

GOOD TIMES RESTAURANTS INC
Form 10QSB
May 13, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended: March 31, 2003

Commission file number: 0-18590

GOOD TIMES RESTAURANTS INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

84-1133368

(I.R.S. Employer Identification No.)

601 CORPORATE CIRCLE, GOLDEN, CO 80401

(Address of principal executive offices)

(303) 384-1400

(Issuer's telephone number)

(Former name, former address and former fiscal year, since last report.)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

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Total number of shares of common stock outstanding at May 7, 2003.

2,262,610 SHARES OF COMMON STOCK, .001 PAR VALUE

Transitional Small Business Disclosure Format (check one): () Yes (x) No

Form 10-QSB

Quarter Ended March 31, 2003

	<u>INDEX</u>	<u>PAGE</u>
PART I - FINANCIAL INFORMATION		
1.	Financial Statements	
	Consolidated Balance Sheets - March 31, 2003 and September 30, 2002	3 - 4
	Consolidated Statements of Operations - For the three months ended March 31, 2003 and 2002 and for the six months ended March 31, 2003 and 2002	5
	Consolidated Statements of Cash Flow - For the three months ended March 31, 2003 and 2002 and for the six months ended March 31, 2003 and 2002	6 - 7
	Notes to Financial Statements	8
2.	Management's Discussion and Analysis	9 - 14
3.	Controls and Procedures	15
PART II - OTHER INFORMATION		
	1 through 6	16
	SIGNATURES	17
	CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER	18

CERTIFICATION OF THE CONTROLLER

19

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS

	March 31,	September 30,
	<u>2003</u>	<u>2002</u>
CURRENT ASSETS:		
Cash and cash equivalent	\$ 447,000	\$971,000
Investments, at fair value	198,000	201,000
Receivables, and other	375,000	119,000
Inventories	102,000	96,000
Notes receivable	<u>60,000</u>	<u>59,000</u>
Total current assets	1,182,000	1,446,000
PROPERTY AND EQUIPMENT, at cost:		
Land and building	4,575,000	4,598,000
Leasehold improvements	2,716,000	2,735,000
Fixtures and equipment	<u>5,257,000</u>	<u>5,157,000</u>
	12,548,000	12,490,000
Less accumulated depreciation and amortization	<u>(6,003,000)</u>	<u>(5,532,000)</u>
	6,545,000	6,958,000
OTHER ASSETS:		
Notes receivable	472,000	499,000
Deposits & other	<u>89,000</u>	<u>96,000</u>

	561,000	595,000
TOTAL ASSETS	<u>\$8,288,000</u>	<u>\$8,999,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital leases	\$ 422,000	\$ 417,000
Accounts payable	170,000	203,000
Deferred income	25,000	66,000
Accrued liabilities - other	<u>624,000</u>	<u>683,000</u>
Total current liabilities	1,241,000	1,369,000
LONG-TERM LIABILITIES:		
Debt and capitalized leases, net of current portion	1,959,000	2,152,000
Deferred liabilities	<u>418,000</u>	<u>408,000</u>
Total long-term liabilities	2,377,000	2,560,000
MINORITY INTERESTS IN PARTNERSHIPS	941,000	1,004,000

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Continued)

(Unaudited)

	March 31, <u>2003</u>	September 30, <u>2002</u>
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, none issued and outstanding.	2,000	2,000
Common stock, \$.001 par value; 50,000,000 shares authorized, 2,262,610 shares issued and outstanding as of March 31, 2003 and 2,262,610 shares issued and outstanding as of September 30, 2002		

Capital contributed in excess of par value	13,284,000	13,284,000
Accumulated deficit	<u>(9,557,000)</u>	<u>(9,220,000)</u>
Total stockholders' equity	<u>3,729,000</u>	<u>4,066,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$8,288,000</u>	<u>\$8,999,000</u>

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
NET REVENUES:				
Restaurant sales, net	\$3,457,000	\$3,877,000	\$7,118,000	\$8,128,000
Franchise net revenues	<u>70,000</u>	<u>82,000</u>	<u>152,000</u>	<u>169,000</u>
Total revenues	3,527,000	3,959,000	7,270,000	8,297,000
RESTAURANT OPERATING EXPENSES:				
Food & paper costs	1,108,000	1,276,000	2,264,000	2,642,000
Labor, occupancy & other	1,722,000	1,787,000	3,468,000	3,613,000
Opening expenses	0	1,000	0	4,000
Accretion of deferred rent	6,000	8,000	12,000	15,000
Depreciation & amortization	<u>221,000</u>	<u>242,000</u>	<u>460,000</u>	<u>477,000</u>
Total restaurant operating costs	3,057,000	3,314,000	6,204,000	6,751,000

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INCOME FROM RESTAURANT OPERATIONS	470,000	645,000	1,066,000	1,546,000
OTHER OPERATING EXPENSES:				
Selling, general & administrative expenses	<u>620,000</u>	<u>641,000</u>	<u>1,276,000</u>	<u>1,324,000</u>
INCOME (LOSS) FROM OPERATIONS	(150,000)	4,000	(210,000)	222,000
OTHER INCOME & (EXPENSES):				
Minority income (expense), net	(30,000)	(59,000)	(83,000)	(182,000)
Interest, net	(25,000)	(32,000)	(50,000)	(64,000)
Other, net	<u>4,000</u>	<u>(5,000)</u>	<u>5,000</u>	<u>(6,000)</u>
Total other income & (expenses)	(51,000)	(96,000)	(128,000)	(252,000)
NET INCOME (LOSS)	<u>(\$201,000)</u>	<u>(\$92,000)</u>	<u>(\$338,000)</u>	<u>(\$30,000)</u>
BASIC & DILUTED NET INCOME (LOSS) PER COMMON SHARE	<u>(\$.09)</u>	<u>(\$.04)</u>	<u>(\$.15)</u>	<u>(\$.01)</u>
WEIGHTED AVERAGE COMMON SHARES AND EQUIVALENTS USED IN PER SHARE CALCULATION				
BASIC	2,262,610	2,252,030	2,262,610	2,248,918
DILUTED	N/A	N/A	N/A	N/A

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

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	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (Loss)	(\$201,000)	(\$92,000)	(338,000)	(30,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	239,000	253,000	494,000	499,000
Accretion of deferred rent	6,000	8,000	12,000	16,000
Minority interest	30,000	59,000	83,000	182,000
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	(246,000)	(83,000)	(211,000)	(83,000)
Inventories	6,000	15,000	(6,000)	(9,000)
Prepaid expenses and other	(6,000)	(10,000)	(42,000)	(15,000)
(Decrease) increase in:				
Accounts payable	(29,000)	(105,000)	(33,000)	(416,000)
Accrued and other liabilities	<u>(54,000)</u>	<u>50,000</u>	<u>(101,000)</u>	<u>8,000</u>
Net cash provided by (used in) operating activities	(255,000)	95,000	(142,000)	152,000
CASH FLOWS USED IN INVESTING ACTIVITIES				
Payments for the purchase of property and equipment	(7,000)	(117,000)	(76,000)	(427,000)

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Loans made to franchisees	0	(157,000)	0	(157,000)
Payments received on loans to franchisees	<u>13,000</u>	<u>10,000</u>	<u>26,000</u>	<u>52,000</u>
Net cash provided by (used in) investing activities	6,000	(264,000)	(50,000)	(532,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on notes payable, capital leases, and long-term debt	(73,000)	(78,000)	(148,000)	(131,000)
Borrowings on notes payable and long-term debt	26,000	175,000	26,000	441,000
Net repayments on line-of-credit	(33,000)	(36,000)	(66,000)	(68,000)
Distributions paid to minority interests in partnerships	(57,000)	(92,000)	(146,000)	(245,000)
Contributions from minority interest in partnerships	<u>0</u>	<u>15,000</u>	<u>0</u>	<u>40,000</u>
Net cash provided by (used in) investing activities	(137,000)	(16,000)	(334,000)	37,000

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(386,000)	(185,000)	(526,000)	(343,000)

CASH AND CASH EQUIVALENTS, beginning of period	<u>1,031,000</u>	<u>1,243,000</u>	<u>1,171,000</u>	<u>1,401,000</u>
CASH AND CASH EQUIVALENTS, end of period	<u>645,000</u>	<u>1,058,000</u>	<u>645,000</u>	<u>1,058,000</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid for interest	<u>40,000</u>	<u>45,000</u>	<u>81,000</u>	<u>89,000</u>

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. UNAUDITED FINANCIAL STATEMENTS:

In the opinion of management, the accompanying unaudited consolidated financial statements contain all of the normal recurring adjustments necessary to present fairly the financial position of the Company as of March 31, 2003, the results of its operations and its cash flow for the three month period ended March 31, 2003 and for the six month period ended March 31, 2003. Operating results for the three month period ended March 31, 2003 and for the six month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending September 30, 2003.

The consolidated balance sheet as of September 30, 2002 is derived from the audited financial statements, but does not include all disclosures required by generally accepted accounting principles. As a result, these financial statements should be read in conjunction with the Company's Form 10-KSB for the fiscal year ended September 30, 2002.

2. CONTINGENT LIABILITY

The Company remains contingently liable on several leases of restaurants that were previously sold. The Company is also a guarantor on a Small Business Administration loan to a franchisee.

3. STOCK TRANSACTIONS

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS FOR THE COMPANY

General

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This Form 10-QSB contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. Also, documents subsequently filed by the Company with the SEC and incorporated herein by reference may contain forward-looking statements. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance and those actual results could differ materially from those in the forward-looking statements as a result of various factors, including but not limited to the following:

- (I) The Company competes with numerous well established competitors who have substantially greater financial resources and longer operating histories than the Company. Competitors have increasingly offered selected food items and combination meals, including hamburgers, at discounted prices, and continued discounting by competitors may adversely affect revenues and profitability of Company restaurants.
- (II) The Company may be negatively impacted if the Company experiences consistent same store sales declines. Same store sales comparisons will be dependent, among other things, on the success of Company advertising and promotion of new and existing menu items. No assurances can be given that such advertising and promotions will in fact be successful.

The Company may also be negatively impacted by other factors common to the restaurant industry such as: changes in consumer tastes away from red meat and fried foods; increases in the cost of food, paper, labor, health care, workers' compensation or energy; inadequate number of hourly paid employees; and/or decreases in the availability of affordable capital resources. The Company cautions the reader that such risk factors are not exhaustive, particularly with respect to future filings.

The Company had thirty-six restaurants open at March 31, 2003 of which sixteen were franchised or licensed units, nine joint-venture units and eleven company-owned units compared to thirty-five units open at March 31, 2002, of which fifteen were franchised or licensed units, nine joint-venture units and eleven company-owned units. In November 2002, a franchise unit opened in Laramie, Wyoming. The Company entered into two development agreements in late fiscal 2002 for the development of fourteen new restaurants through fiscal 2005 for the Denver and Colorado Springs markets. The Company has signed franchise agreements for four of these restaurants. Management anticipates that the Company and its franchisees will develop a total of six to seven Good Times units in the Denver and Colorado Springs metropolitan areas in 2003.

The following presents certain historical financial information of the operations of the Company. This financial information includes the results of the Company for the three months and six months ended March 31, 2002 and the results of the Company for the three months and six months ended March 31, 2003.

Results of Operations

Net Revenues

Net revenues for the three months ended March 31, 2003 decreased \$432,000 (10.9%) to \$3,527,000 from \$3,959,000 for the three months ended March 31, 2002. Same store restaurant sales decreased \$416,000 (11.2%) during the three months ended March 31, 2003 for restaurants that were open for the full periods ending March 31, 2003 and March 31, 2002. Same store sales were negatively impacted by the following; 1) in mid-March 2003 the Denver metropolitan area sustained a severe blizzard which resulted in an estimated \$100,000 (2.6%) loss in sales as all restaurants were closed for approximately 2 - 3 days, 2) heavy discounting within the fast food industry during the three months ended March 31, 2003, 3) in the prior year period same store sales had increased 5% due primarily to the introduction of the frozen custard product. Restaurant sales decreased \$4,000 due to one non-traditional company-owned restaurant not included in same store sales. Franchise revenues decreased \$12,000 to \$70,000 from \$82,000 for the three months ended March 31, 2002 due to a decrease in franchise royalties and licensing fees.

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Net revenues for the six months ended March 31, 2003 decreased \$1,027,000 (12.4%) to \$7,270,000 from \$8,297,000 for the six months ended March 31, 2002. Same store restaurant sales decreased \$999,000 (12.8%) during the six months ended March 31, 2003 for restaurants that were open for the full six month periods ending March 31, 2003 and March 31, 2002. Same store sales were negatively impacted as outlined in the previous paragraph. Restaurant sales decreased \$11,000 due to one non-traditional company owned restaurant not included in same store sales. Franchise revenues decreased \$17,000 to \$152,000 from \$169,000 for the six months ended March 31, 2002 due to an increase in franchise fees offset by a decrease in franchisee royalties and licensing fees.

Food and Paper Costs

For the three months ended March 31, 2003 the Company's food and paper costs decreased \$168,000 to \$1,108,000 from \$1,276,000. Food and paper costs decreased to 32.0% of restaurant sales for the three months ended March 31, 2003, compared to 32.9% for the same prior year period.

For the six months ended March 31, 2003 the Company's food and paper costs decreased \$378,000 to \$2,264,000 from \$2,642,000. Food and paper costs decreased to 31.8% of restaurant sales for the six months ended March 31, 2003 compared to 32.5% for the same prior year period.

For the three month and six month periods ended March 31, 2003 food and paper costs decreased as a percentage of restaurant sales primarily due to an increase in vendor rebates.

Labor, Occupancy and Other Expenses

For the three months ended March 31, 2003 the Company's labor, occupancy and other expenses decreased \$65,000 to \$1,722,000 (49.8% of restaurant sales) from \$1,787,000 (46% of restaurant sales) compared to the same prior year period. The increase in labor, occupancy and other expenses as a percent of restaurant sales is due to the largely fixed nature of these expenses. As sales decrease the percentage of labor, occupancy of other expenses to restaurant sales increases. The \$65,000 decrease in labor, occupancy and other expenses for the three months ended March 31, 2003 is primarily attributable to the decrease in restaurant sales of \$420,000 as labor expenses decrease as sales decrease.

For the six months ended March 31, 2003 the Company's labor, occupancy and other expenses decreased \$145,000 to \$3,468,000 (48.7% of restaurant sales) from \$3,613,000 (44.5% of restaurant sales) compared to the same prior year period. The \$145,000 decrease in labor, occupancy and other expenses for the six months ended March 31, 2003 is primarily attributable to the decrease in restaurant sales of \$1,010,000.

Depreciation and Amortization Expenses

For the three months ended March 31, 2003 the Company's depreciation and amortization expenses decreased \$21,000, to \$221,000 from \$242,000 compared to the same prior year period.

For the six months ended March 31, 2003 the Company's depreciation and amortization expenses decreased \$17,000 to \$460,000 from \$477,000 compared to the same prior year period.

The decrease in depreciation and amortization expenses for the three month and six month periods ended March 31, 2003 is due to the aging of the Company's capital assets.

Income From Restaurant Operations

For the three months ended March 31, 2003, income from restaurant operations decreased \$175,000 to \$470,000 from \$645,000 for the same prior year period. The Company's income from restaurant operations as a percentage of restaurant sales decreased to 13.6% for the three months ended March 31, 2003 from 16.6% for the same prior year

period. Cash flow from restaurant operations (income from restaurant operations plus depreciation, opening expenses and accretion of deferred rent) decreased to 20.2% of restaurant sales for the three months ended March 31, 2003 from 23.1% for the same prior year period. The decrease is a result of the decrease in same store sales in the current period, partially offset by a reduction in food and paper costs as a percentage of restaurant sales compared to the same prior year period.

For the six months ended March 31, 2003, income from restaurant operations decreased \$480,000 to \$1,066,000 from \$1,546,000 for the same prior year period. The Company's income from restaurant operations as a percentage of restaurant sales decreased to 15% for the six months ended March 31, 2003 from 19% for the same prior year period. Cash flow from restaurant operations (income from restaurant operations plus depreciation, opening expenses and accretion of deferred rent) decreased to 21.6% of restaurant sales for the six months ended March 31, 2003 from 25.1% for the same prior year period. The decrease is a result of the decrease in same store sales in the current six month, partially offset by a reduction in food and paper costs as a percentage of restaurant sales compared to the same prior year period.

Selling, General and Administrative Expenses

For the three months ended March 31, 2003, selling, general and administrative expenses decreased \$21,000 to \$620,000 (17.9% of restaurant sales) from \$641,000 (16.5% of restaurant sales) for the same prior year period. The decrease in selling, general and administrative expenses is primarily attributable to decreased advertising expenses in the three months ended March 31, 2003, which decreased \$26,000 to \$200,000 (5.8% of restaurant sales) from \$226,000 (5.8% of restaurant sales) for the same prior year period.

For the six months ended March 31, 2003, selling, general and administrative expenses decreased \$48,000 to \$1,276,000 (17.9% of restaurant sales) from \$1,324,000 (16.3% of restaurant sales) for the same prior year period. The decrease in selling, general and administrative expenses is primarily attributable to decreased advertising expenses in the six months ended March 31, 2003, which decreased \$58,000 to \$415,000 (5.8% of restaurant sales) from \$473,000 (5.8% of restaurant sales) for the same prior year period, and partially attributable to a \$10,000 increase in general and administrative expenses.

Income (Loss) From Operations

The Company had a loss from operations of (\$150,000) in the three months ended March 31, 2003 compared to income from operations of \$4,000 for the same prior year period. The decrease in income from operations of (\$154,000) is attributable to a decrease in income from restaurant operations of \$175,000, offset by a decrease in selling, general and administrative expenses of \$21,000.

The Company had a loss from operations of (\$210,000) in the six months ended March 31, 2003 compared to income from operations of \$222,000 for the same prior year period. The decrease in income from operations of \$432,000 is attributable to a decrease in income from restaurant operations of \$480,000, offset by a decrease in selling, general and administrative expenses of \$48,000.

Net Income (Loss)

The net loss for the Company was (\$201,000) for the three months ended March 31, 2003 compared to a net loss of (\$92,000) for the same prior year period. The change from the three months ended March 31, 2002 to March 31, 2003 was primarily attributable to the decrease in income from operations for the three months ended March 31, 2003. In addition, minority interest expense decreased \$29,000 for the three months ended March 31, 2003 due to decreased income from operations of the joint-venture restaurants compared to the same prior year period, and net interest expense decreased \$7,000 for the three months ended March 31, 2003 compared to the same prior year period.

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The net loss for the Company was (\$338,000) for the six months ended March 31, 2003 compared to a net loss of (\$30,000) for the same prior year period. The change from the six months ended March 31, 2002 to March 31, 2003 was primarily attributable to the decrease in income from operations for the six months ended March 31, 2003. The decrease in income from operations was partially offset by a decrease in net interest expense of \$14,000, and a decrease in minority interest expense of \$99,000 for the six months ended March 31, 2003 compared to the same prior year period.

Liquidity and Capital Resources

Cash and Working Capital

As of March 31, 2003, the Company had \$645,000 cash and liquid short-term investments on hand. The Company currently plans to use the cash balance and cash generated from operations for increasing the Company's working capital reserves and, along with additional debt financing, for the development of new company-owned restaurants. Management believes that the current cash on hand and additional cash expected from operations in fiscal 2003 will be sufficient to cover the Company's working capital requirements for fiscal 2003.

As of March 31, 2003, the Company had a working capital deficit of \$59,000. Because restaurant sales are collected in cash and accounts payable for food and paper products are paid two to four weeks later, restaurant companies often operate with working capital deficits. The Company anticipates that working capital deficits will be incurred in the future as new Drive Thru restaurants are opened.

As of March 31, 2003 the receivables and other current asset line of the balance sheet includes \$232,000 due from the Company's franchisees for new store construction. The Company expects to receive reimbursement for these costs by May 2003.

The Company has entered into a sale contract for one under performing co-owned restaurant for \$865,000 (net of closing costs). Proceeds of the sale will be used to reduce debt by \$600,000 and increase working capital by \$265,000.

Capital Expenditures

The Company is currently negotiating purchase and lease agreements for additional company-owned and franchise restaurants and is negotiating debt and sale-leaseback financing for the development of those restaurants. The Company anticipates opening one Company owned restaurants in fiscal 2003 and five to six franchised restaurants. Additionally, management anticipates upgrading several of the Company's point of sale systems and implementing a new management information system (MIS). A portion of the MIS and point of sale capital expenditures will be funded from cash flow from operations and a portion from debt or lease financing.

Financing Transactions

During fiscal 2003, the Company anticipates entering into additional debt financing arrangements for the development of new company-owned restaurants on leased and purchased properties. The Company also anticipates establishing a line of credit for the purchase of land and development of new restaurants for subsequent sale in sale-leaseback transactions, some of which may be operated as company-owned restaurants and some of which may be subleased to franchisees.

Cash Flows

Net cash used in operating activities was \$255,000 for the three months ended March 31, 2003 compared to net cash provided by operating activities of \$95,000 for the same prior year period. The net cash used in operating activities for the three months ended March 31, 2003 was the result of a net loss of (\$201,000) and non-cash reconciling items

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totaling \$54,000 (comprised of depreciation and amortization of \$239,000, minority interest of \$30,000, an increase in franchise and other receivables of \$246,000, a decrease in accounts payable of \$29,000 and decreases in other operating assets and liabilities totaling \$48,000).

Net cash provided by investing activities for the three months ended March 31, 2003 was \$6,000 which reflects payments of \$141,000 for new restaurant development costs, \$98,000 in miscellaneous restaurant and corporate related capital expenditures, \$13,000 in principal payments received on loans to franchisees and franchise receivables related to new store construction costs advanced by the Company.

Net cash used in investing activities for the three months ended March 31, 2002 was \$264,000, which reflects payments for the purchase of property and equipment of \$117,000, loans made to franchisees of \$157,000 and \$10,000 in principal payments received on loans to franchisees.

Net cash used in financing activities for the three months ended March 31, 2003 was \$137,000, which includes borrowings on long term notes payable of \$26,000, principal payments on notes payable and long term debt of \$73,000, repayments on lines-of-credit of \$33,000 and distributions to minority interests in partnerships of \$57,000.

Net cash used in financing activities for the three months ended March 31, 2002 was \$16,000, which includes borrowings on long term notes payable of \$175,000 principal payments on notes payable and long term debt of \$78,000, repayments on lines-of-credit of \$36,000 and distributions, net of contributions, to minority interests in partnerships of \$77,000.

Contingencies

The Company remains contingently liable on one Las Vegas restaurant lease that has been subleased. The Company is also contingently liable on several ground leases that have been subleased or assigned to franchisees. The Company is also a guarantor on a Small Business Administration loan to a franchisee of approximately \$305,000.

The Company intends to enter into additional restaurant subleases to franchises in fiscal 2003 whereby the Company purchases and develops a restaurant site, sells it to a third party investor under a sale-leaseback agreement and then subleases it to a franchisee. The Company will remain contingently liable for all or a portion of the lease obligation.

Impact of Inflation

The Company has not experienced a significant impact from inflation. It is anticipated that any operating expense increases will be recovered by increasing menu prices to the extent that is prudent considering competition.

Seasonality

Revenues of the Company are subject to seasonal fluctuation based primarily on weather conditions adversely affecting restaurant sales in January, February and March.

ITEM 3. CONTROLS AND PROCEDURES

The Company has carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Controller, of the effectiveness of design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Controller concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material changes in information relating to the Company required to be included in the Company's periodic SEC filings. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal

controls subsequent to the date the Company carried out its evaluation.

Part II. Other Information

Item 1. Legal Proceedings

Good Times Restaurants is subject to legal proceedings which are incidental to its business. These legal proceedings are not expected to have a material impact on the Company.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

On January 24, 2003, Good Times Restaurants held its annual meeting of Shareholders. At that meeting the election of the following directors to serve during the ensuing year:

	<u>FOR</u>	<u>WITHHOLD</u>
GEOFFREY R BAILEY	1,948,947	10,865
DAN W JAMES, II	1,948,947	10,865
BOYD E HOBACK	1,948,947	10,865
RICHARD J STARK	1,948,947	10,865
THOMAS P MCCARTY	1,948,947	10,865
ALAN A TERAN	1,948,947	10,865
DAVID E BAILEY	1,948,947	10,865

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are furnished as part of this report:

Exhibit No. Description

*99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C.

Section 1350

*99.2 Certification of Controller pursuant to 18 U.S.C. Section 1350

(b) During the quarter for which this report is filed, Good Times Restaurants filed the following report on Form 8-K:

None.

*filed herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: May 13, 2003

GOOD TIMES RESTAURANTS INC.

BY: /s/ Boyd E. Hoback

Boyd E. Hoback, President and

Chief Executive Officer

BY: /s/ Susan M. Knutson

Susan M. Knutson, Controller

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Boyd E. Hoback, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Good Times Restaurants Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is

being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Boyd E. Hoback

Boyd E. Hoback

President and Chief Executive Officer

May 13, 2003

CERTIFICATION OF THE CONTROLLER

I, Susan M. Knutson, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Good Times Restaurants Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Susan M. Knutson

Susan M. Knutson

Controller

May 13, 2003