and 2.60 Eligible Exchange Options with an exercise price of \$7.79 per share for each Replacement Option granted.

	Exchange Ratios Shares Subject to Eligible Exchange Options Surrendered	Shares Subject to Replacement Options to be Granted
Exercise Prices		
\$9.17	3.30	1
\$7.79	2.60	1

3. **Terms of Replacement Options.** We will grant the Replacement Options under the 2018 Omnibus Equity Incentive Plan (the “2018 Plan”) on the Replacement Option grant date, which will also be the date on which we cancel the Eligible Exchange Options accepted for exchange. In order to be granted a Replacement Option, you must remain continuously employed by, or serve on the Board of Directors of, Good Times or one of our subsidiaries through the Replacement Option grant date. (See Section 8 of the Offer to Exchange entitled “Source and Amount of Consideration; Terms of Replacement Options” below for more information.)

The Replacement Options:

will have a per-share exercise price equal to the greater of (a) the closing price per share of our common stock on the date of grant and (b) the ninety-day trailing daily average closing price of the common stock for the 90 trading days preceding and including the grant date using a simple average of the closing prices of the immediately preceding 90 trading days. The exercise price for the Replacement Options will be set on the grant date of the Replacement Options. If the market price of our common stock exceeds \$7.79 or \$9.17 per share on the Replacement Option grant date, the Replacement Options that you receive in exchange for your existing options may have a higher exercise price than some or all of your surrendered Eligible Exchange Options;

will have a ten-year term beginning with the date of grant. The Option Exchange is structured such that the vesting status of the Replacement Options will remain the same as the options surrendered in exchange. All Eligible Exchange Options have fully vested. Therefore, Replacement Options will immediately vest in a quantity equal to the number of vested Eligible Exchange Options divided by the Exchange Ratio and the remaining unvested options will vest ratably over the original vesting schedule for the Eligible Exchange Options.;

will be of the same type of options as the surrendered options. In other words, Eligible Option Holders holding nonqualified stock options will receive Replacement Options in the form of nonqualified stock options and Eligible Option Holders holding incentive stock options will receive Replacement Options in the form of incentive stock options; and

will have the terms and be subject to the conditions as provided for in the 2018 Plan and option award agreement. (See Section 8 of the Offer to Exchange entitled “Source and Amount of Consideration; Terms of Replacement Options”, Section 13 of the Offer to Exchange entitled “Material U.S. Federal Income Tax Consequences” and “Risk Factors” below for additional information.)

Although our Board of Directors has approved this Offer, neither we nor our Board of Directors make any recommendation as to whether you should elect to exchange or refrain from electing to exchange all or any of your Eligible Exchange Options. You must make your own decision regarding whether to elect to exchange all or any of your Eligible Exchange Options.

This Offer is not conditioned upon a minimum aggregate number of Eligible Exchange Options being surrendered for exchange. This Offer is subject to certain conditions which we describe in Section 6 of this Offer to Exchange and the terms described in this Offer. (See Section 6 of the Offer to Exchange entitled “Conditions of this Offer” below for additional information.)

Shares of our common stock are listed on the NASDAQ under the symbol “GTIM.” On June 20, 2018, the closing price of our common stock on the NASDAQ was \$3.65 per share. As Replacement Options will be issued with an exercise price not less than the closing price of our common stock on NASDAQ on the date of grant, we recommend that you obtain current market quotations for our common stock before deciding whether to elect to exchange your Eligible Exchange Options.

As of June 22, 2018, Eligible Exchange Options outstanding under our existing equity incentive plans were exercisable for approximately 136,034 shares of our common stock, or approximately 1.1% of the total shares of our common stock outstanding as of May 10, 2018, which was 12,468,326 shares.

4. **Process to Participate.** If you wish to participate in this Offer, you must email an electronic Election Form to Good Times at christi@gtrestaurants.com and elect to participate before 5:00 P.M. Mountain Time, on July 23, 2018. If for any reason you are unable to reach Good Times by email, or if you would like to submit a paper Election Form, you may submit a paper Election Form by facsimile to (303) 273-0177, or submit a paper Election Form by FedEx (or similar delivery service) or a hand delivery service to 141 Union Boulevard #400, Lakewood, Colorado 80228, but it must be completed, signed and received by 5:00 P.M. Mountain Time, on July 23, 2018. Election submissions that are received after this deadline will not be accepted. In order to submit your election to participate in this Offer, you will be required to acknowledge on your Election Form your agreement to all of the terms and conditions of the Offer to Exchange as set forth in the Offer documents.

Elections submitted by any other means, including United States mail (or other post) are not permitted and will not be accepted by us.

You should direct questions about this Offer and requests for additional copies of this Offer to Exchange and the other Offer documents by emailing christi@gtrestaurants.com or calling (303) 384-1400, 5 days a week (9:00 a.m. Monday to 5:00 p.m. Friday, Mountain Time).

We are not making this Offer to, nor will we accept any election to exchange options from or on behalf of, option holders in any jurisdiction in which this Offer or the acceptance of any election to exchange options would not be in compliance with the laws of that jurisdiction. However, we may, at our discretion, take any actions necessary or desirable for us to make this Offer to option holders in any such jurisdiction.

IMPORTANT

THIS OPTION EXCHANGE OFFER DOCUMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), OR ANY STATE OR FOREIGN SECURITIES COMMISSION NOR HAS THE SEC OR ANY STATE OR FOREIGN SECURITIES COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF THIS EXCHANGE OFFER OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

GOOD TIMES HAS NOT AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION ON OUR BEHALF AS TO WHETHER YOU SHOULD ELECT TO EXCHANGE OR REFRAIN FROM ELECTING TO EXCHANGE YOUR OPTIONS PURSUANT TO THIS OFFER. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR OTHER INFORMATION TO WHICH WE HAVE REFERRED YOU. GOOD TIMES HAS NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFER OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DOCUMENT OR IN THE RELATED TERMS OF ELECTION. IF ANYONE MAKES ANY RECOMMENDATION OR REPRESENTATION TO YOU OR GIVES YOU ANY INFORMATION, YOU MUST NOT RELY UPON THAT RECOMMENDATION, REPRESENTATION OR INFORMATION AS HAVING BEEN AUTHORIZED BY GOOD TIMES.

NOTHING IN THIS DOCUMENT SHALL BE CONSTRUED TO GIVE ANY PERSON THE RIGHT TO REMAIN IN THE EMPLOYMENT OF GOOD TIMES OR TO AFFECT OUR RIGHT TO TERMINATE THE EMPLOYMENT OF ANY PERSON AT ANY TIME WITH OR WITHOUT CAUSE TO THE EXTENT PERMITTED UNDER LAW. NOTHING IN THIS DOCUMENT SHOULD BE CONSIDERED A CONTRACT OR GUARANTEE OF WAGES OR COMPENSATION.

GOOD TIMES RESERVES THE RIGHT TO AMEND OR TERMINATE THE 2018 PLAN AT ANY TIME, AND THE GRANT OF AN OPTION UNDER THE 2018 PLAN OR THIS OFFER DOES NOT IN ANY WAY OBLIGATE GOOD TIMES TO GRANT ADDITIONAL OPTIONS OR OFFER FURTHER OPPORTUNITIES TO PARTICIPATE IN ANY OPTION EXCHANGE IN ANY FUTURE YEAR. THE GRANT OF AN OPTION AND ANY FUTURE OPTIONS GRANTED UNDER THE 2018 PLAN OR IN RELATION TO THIS OFFER IS WHOLLY DISCRETIONARY IN NATURE AND IS NOT TO BE CONSIDERED PART OF ANY NORMAL OR EXPECTED COMPENSATION THAT IS OR WOULD BE SUBJECT TO SEVERANCE, RESIGNATION, REDUNDANCY, TERMINATION OR SIMILAR PAY, OTHER THAN TO THE EXTENT REQUIRED BY LOCAL LAW.

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Because you will receive Replacement Options covering fewer shares than the Eligible Exchange Options surrendered, your Replacement Options may have less potential for increases in value due to significantly higher Good Times stock prices.

The valuation method that we used for establishing the exchange ratios is designed to estimate a fair value of options as of the date the exchange ratios were calculated and is not a prediction of the future value that might be realized through Eligible Exchange Options or Replacement Options.

Tax effects on holders of incentive stock options who choose to participate.

An Eligible Option Holder who is granted an incentive stock option will not recognize taxable income at the time of exercise. However, the excess of the acquired stock's fair market value over the exercise price could be subject to the alternative minimum tax in the year of exercise. If stock acquired upon exercise of the incentive stock option is held for a minimum of two years from the date of grant and one year from the date of exercise, the gain or loss (in an amount equal to the difference between the sales price and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and the Company will not be entitled to any income tax deduction. If the holding period requirements are not met, the tax consequences described above for non-qualified stock options will apply. See Section 13 of this Offer to Exchange entitled "Material U.S. Federal Income Tax Consequences" for more information.

If you are subject to foreign tax laws, even if you are a resident of the United States, there may be tax and social insurance consequences relating to this Offer.

If you are subject to the tax laws of another country, even if you are a resident of the United States, you should be aware that there may be other tax and social insurance consequences that may apply to you. You should be certain to consult your own tax advisors to discuss these consequences.

Risks Related to Our Business and Common Stock

You should carefully review the risk factors contained in our Annual Report on Form 10-K for the year ended September 27, 2017 and also the other information provided in this Option Exchange and the other materials that we have filed with the SEC, before making a decision on whether or not to tender your Eligible Exchange Options. You may access these filings electronically at the SEC's Internet site at <http://www.sec.gov>. In addition, we will provide without charge to you, upon your written or oral request, a copy of any or all of the documents to which we have referred you. See Section 16 of this Offer entitled "Additional Information" for more information regarding reports we file with the SEC and how to obtain copies of or otherwise review these reports. These reports can also be accessed free of charge at <https://goodtimesburgers.com/company/investor-relations/>.

THIS OFFER

1. Eligibility; Number of Options; Offer Expiration Date.

Upon the terms and subject to the conditions of this Option Exchange, we are offering eligible employees and non-employee directors the opportunity to exchange certain outstanding Eligible Exchange Options to purchase shares of our common stock for new options covering a lesser number of shares of our common stock (“Replacement Options”), calculated in accordance with specified exchange ratios. We will grant the Replacement Options on the date on which we cancel the options accepted for exchange, which will be on the completion date of this offer (the “Replacement Option grant date”). Only eligible options may be exchanged in the Option Exchange. For these purposes, eligible options are those options issued in 2015 that have exercise prices ranging from \$7.79 to \$9.17 per share (“Eligible Exchange Options”). Options with an exercise price less than \$7.79 per share are not eligible to be exchanged in the Option Exchange.

You are eligible to participate in the Option Exchange only if you are:

An employee who holds Eligible Exchange Options and who is employed by us, or one of our subsidiaries, at the time of commencement of the Option Exchange, and who continues to be an employee and hold such Eligible Exchange Options through the date on which Replacement Options are granted at the conclusion of the Option Exchange; or

A non-employee director who holds Eligible Exchange Options and is serving as a director at the time of commencement of the Option Exchange, and who continues to serve as a director and hold such Eligible Exchange Options through the date on which Replacement Options are granted at the conclusion of the Option Exchange.

The outstanding options that you hold give you the right to purchase shares of our common stock once you exercise those options by paying the applicable exercise price of those options (and satisfying any applicable tax withholding obligations). Thus, when we use the term “option” in this Offer, we refer to the actual options you hold to purchase shares of our common stock and not the shares underlying those options.

If you elect to exchange Eligible Exchange Options, you will not be eligible to receive Replacement Options unless you continue to be employed by Good Times or any of our subsidiaries through the Replacement Option grant date.

ACCORDINGLY, IF YOU ARE NOT AN ELIGIBLE EMPLOYEE OR NON-EMPLOYEE DIRECTOR OF GOOD TIMES OR ANY OF OUR SUBSIDIARIES AS DESCRIBED ABOVE ON THE REPLACEMENT OPTION GRANT DATE, EVEN IF YOU HAD ELECTED TO PARTICIPATE IN THIS OFFER AND HAD TENDERED SOME OR ALL OF YOUR ELIGIBLE EXCHANGE OPTIONS FOR EXCHANGE, YOUR TENDER WILL AUTOMATICALLY BE DEEMED WITHDRAWN AND YOU WILL NOT PARTICIPATE IN THIS OFFER, AND YOU WILL RETAIN YOUR OUTSTANDING ELIGIBLE EXCHANGE OPTIONS IN ACCORDANCE WITH THEIR CURRENT TERMS AND CONDITIONS. IN THE CASE OF A TERMINATION OF YOUR SERVICE, YOU MAY EXERCISE YOUR OUTSTANDING ELIGIBLE EXCHANGE OPTIONS DURING A LIMITED PERIOD OF TIME FOLLOWING THE TERMINATION OF SERVICE IN ACCORDANCE WITH THEIR TERMS TO THE EXTENT THAT THEY ARE VESTED AS OF SUCH TERMINATION OF SERVICE.

If you are eligible to participate in the Option Exchange, you must exchange all of your Eligible Exchange Options for Replacement Options if any are exchanged. No partial exchanges will be permitted. If you have previously exercised a portion of an Eligible Exchange Option grant, only the portion of the Eligible Exchange Option grant which has not yet been exercised will be eligible to be exchanged. Eligible Exchange Options that you choose not to exchange or that we do not accept for exchange will remain outstanding and will retain their existing terms, exercise prices and vesting schedules.

If you properly tender your Eligible Exchange Options and such tendered options are accepted for exchange, the tendered options will be cancelled and, subject to the terms of this Offer, you will be entitled to receive that number of Replacement Options determined using the exchange ratios set forth in the table below, subject to adjustments for any future stock splits, stock dividends and similar events, in accordance with the terms of the 2018 Plan, the Replacement Option award agreement, and the stock option grant notice. A form of Replacement Option award agreement and stock option grant notice are attached hereto as Exhibit B and Exhibit C, respectively.

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The table below shows the number of shares subject to Eligible Exchange Options that an employee or non-employee director must surrender in order to receive one share subject to the Replacement Option (the “exchange ratios”). The exchange ratios vary based on the exercise price of the Eligible Exchange Options. The following exchange ratios were determined using the Black-Scholes model and are based on, among other things, the closing price of our common stock on June 20, 2018 of \$3.65, the volatility of our common stock, U.S. treasury rates, the exercise prices of the Eligible Exchange Options, the remaining terms of the Eligible Exchange Options and the ten-year term of the Replacement Options.

Exercise Prices	Exchange Ratios	
	Shares Subject to Eligible Exchange Options Surrendered	Shares Subject to Replacement Option to be Granted
\$9.17	3.30	1
\$7.79	2.60	1

The table reflects that you must surrender 3.30 Eligible Exchange Options with an exercise price of \$9.17 per share and 2.60 Eligible Exchange Options with an exercise price of \$7.79 per share for each Replacement Option granted. We will not grant any Replacement Options to purchase fractional shares and we will not pay cash for fractional shares. Instead, if the exchange ratios yield a fractional amount of shares, we will round down to the nearest whole number of shares with respect to each option.

Example

To illustrate how the exchange ratios work, assume that:

- (a) You are an active employee or non-employee director.
- (b) You have three existing option grants each covering 100 shares of our common stock with corresponding per-share exercise prices of: \$7.00 (hypothetical grant date of 12/31/2015), \$9.17 (grant date of 3/13/2015) and \$7.79 (grant date of 5/7/2015).

If you elect to participate in the Offer:

- (a) Your election to exchange can cover zero shares or all 200 of your Eligible Exchange Options. You cannot elect to exchange less than the full amount of your Eligible Exchange Options. If you have previously exercised a portion of Eligible Exchange Options, only the portion of the Eligible Exchange Option grant which has not yet been exercised will be eligible to be exchanged.
- (b) You will not be able to exchange your existing option grant with a per-share exercise price of \$7.00 for a Replacement Option because the exercise price is not ranging from \$7.79 to \$9.17 per share.

Under these facts, the table below shows the number of shares of common stock subject to each Replacement Option you would receive were you to participate in the Offer and elect to exchange the existing Eligible Exchange Options with per-share exercise prices of \$9.17 and \$7.79:

Exercise Price of Existing Eligible Exchange Options	Cancelled Shares Subject to Existing Eligible Exchange Options		Exchange Ratio	Shares Subject to Replacement Option
	Exercise Price of Existing Eligible Exchange Options	Subject to Existing Eligible Exchange Options		
\$9.17	100	3.30 for 1	30	

\$7.79

100

2.60 for 1

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