

INTERFACE INC
Form 4
June 14, 2005

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
WELLS JOHN R

(Last) (First) (Middle)
2859 PACES FERRY ROAD, SUITE 2000
(Street)

ATLANTA, GA 30339

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
INTERFACE INC [IFSIA]

3. Date of Earliest Transaction (Month/Day/Year)
06/10/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Ownership (Instr. 4)
				(A) or (D)	Price		
Class A Common Stock	06/10/2005		M ⁽¹⁾	36,000	A \$ 6.875	86,623	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
Employee Stock Option (Right to Buy)	\$ 6.875	06/10/2005		M ⁽¹⁾	36,000	07/21/1996 07/20/2005	Class A or Class B Common Stock 36,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WELLS JOHN R 2859 PACES FERRY ROAD SUITE 2000 ATLANTA, GA 30339			Senior Vice President	

Signatures

John R. Wells 06/10/2005

__Signature of
Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Exercise of a derivative security exempted pursuant to Rule 16b-6(b).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. eference is considered to be a part of this Proxy Statement. We incorporate by reference the following information from the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011:

the information under the caption "Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations";

the information under the caption "Item 7. Financial Statements"; and

the information under the caption "Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure".

STOCKHOLDERS ARE URGED TO IMMEDIATELY MARK, DATE, SIGN, AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. YOUR VOTE IS IMPORTANT.

BY ORDER OF THE BOARD OF DIRECTORS

/Boyd E. Hoback/

Boyd E. Hoback
President and Chief Executive Officer

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Securities Purchase Agreement

This Securities Purchase Agreement (this “Agreement”) is dated as of June 13, 2012, between Good Times Restaurants Inc., a Nevada corporation (the “Company”), and Small Island Investments Limited, a Bermuda corporation (the “Investor”).

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(2) of the Securities Act (as defined below), the Company desires to issue and sell to the Investor, and the Investor desires to purchase from the Company certain securities of the Company, as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and the Investor agree as follows:

ARTICLE 1.

DEFINITIONS

1.1 In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms shall have the meanings indicated in this Section 1.1:

“Action” means any action, suit, inquiry, notice of violation, proceeding (including any partial proceeding such as a deposition), or investigation pending or threatened in writing against or affecting the Company, the Subsidiary, or any of their respective properties before or by any court, arbitrator, governmental or administrative agency, regulatory authority (federal, state, county, or local), stock market, stock exchange, or trading facility.

“Affiliate” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, a Person, as such terms are used in and construed under Rule 144.

“Board” means the Board of Directors of the Company.

“Business Day” means any day except Saturday, Sunday, and any day which is a federal legal holiday.

“Certificate of Designation” means a Certificate of Designation filed by the Company with the Nevada Secretary of State to designate the Series C Preferred and the powers, preferences and rights thereof, and the qualifications, limitations and restrictions thereof, in substantially the form of Exhibit A hereto.

“Closing” means the closing of the purchase and sale of the Shares pursuant to Article 2.

“Closing Date” means the first Business Day on which all of the conditions set forth in Sections 5.1 and 5.2 hereof are satisfied, or such other date as the parties may agree.

“Commission” means the U.S. Securities and Exchange Commission.

“Common Stock” means the common stock of the Company, par value \$0.001 per share, and any securities into which such common stock may hereafter be reclassified.

“Company Deliverables” has the meaning set forth in Section 2.3(a).

“Conversion Shares” means the shares of Common Stock issuable upon conversion of the Shares.

“Disclosure Materials” has the meaning set forth in Section 3.1(h).

“Equity Securities” means any (i) Common Stock, (ii) any debt or equity security of the Company convertible into or exchangeable for shares of Common Stock, with or without consideration being paid, (iii) any option, warrant or other right to purchase shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock or any other security so convertible, or (iv) any debt securities having voting rights, which shall be included in any calculation of beneficial ownership pursuant to Rule 13d-3 promulgated under the Exchange Act as the equivalent of shares of Common Stock having the same voting power.

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“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“GAAP” means U.S. generally accepted accounting principles.

“Investment Amount” means the aggregate purchase price for the Shares purchased by the Investor.

“Investor Deliverables” has the meaning set forth in Section 2.3(b).

“Lien” means any lien, charge, encumbrance, security interest, right of first refusal, or other restriction of any kind.

“Material Adverse Effect” means any of (i) a material and adverse effect on the legality, validity, or enforceability of any Transaction Document, (ii) a material and adverse effect on the results of operations, assets, liabilities, property, business, or condition (financial or otherwise) of the Company and the Subsidiary, taken as a whole, or (iii) a material and adverse impairment to the Company’s ability to perform on a timely basis its obligations under any Transaction Document.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof), or other entity of any kind.

“Preferred Stock” means the preferred stock of the Company, par value \$0.001 per share.

“Proceeding” means an action, claim, suit, investigation, or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Registration Rights Agreement” means the Registration Rights Agreement, dated as of December 13, 2010, between the Company and the Investor, as amended by the Registration Rights Agreement Amendment.

“Registration Rights Agreement Amendment” means the First Amendment to Registration Rights Agreement, dated as of the Closing Date, between the Company and the Investor, in the form of Exhibit B hereto.

“Registration Statement” means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale by the Investor of Registrable Securities (as defined in the Registration Rights Agreement).

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“SEC Reports” has the meaning set forth in Section 3.1(h).

“Securities Act” means the Securities Act of 1933, as amended.

“Series C Preferred” means a series of Preferred Stock of the Company designated as “Series C Convertible Preferred Stock.”

“Shares” means the shares of Series C Preferred to be purchased by the Investor pursuant to this Agreement.

“Subsidiary” means Good Times Drive Thru Inc., a Colorado corporation, a wholly-owned subsidiary of the Company.

“Trading Market” means whichever of the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the NASDAQ Capital Market, or the OTC Bulletin Board on which the Common Stock is listed or quoted for trading on the date in question.

“Transaction Documents” means this Agreement, the Registration Rights Agreement Amendment, and any other documents or agreements executed in connection with the transactions contemplated hereunder.

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ARTICLE 2.

PURCHASE AND SALE

2.1. Purchase and Sale of Shares. Subject to the terms and conditions set forth in this Agreement, at the Closing the Company shall issue and sell to the Investor and the Investor shall purchase from the Company 473,934 Shares for an Investment Amount of \$2,000,001.48.

2.2 Closing. The Closing shall take place remotely by the exchange of documents and signatures at 10:00 a.m. (Mountain time) on the Closing Date or at such other location or time as the parties may agree.

2.3 Closing Deliveries. At the Closing, the Company shall deliver or cause to be delivered to the Investor (i) a filed copy of the Certificate of Designation, (ii) a certificate evidencing the Shares, registered in the name of the Investor, and (iii) the duly executed signature page of the Registration Rights Agreement Amendment for the Company (together, the "Company Deliverables").

(b) At the Closing, the Investor shall deliver or cause to be delivered to the Company (i) the Investment Amount, in immediately available funds, by wire transfer to an account designated in writing by the Company for such purpose, and (ii) the duly executed signature page of the Registration Rights Agreement Amendment for the Investor (together, the "Investor Deliverables").

ARTICLE 3.

REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to the Investor, except as set forth on the schedule of exceptions attached as Exhibit C hereto and made a part hereof by this reference (the "Schedule of Exceptions"):

(a) Subsidiaries. The Company has no direct or indirect subsidiaries other than the Subsidiary. The Company owns, directly or indirectly, all of the capital stock of the Subsidiary free and clear of any and all Liens, and all the issued and outstanding shares of capital stock of the Subsidiary are validly issued and are fully paid, non-assessable, and free of preemptive and similar rights.

(b) Organization and Qualification. The Company and the Subsidiary are each duly incorporated or otherwise organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor the Subsidiary is in violation of any of the provisions of its respective articles of incorporation, bylaws, or other organizational or charter documents, except where the violation would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. The Company and the Subsidiary are duly qualified to conduct their respective businesses, and each is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations thereunder. Upon the approval of the transactions contemplated by the Transaction Documents by the

Company's shareholders and the filing of the Certificate of Designation, (i) the execution and delivery of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated thereby shall have been duly authorized by all necessary action on the part of the Company and no further action shall be required by the Company in connection therewith, and (ii) each Transaction Document, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

(d) No Conflicts. Upon the approval of the transactions contemplated by the Transaction Documents by the Company's shareholders and the filing of the Certificate of Designation, the execution, delivery, and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated thereby do not and will not (i) conflict with or violate any provision of the Company's or the Subsidiary's articles of incorporation, bylaws, or other organizational or charter documents (including revisions to such organizational or charter documents made in conjunction with and to effect the provisions of this Agreement, if applicable, as disclosed in the Schedule of Exceptions), or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration, or cancellation (with or without notice, lapse of time, or both) of, any agreement or other instrument or other understanding to which the Company or the Subsidiary is a party or by which any property or asset of the Company or the Subsidiary is bound or affected, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree, or other restriction of any court or governmental authority to which the Company or the Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or the Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

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(e) Filings, Consents, and Approvals. The Company is not required to obtain any consent, waiver, authorization, or order of, give any notice to, or make any filing or registration with, any court or other federal, state, provincial, local, or other United States or foreign governmental authority in connection with the execution, delivery, and performance by the Company of the Transaction Documents, other than (i) the filing with the Commission of preliminary and definitive proxy materials under the Commission's proxy rules related to approval by the Company's shareholders of the transactions contemplated by the Transaction Documents; (ii) the filing of the Certificate of Designation with the Nevada Secretary of State; (iii) the filing with the Commission of one or more Registration Statements in accordance with the requirements of the Registration Rights Agreement; (iv) the filings required, if any, in accordance with Section 4.4; (v) filings required by federal or state securities laws, including Form D pursuant to Regulation D of the Securities Act; and (vi) those that have been made or obtained prior to the date of this Agreement.

(f) Issuance of the Shares. Upon the approval of the transactions contemplated by the Transaction Documents by the Company's shareholders and the filing of the Certificate of Designation, (i) the Shares will have been duly authorized and, when issued and paid for in accordance with the Transaction Documents, will be duly and validly issued, fully paid, and nonassessable, free and clear of all Liens, and (ii) the Company will have reserved from its duly authorized capital stock the shares of Common Stock issuable pursuant to this Agreement in order to issue the Conversion Shares.

(g) Capitalization. The number of shares and type of all authorized, issued, and outstanding capital stock of the Company, and all shares of Common Stock reserved for issuance under the Company's various option and incentive plans, is specified in the Schedule of Exceptions, which information is accurate as of the date of this Agreement. Except as specified in the Schedule of Exceptions, no securities of the Company are entitled to preemptive or similar rights, and no Person other than the Investor has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as specified in the Schedule of Exceptions, there are no outstanding options, warrants, scrip rights to subscribe to, calls, or commitments of any character whatsoever relating to, or securities, rights, or obligations convertible into or exchangeable for, or giving any Person other than the Investor any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings, or arrangements by which the Company or the Subsidiary is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock. The issue and sale of the Shares will not, immediately or with the passage of time, obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Investor) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange, or reset price under such securities.

(h) SEC Reports; Financial Statements. The Company has filed all reports required to be filed by it under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, since October 1, 2010 (the foregoing materials being collectively referred to herein as the "SEC Reports" and, together with the Schedule of Exceptions, the "Disclosure Materials") on a timely basis or has timely filed a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company and the Subsidiary as of and for the dates thereof

and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

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(i) Press Releases. To the Company's best knowledge, the press releases disseminated by the Company since October 1, 2010 taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading.

(j) Material Changes. Since the date of the Company's most recently filed Form 10-Q, except as specifically disclosed in the Schedule of Exceptions, (i) there has been no event, occurrence, or development that has had or that could reasonably be expected to result in a Material Adverse Effect; (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables, accrued expenses, and other liabilities incurred in the ordinary course of business consistent with past practice, and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or required to be disclosed in filings made with the Commission; (iii) the Company has not altered its method of accounting or the identity of its auditors; (iv) the Company has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed, or made any agreements to purchase or redeem any shares of its capital stock; and (v) except as disclosed in the Schedule of Exceptions, the Company has not issued any equity securities to any officer, director, or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before the Commission any request for confidential treatment of information.

(k) Litigation. There is no Action which (i) adversely affects or challenges the legality, validity, or enforceability of any of the Transaction Documents or the Shares, or (ii) except as specifically disclosed in the Schedule of Exceptions, could, if there were an unfavorable decision, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor the Subsidiary, nor any director or officer thereof (in his or her capacity as such), is or has been the subject of any Action involving a claim of violation of or liability under any federal, state, or local laws. There has not been, and to the knowledge of the Company, there is not pending any investigation by the Commission involving the Company or any current or former director or officer of the Company (in his or her capacity as such). The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or the Subsidiary under the Exchange Act or the Securities Act.

(l) Compliance. Neither the Company nor the Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or the Subsidiary under), nor has the Company or the Subsidiary received written notice of a claim that it is in default under or that it is in violation of, any agreement or instrument to which it is a party or by which it or any of its properties is bound (except where such default or violation has been waived); (ii) is in violation of any order of any United States court, arbitrator, or governmental body; or (iii) is or has been in violation of any statute, rule, or regulation of any United States governmental authority, including without limitation any federal, state, and local law relating to taxes, environmental protection, occupational health and safety, product quality and safety, and employment and labor matters; except in the case of each of clauses (i), (ii), and (iii) such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. The Company is in compliance with all effective requirements of the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations thereunder, that are applicable to it, except where such noncompliance could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiary possess all certificates, authorizations, and permits issued by the appropriate federal, state, or local regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, and neither the Company nor the Subsidiary has received any written or other notice of proceedings relating to the revocation or modification of any

such permits.

(n) Title to Assets. Except as set forth in the Schedule of Exceptions, the Company and the Subsidiary have good and marketable title in fee simple to all real property owned by them that is material to their respective businesses and good and marketable title to all personal property owned by them that is material to their respective businesses, in each case free and clear of all Liens, except for Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiary. Any real property and facilities held under lease by the Company and the Subsidiary are held by them under valid, subsisting, and enforceable leases of which the Company and the Subsidiary are in compliance, except as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

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(o) Insurance. The Company and the Subsidiary are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiary are engaged. The Company has no reason to believe that it will not be able to renew its and the Subsidiary's existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business on terms consistent with market for the Company's and the Subsidiary's respective lines of business.

(p) Environmental Matters. The Company and the Subsidiary are in compliance with all applicable federal, state, and local laws, regulations, rules, ordinances, and orders which impose requirements relating to environmental protection, hazardous substances, or public or employee health and safety (collectively, "Environmental Laws"), except as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(q) Transactions With Affiliates and Employees. Except for the transaction contemplated by the Transaction Documents and as otherwise set forth in the Schedule of Exceptions, none of the officers or directors of the Company or the Subsidiary and, to the knowledge of the Company, none of the employees of the Company or the Subsidiary is presently a party to any transaction with the Company or the Subsidiary (other than for services as employees, officers, and directors), including any contract, agreement, or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director, or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, or partner.

(r) Internal Accounting Controls. The Company and the Subsidiary maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company, including the Subsidiary, is made known to the certifying officers by others within those entities, particularly during the period in which the Company's Form 10-K or 10-Q, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures in accordance with Item 307 of Regulation S-K under the Exchange Act for the Company's most recently ended fiscal quarter or fiscal year-end (such date, the "Evaluation Date"). The Company presented in its most recently filed Form 10-Q the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 308(c) of Regulation S-K under the Exchange Act) or, to the Company's knowledge, in other factors that could significantly affect the Company's internal controls.

(s) Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank, or other Person with respect to the transactions contemplated by this Agreement. The Investor shall have no obligation with respect to any fees or with respect to any claims (other than such fees or commissions owed by the Investor pursuant to written agreements executed by the Investor which fees or commissions shall be the sole responsibility of the Investor) made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by this Agreement.

(t) Certain Registration Matters. Assuming the accuracy of the Investor's representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Investor under the Transaction Documents. Except as set forth in the Schedule of Exceptions, the Company has not granted or agreed to grant to any Person other than the Investor any rights (including "piggy-back" registration rights) to have any securities of the Company registered with the Commission or any other governmental authority that have not been satisfied.

(u) Listing and Maintenance Requirements. Except as specified in the Schedule of Exceptions, the Company has not, in the two years preceding the date hereof, received notice from any Trading Market to the effect that the Company is not in compliance with the listing or maintenance requirements thereof. The issuance and sale of the Shares under the Transaction Documents does not contravene the rules and regulations of the Trading Market on which the Common Stock is currently listed or quoted.

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The Investor acknowledges and agrees that the Company has not made and does not make any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in this Section 3.1 and the Schedule of Exceptions.

3.2 Representations and Warranties of the Investor. The Investor hereby represents and warrants to the Company as follows:

(a) Organization; Authority. The Investor is a corporation duly organized, validly existing, and in good standing under the laws of Bermuda with the requisite corporate power and authority to enter into and to consummate the transactions contemplated by the applicable Transaction Documents and otherwise to carry out its obligations thereunder. The execution, delivery, and performance by the Investor of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of the Investor. Each of the Transaction Documents has been (or upon delivery will have been) duly executed by the Investor, and when delivered by the Investor in accordance with the terms hereof and thereof, will constitute the valid and legally binding obligation of the Investor, enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

(b) Investment Intent. The Investor is acquiring the Shares as principal for its own account for investment purposes only and not with a view to or for distributing or reselling such Shares or the Conversion shares or any part thereof, without prejudice, however, to the Investor's right at all times to sell or otherwise dispose of all or any part of such Shares or Conversion Shares in compliance with applicable federal and state securities laws and pursuant to the Registration Rights Agreement. Subject to the immediately preceding sentence, nothing contained herein shall be deemed a representation or warranty by the Investor to hold the Shares or Conversion Shares for any period of time. The Investor does not have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Shares or Conversion Shares.

(c) Investor Status. At the time the Investor was offered the Shares, it was, and at the date hereof it is, (i) knowledgeable, sophisticated, and experienced in making, and qualified to make, decisions with respect to investments in securities representing an investment decision similar to that involved in the purchase of the Shares, including investments in securities issued by the Company and comparable entities, and (ii) an "accredited investor" as defined in Rule 501(a) under Regulation D promulgated the Securities Act. The Investor shall provide reasonable and customary information to the Company to confirm its accredited investor status. The Investor is not a registered broker-dealer under Section 15 of the Exchange Act.

(d) Certain Trading Activities. The Investor covenants that neither it nor any Person acting on its behalf or pursuant to any understanding with it will engage in any transactions in the securities of the Company prior to the time that the transactions contemplated by the Transaction Documents are publicly disclosed.

(e) Reliance on Investor Representations. The Investor understands that (i) the Shares are being offered and sold to it in reliance upon specific exemptions from the registration requirements of the Securities Act and the rules and regulations promulgated thereunder, and any applicable state or foreign securities laws; (ii) the Company is relying upon the truth and accuracy of, and the Investor's compliance with, the representations, warranties, agreements, acknowledgements, and understandings of the Investor set forth herein in order to determine the availability of such exemptions and the eligibility of the Investor to acquire the Shares; and (iii) under such laws and rules and regulations the Shares may be resold without registration under the Securities Act only in certain limited circumstances.

(f) Risks of Investment. The Investor understands that its investment in the Shares involves a significant degree of risk, and the Investor has full cognizance of and understands all of the risk factors related to the Investor's purchase

of the Shares, including, but not limited to, those set forth in the SEC Reports. The Investor understands that no representation is being made as to the future value of the Shares. The Investor has the knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares and has the ability to bear the economic risks of an investment in the Shares.

(g) No Approvals. The Investor understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Shares.

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(h) Location of Offices. The Investor's principal executive offices are in the jurisdiction set forth in Section 7.3 hereof.

(i) Independent Investment Decision. The Investor has independently evaluated the merits of its decision to purchase Shares pursuant to the Transaction Documents, and has relied on its own industry, business and/or legal advisors in making such decision.

(j) No Voting Agreements. The Investor has not entered into any agreement or arrangement regarding the voting or disposition of the Shares.

The Company acknowledges and agrees that the Investor has not made and does not make any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in this Section 3.2.

ARTICLE 4.

OTHER AGREEMENTS OF THE PARTIES

4.1 Restrictive Legends on Certificates.

(a) The Shares and/or Conversion Shares may only be disposed of in compliance with federal, state, and foreign securities laws or pursuant to the Registration Rights Agreement. In connection with any transfer of the Shares or Conversion Shares other than pursuant to an effective registration statement, to the Company, or to an Affiliate of the Investor, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Shares or Conversion Shares under the Securities Act or any other applicable securities law.

(b) Certificates evidencing the Shares and/or Conversion Shares will contain the following legend, until such time as it is not required under Section 4.1(c):

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY U.S. STATE OR FOREIGN JURISDICTION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE AND PROVINCIAL SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

(c) Certificates evidencing Shares and/or any Conversion Shares shall not contain any legend (including the legend set forth in Section 4.1(b)): (i) with respect to a sale or transfer of such Shares or Conversion Shares pursuant to an effective registration statement (including the Registration Statement), or (ii) with respect to a sale or transfer of such Shares or Conversion Shares pursuant to Rule 144. The Company agrees that following the effective date of the initial Registration Statement filed with the Commission pursuant to the Registration Rights Agreement or at such time as such legend is no longer required under this Section 4.1(c), it will, no later than seven Business Days following the delivery by the Investor to the Company or the Company's transfer agent of a certificate representing

Shares or Conversion Shares issued with a restrictive legend, together with the written request of the Investor accompanied by the written representation letter in customary form, deliver or cause to be delivered to the Investor a certificate representing such Shares or Conversion Shares that is free from all restrictive and other legends.

(d) The Investor agrees that the removal of the restrictive legend from certificates representing Shares or Conversion Shares as set forth in this Section 4.1 is predicated upon the Company's reliance that the Investor will sell any such Shares or Conversion Shares pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom.

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4.2. Furnishing of Information.

(a) The Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Securities Act and the Exchange Act. The Company further covenants that it will take such further action as any holder of Shares may reasonably request, all to the extent required from time to time to enable such Person to sell the Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

(b) The Investor covenants to timely file all reports required to be filed by the Investor after the date hereof pursuant to the Exchange Act, including Sections 13(d) and 16(a) thereof.

4.3. Indemnification.

(a) In addition to the indemnity provided in the Registration Rights Agreement, the Company will indemnify and hold the Investor and its directors, officers, managers, shareholders, investors, members, partners, employees, and agents (each, an "Investor Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs, and expenses, including all judgments, amounts paid in settlements, court costs, and reasonable attorneys' fees and costs of investigation (collectively, "Losses"), that any such Investor Party may suffer or incur as a result of or relating to any misrepresentation, breach, or inaccuracy of any representation, warranty, covenant, or agreement made by the Company in any Transaction Document.

(b) In addition to the indemnity provided in the Registration Rights Agreement, the Investor will indemnify and hold the Company and its directors, officers, managers, shareholders, investors, members, partners, employees, and agents (each, a "Company Party") harmless from any and all Losses that any such Company Party may suffer or incur as a result of or relating to any misrepresentation, breach, or inaccuracy of any representation, warranty, covenant, or agreement made by the Investor in any Transaction Document.

4.4. Listing of Shares. The Company agrees, (i) it will utilize its best efforts to continue the listing and trading of its Common Stock on its current Trading Market on the date of this Agreement and will comply in all material respects with the Company's reporting, filing, and other obligations under the bylaws or rules of such Trading Market, (ii) it will make such required notice or other filing with respect to the transactions contemplated by this Agreement and the Shares with its current Trading Market and obtain any approvals, and (iii) if the Company applies to have the Common Stock traded on any Trading Market other than that of the date of this Agreement, it will include in such application the Shares, and will take such other action as is necessary or desirable to cause the Shares to be listed on such other Trading Market as promptly as possible.

4.5. Conduct of Business Prior to Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by the Investor (which consent shall not be unreasonably withheld or delayed), the Company and the Subsidiary shall conduct their respective businesses in the ordinary course consistent with past practice, and, at the Closing, the Company shall deliver to the Investor a Certificate of Good Standing for each of the Company and the Subsidiary.

4.6. Use of Proceeds. The Company shall use the net proceeds from the sale of the Shares hereunder to pay the outstanding principal and accrued interest under its note to Wells Fargo Bank, N.A. and for other corporate purposes approved by the Board.

4.7. Board Composition. So long as the Investor holds at least fifty percent of the Company's then outstanding capital stock (i) the Board shall not consist of more than seven directors, and (ii) the Investor shall have a right to designate four members of the Company's Board (the "Investor Designees"), and the Company agrees to include the

Investor Designees on its slate of directors recommended for approval at each annual meeting of the Company's shareholders. The Investor shall vote its shares in any election of directors in favor of (x) its four designees, (y) one Person designated by The Bailey Company (the "Bailey Designee"), and (z) one Person designated by Eric W. Reinhard (the "Reinhard Designee"); provided, however, that if The Bailey Company or Eric W. Reinhard (in each case, together with its or his Affiliates) ceases to own at least 200,000 shares of the Company's Common Stock (adjusted for any stock splits, reverse splits or similar capital stock transactions), then in lieu of the Bailey Designee or the Reinhard Designee, as the case may be, the Investor agrees to vote its shares in any election of directors in favor of a Person, other than an Investor Designee, who receives the majority of votes of holders of Common Stock other than the Investor. The Investor agrees that The Bailey Company and Eric W. Reinhard constitute third party beneficiaries of the foregoing provision.

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4.8 Purchase Rights. For so long as the Investor continues to hold at least 75 percent of the Shares and/or Conversion Shares, the Company hereby grants to the Investor rights to purchase securities of the Company for the purpose of maintaining up to its percentage ownership interest of the Company, as set forth in the provisions below.

(a) Subsequent Offerings. The Investor shall have a right of first refusal (the “Purchase Right”) to purchase up to its “Pro Rata Share” of all Equity Securities which may be issued and sold by the Company other than those excluded pursuant to Section 4.8(c) below. The Investor’s Pro Rata Share shall be calculated as of the time immediately prior to the issuance of such Equity Securities by the Company as the ratio of (i) the number of shares of Common Stock beneficially owned by the Investor on a fully diluted basis at such time to (ii) the total number of shares of Common Stock of the Company outstanding on a fully diluted basis at such time

(b) Exercise of Rights.

(i) If the Company proposes to issue any Equity Securities, it shall first give the Investor written notice (the “Company’s Issuance Notice”) of its intention, describing the Equity Securities, the price and the other terms and conditions upon which the Company proposes to issue such Equity Securities. The Investor shall have ten Business Days after the giving of the Company’s Issuance Notice to agree to purchase up to its Pro Rata Share of the Equity Securities, for the price and upon the other terms and conditions specified in the notice, by giving written notice to the Company (the “Investor’s Purchase Notice”) and stating therein the quantity of such Equity Securities to be purchased. If the Investor exercises its Purchase Right hereunder, the Company and the Investor shall then effect the sale and purchase of the Equity Securities at the closing of the issuance of Equity Securities described in the Company’s Issuance Notice. On the date of such closing, the Company shall deliver to the Investor the certificates representing the Equity Securities to be purchased by the Investor, each certificate to be properly endorsed for transfer, and at such time, the Investor shall pay the purchase price for the Equity Securities.

(ii) Issuance of Equity Securities to Other Persons. If the Investor fails to exercise in full its Purchase Right, the Company shall have sixty days thereafter to sell the Equity Securities in respect of which the Investor’s Purchase Right was not exercised, at a price and upon general terms and conditions no more favorable to the purchasers thereof than specified in the Company’s Issuance Notice. If the Company has not sold such Equity Securities within such sixty days, the Company shall not thereafter issue or sell any Equity Securities, without first again complying with this Section 4.8.

(iii) Exercise of Options and Warrants. Notwithstanding the foregoing, the Investor’s Purchase Right with respect to Common Stock issued by the Company upon the exercise of incentive stock options or warrants outstanding on the date of this Agreement or subsequently issued pursuant to the Company’s existing equity incentive plan shall be governed exclusively by Section 4.8(d).

(c) Excluded Securities. The Purchase Rights established by this Section 4.8 shall have no application to any of the following Equity Securities:

(i) Subject to the applicable provisions of the Registration Rights Agreement, Equity Securities issued and sold by the Company in an underwritten public offering thereof under a then-effective registration statement under the 1933 Act; or

(ii) Any Common Stock issued as consideration in connection with or relating to any acquisitions, mergers or strategic partnership transactions of the Company or the Subsidiary (other than transactions entered into primarily for equity financing purposes) that have been approved by the Board after the Closing Date.

4.9. Adjustments to Purchase Price due to Stock Dividends, Combinations, or Splits. If, prior to the Closing, the outstanding shares of Common Stock are subdivided, by stock split, or otherwise, into a greater number of shares of Common Stock, or if the Company shall declare or pay any dividend on the Common Stock payable in shares of Common Stock, then the number of Shares issuable to the Investor at the Closing shall be proportionately increased, and the purchase price per share shall be proportionately decreased, upon the occurrence of such event. If, prior to the Closing, the outstanding shares of Common Stock are combined or consolidated, by reclassification, reverse stock split, or otherwise, into a lesser number of shares of Common Stock, then the number of Shares issuable to the Investor at the Closing shall be proportionately decreased, and the purchase price per Share shall be proportionately increased, upon the occurrence of such event.

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4.10 Best Efforts. Each party shall use its commercially reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate the transactions contemplated by the Transaction Documents as soon as practicable after the date hereof.

ARTICLE 5.

CONDITIONS PRECEDENT TO CLOSING

5.1 Conditions Precedent to the Obligations of the Investor to Purchase Shares. The obligation of the Investor to acquire Shares at the Closing is subject to the satisfaction or waiver by the Investor, at or before the Closing, of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Company contained herein shall be true and correct in all material respects (or true and correct in all respects as to representations and warranties which are qualified by materiality) as of the date when made and as of the Closing as though made on and as of such date;

(b) Performance. The Company shall have performed, satisfied, and complied in all material respects with all covenants, agreements, and conditions required by the Transaction Documents to be performed, satisfied, or complied with by it at or prior to the Closing;

(c) Consents. The Company shall have received all consents, waivers, authorizations, and approvals from third parties necessary in connection with the transactions contemplated by the Transaction Documents, and no such consent, waiver, authorization, or approval shall have been revoked;

(d) No Injunction. No statute, rule, regulation, executive order, decree, ruling, or injunction shall have been enacted, entered, promulgated, or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents;

(e) No Adverse Changes. Since the date of execution of this Agreement, no event or series of events shall have occurred that constitute or reasonably could have or result in a Material Adverse Effect;

(f) No Suspensions of Trading in Common Stock; Listing. Trading in the Common Stock shall not have been suspended by the Commission or any Trading Market (except for any suspensions of trading of not more than one Business Day solely to permit dissemination of material information regarding the Company) at any time since the date of execution of this Agreement, the Common Stock shall have been at all times since such date listed for trading on a Trading Market, and the Company shall have obtained all approvals necessary for continued listing of its Common Stock on a Trading Market;

(g) Shareholder Approval. The Company's shareholders shall have authorized and approved the issuance and sale of the Shares in accordance with the terms and provisions of this Agreement, which approval shall include a majority of the outstanding shares of capital stock of the Company not held by the Investor or its Affiliates;

(h) Filing of Certificate of Designation. The Certificate of Designation shall have been filed with the Nevada Secretary of State and shall be in full force and effect; and

(i) Company Deliverables. The Company shall have delivered the Company Deliverables in accordance with Section 2.3(a).

5.2 Conditions Precedent to the Obligations of the Company to Sell Shares. The obligation of the Company to sell Shares at the Closing is subject to the satisfaction or waiver by the Company, at or before the Closing, of each of the following conditions:

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- (a) Representations and Warranties. The representations and warranties of the Investor contained herein shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made on and as of such date;
- (b) Performance. The Investor shall have performed, satisfied, and complied in all material respects with all covenants, agreements, and conditions required by the Transaction Documents to be performed, satisfied, or complied with by the Investor at or prior to the Closing;
- (c) Consents. The Company shall have received all consents, waivers, authorizations, and approvals from third parties necessary in connection with the transactions contemplated by the Transaction Documents, and no such consent, waiver, authorization, or approval shall have been revoked;
- (d) No Injunction. No statute, rule, regulation, executive order, decree, ruling, or injunction shall have been enacted, entered, promulgated, or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents;
- (e) Shareholder Approval. The Company's shareholders shall have authorized and approved the issuance and sale of the Shares in accordance with the terms and provisions of this Agreement, which approval shall include a majority of the outstanding shares of capital stock of the Company not held by the Investor or its Affiliates;
- (f) Filing of Certificate of Designation. The Certificate of Designation shall have been filed with the Nevada Secretary of State and shall be in full force and effect; and
- (g) Investor Deliverables. The Investor shall have delivered its Investor Deliverables in accordance with Section 2.3(b).

ARTICLE 6.

TERMINATION PRIOR TO CLOSING

6.1 Termination. This Agreement may be terminated and the transactions contemplated hereunder abandoned at any time prior to the Closing only as follows:

- (a) by the Investor or the Company, upon written notice to the other, if the Closing shall not have taken place and all conditions thereto have not been satisfied by 6:30 p.m., Mountain Time, on September 30, 2012, or such later date as may be required solely in order to seek the approval of the Company's shareholders; provided, that the right to terminate this Agreement pursuant to this Section 6.1(a) shall not be available to any party whose failure to perform any of its obligations under this Agreement is the primary cause of the failure of the Closing to have occurred by such date and time; or
- (b) by the Investor or the Company if the Company's shareholders do not vote to approve the issuance and sale of the Shares at a shareholder meeting duly called and held for such purposes or any adjournment or postponement thereof; or
- (c) at any time by mutual agreement of the Company and the Investor; or by the Investor, if there has been a material breach of any representation or warranty, or covenant or obligation, of the Company contained herein and the same has not been cured within 15 days after notice thereof; or
- (d) by the Company, if there has been a material breach of any representation, warranty, or covenant of the Investor contained herein and the same has not been cured within 15 days after notice thereof.

6.2 Effect of Termination. Except as otherwise provided in this Agreement, any termination pursuant to this Article 6 shall be without liability on the part of any party, unless such termination is the result of a material breach of this Agreement by a party to this Agreement in which case such breaching party shall remain liable for such breach notwithstanding any termination of this Agreement.

6.3 Extension; Waiver. At any time prior to the Closing, the Investor or the Company may (a) extend the time for the performance of any of the obligations of the other party hereto, (b) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

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ARTICLE 7.

MISCELLANEOUS

7.1 Fees and Expenses. Each party shall pay the expenses incurred by such party incident to the negotiation, preparation, execution, delivery, and performance of the Transaction Documents. The Company shall pay all stamp and other taxes and duties levied in connection with the sale of the Shares.

7.2 Entire Agreement. The Transaction Documents, together with the Exhibits and Schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings, discussions, and representations, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits, and schedules.

7.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile on a Business Day, (b) the Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (c) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as follows:

If to the Company: Good Times Restaurants Inc.

601 Corporate Circle

Golden, CO 80401

Facsimile: (303) 384-1400

Attention: Boyd E. Hoback, President & CEO

If to the Investor: Small Island Investments Limited

50 Congress Street, Suite 900

Boston, MA 02109

Facsimile: (617) 720-2102

Attention: David Dobbin

or such other address as may be designated in writing hereafter, in the same manner, by such Person.

7.4 Amendments; Waivers; No Additional Consideration. Except as provided in Section 6.3 above, no provision of this Agreement may be waived or amended except in a written instrument signed by the Company and the Investor. No waiver of any default with respect to any provision, condition, or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition, or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

7.5 Construction. The headings herein are for convenience only, do not constitute a part of this Agreement, and shall not be deemed to limit or affect any of the provisions hereof. The language used in this Agreement will be deemed to be the language chosen by the parties and their counsel to express their mutual intent, and no rules of strict construction will be applied against any party. This Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement or any of the Transaction Documents.

7.6 Successors and Assigns. The rights and obligations of the parties hereto shall inure to the benefit of and shall be binding upon the authorized successors and permitted assigns of each party. No party may assign its rights or obligations under this Agreement or designate another person (i) to perform all or part of its obligations under this

Agreement or (ii) to have all or part of its rights and benefits under this Agreement, in each case without the prior written consent of the other party; provided, however, that the Investor may assign its rights and delegate its duties hereunder in whole or in part to an Affiliate without the prior written consent of the Company, provided, that no such assignment shall affect the obligations of the Investor hereunder. In the event of any assignment in accordance with the terms of this Agreement, the assignee shall specifically assume and be bound by the provisions of this Agreement by executing and agreeing to an assumption agreement reasonably acceptable to the other party.

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7.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.3.

7.8 Governing Law. All questions concerning the construction, validity, enforcement, and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Nevada, without regard to the principles of conflicts of law thereof. If any party shall commence a Proceeding to enforce any provision of a Transaction Document, then the prevailing party in such Proceeding shall be reimbursed by the other party to the Proceeding for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation, and prosecution of such Proceeding.

7.9 Survival. The representations, warranties, agreements, and covenants contained herein shall survive the Closing and the delivery of the Shares for a period of 12 months thereafter, after which time they shall expire and be of no further force or effect.

7.10 Execution. This Agreement may be executed in counterparts, all of which when taken together shall be considered one and the same agreement, and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile or electronic transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or electronic signature page were an original thereof.

7.11 Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

7.12 Replacement of Shares. If any certificate or instrument evidencing any Shares or Conversion Shares is mutilated, lost, stolen, or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof, or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft, or destruction and customary and reasonable indemnity, if requested. The applicants for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs associated with the issuance of such replacement Shares or Conversion Shares. If a replacement certificate or instrument evidencing any Shares or Conversion Shares is requested due to a mutilation thereof, the Company may require delivery of such mutilated certificate or instrument as a condition precedent to any issuance of a replacement.

7.13 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Investor and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agree to waive in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

7.14 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement. This Agreement shall become effective when counterparts have been signed by the Company and the Investor and such counterparts have been delivered to the Investor (in the case of the Company's signature) or the Company (in the case of the Investor's signature), it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile or electronic transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf

such signature is executed) with the same force and effect as if such facsimile or electronic signature page were an original thereof.

[Remainder of Page Intentionally Left Blank.]

[Signature Pages Follow.]

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IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

COMPANY:

GOOD TIMES RESTAURANTS INC.

By: /s/ Boyd E. Hoback

Name: Boyd E. Hoback

Title: President & CEO

INVESTOR:

SMALL ISLAND INVESTMENTS LIMITED

By: /s/ David L. Dobbin

Name: David L. Dobbin

Title: Chairman

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EXHIBIT A

CERTIFICATE OF
DESIGNATIONS, PREFERENCES, AND RIGHTS
OF
SERIES C CONVERTIBLE PREFERRED STOCK
OF GOOD TIMES RESTAURANTS INC.

Pursuant to Nevada Revised Statutes ("NRS") 78.1955

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted by the Board of Directors (the "Board of Directors") of Good Times Restaurants Inc., a Nevada corporation (the "Corporation"), pursuant to authority granted to the Board of Directors under Article IV of the Corporation's Articles of Incorporation, as amended (the "Articles of Incorporation"), and in accordance with the provisions of NRS 78.1955:

RESOLVED, that pursuant to the authority invested in the Board of Directors by the Articles of Incorporation and out of the Corporation's preferred stock, \$0.001 par value per share (the "Preferred Stock") authorized therein, 473,934 shares of the Preferred Stock be, and hereby are, created and designated as "Series C Convertible Preferred Stock," and the voting powers, preferences and relative, participating, optional and other special rights of the shares of the Series C Preferred Stock, and the qualifications, limitations, and restrictions of such shares (this "Certificate of Designations"), are as follows:

1. Designation and Amount . The shares of such series shall be designated "Series C Convertible Preferred Stock" (the "Series C Preferred Stock") and the number of shares constituting such series shall be 473,934.

2. Dividends .

(a) From and after the date of the issuance of any shares of Series C Preferred Stock (the "Original Issuance Date"), dividends shall accrue on such shares of Series C Preferred Stock at the rate of 8.0% per annum of the Series C Original Issue Price (as hereafter defined), subject to adjustment as provided in Section 2(c) (the "Accruing Dividends"). The Accruing Dividends shall be payable quarterly on August 15, November 15, February 15, and May 15 of each year (each, a "Payment Date") and such dividends shall be cumulative if not paid. The Corporation shall not declare, pay, or set aside any dividends on shares of Common Stock or any other stock ranking with respect to dividends or on liquidation junior to the Series C Preferred Stock (such stock being referred to hereinafter collectively as "Junior Stock") unless the holders of the Series C Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series C Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Accruing Dividends then accrued on such share of Series C Preferred Stock and not previously paid and (ii) to the extent that the Board of Directors duly approves a dividend to be paid on the Common Stock, the amount such holder would have received had such holder converted its Series C Preferred Stock into Common Stock

immediately prior to such distribution. For purposes hereof, the term "Series C Original Issue Price" shall mean \$4.22 per share, 1 subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution, combination, or other similar recapitalization with respect to the Series C Preferred Stock.

(b) Notwithstanding anything in this Certificate of Designations to the contrary, if at any time after the Original Issuance Date, the Aggregate Cash Flow (as hereafter defined) of the Corporation for its four preceding fiscal quarters is less than 150% of the Company's aggregate of its principal and interest debt payments and capital lease payments during that period, as determined in the good faith discretion of the Board of Directors, the Accruing Dividends shall not be payable until a Payment Date upon which the foregoing condition no longer exists. At such

Payment Date the Corporation shall pay the Accruing Dividends (without interest thereon) due on that Payment Date together with any other accrued but unpaid Accruing Dividends to the extent that the subtraction of such accrued but unpaid Accruing Dividends and of the Accruing Dividends due and paid on such Payment Date from Aggregate Cash Flow for such four preceding fiscal quarters does not cause the Aggregate Cash Flow for such four preceding fiscal quarters to become less than 150% of the Corporation's aggregate principal and interest debt payments and capital lease payments during that period. For purposes hereof, the term "Aggregate Cash Flow" shall mean the net income of the Corporation, plus interest, depreciation and amortization expenses, plus or minus other non-cash adjustments to net income, and less Accruing Dividends paid during the applicable fiscal quarters, as determined in the good faith discretion of the Board of Directors.

1 The Series C Original Issue Price shall be equal to two times the closing price of the Corporation's Common Stock on the day prior to execution of the Securities Purchase Agreement.

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(c) If the Series C Preferred Stock has not been converted to Common Stock within 18 months following the Original Issuance Date, thereafter (i) the rate of Accruing Dividends shall increase to 15% per annum from the date that is 18 months after the Original Issuance Date until converted or until the Series C Preferred Stock is no longer outstanding, and (ii) the Corporation may upon the approval of a majority of the disinterested Directors of the Corporation, and with 20 days prior written notice to the holders of the Series C Preferred Stock, redeem all or from time to time a portion of the Series C Preferred Stock by the payment for such redeemed Series C Preferred Stock of the Series C Liquidation Preference Payment set forth in Section 3(a) below.

3. Liquidation .

(a) In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, the holders of shares of Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Junior Stock upon such liquidation, dissolution, or winding up, an amount equal to (i) the Series C Original Issue Price per share, plus (ii) an amount equal to all Accruing Dividends accrued but unpaid on each share computed to the date payment thereof is made (the "Series C Liquidation Preference Payment"). If upon any such liquidation, dissolution, or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series C Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series C Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid in full.

(b) Upon any such liquidation, dissolution, or winding up of the Corporation, immediately after the holders of Series C Preferred Stock shall have been paid in full the Series C Liquidation Preference Payment, the remaining net assets of the Corporation available for distribution shall be distributed among the holders of Junior Stock.

(c) The consolidation or merger of the Corporation into or with any other entity or entities which results in the exchange of more than fifty percent of the voting power or shares of the Corporation for securities or other consideration issued or paid or caused to be issued or paid by any such entity or affiliate thereof (other than a merger to reincorporate the Corporation in a different jurisdiction), and the sale, lease, transfer, or other disposition (but exclusive of a collateral pledge) by the Corporation of all or substantially all its assets, shall be deemed a liquidation, dissolution, or winding up of the Corporation within the meaning of the provisions of this Section 3 .

4. Voting .

(a) Each issued and outstanding share of Series C Preferred Stock, shall be entitled to the number of votes equal to the number of shares of Common Stock into which each such share of Series C Preferred Stock is then convertible, at each meeting of stockholders of the Corporation (or pursuant to any action by written consent) with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration. Except as provided by law and by the provisions of Section 4(b) below, holders of Series C Preferred Stock shall vote together with the holders of Common Stock as a single class.

(b) In addition to any other rights provided by law, for as long as at least three-fourths of the shares of Series C Preferred Stock remain outstanding and for so long as at least three-fourths of the shares of Common Stock into which the Series C Preferred Stock has been converted remains held by the former holders of such converted Series C Preferred Stock, the Corporation shall not, and shall not cause or permit any of its subsidiaries to, (whether by merger, recapitalization or otherwise), either directly or indirectly, without the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series C Preferred Stock, given in writing or by vote at a

meeting, consenting or voting (as the case may be) separately as a class:

- (i) Liquidate, dissolve or wind up the Corporation; consolidate or merge into or with any other entity or entities which results in the exchange of more than fifty percent of the voting power or shares of the Corporation (other than a merger to reincorporate the Corporation in a different jurisdiction); or sell, lease, abandon, transfer, or otherwise dispose of all or substantially all of the Company's total assets (but exclusive of a collateral pledge);
- (ii) Enter into any material agreement for the acquisition of another entity outside of its core business operations;

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- (iii) Amend, alter, or repeal the Corporation's Articles of Incorporation (including this Certificate of Designations);
- (iv) Institute any increase in the outstanding shares of Preferred Stock of any class or series or issue any Common Stock in a material amount at less than \$3.00 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution, combination, or other similar recapitalization with respect to the Common Stock), other than pursuant to commitments or rights outstanding on the date of this Certificate of Designations or pursuant to options or other equity incentives granted at any time to employees, consultants, or Directors of the Corporation (provided that such excluded options or equity incentives are approved by a majority of the disinterested members of the Board of Directors);
- (v) Cause any redemption, repurchase, or other acquisition for value of any of the Corporation's equity securities, other than from present or former consultants, directors, or employees pursuant to the terms of a stock option plan of the Corporation;
- (vi) Institute any amendment of the Bylaws of the Corporation which is directly detrimental to the rights and preferences of the Series C Preferred Stock;
- (vii) Institute any payment of cash dividends or other distributions on any shares of Common Stock;
- (viii) Enter into any debt agreements in excess of \$500,000, other than the refinance or extension of the existing PFGI II LLC note payable; or
- (ix) Increase the maximum number of directors constituting the Board of Directors of the Corporation in excess of seven.

5. Conversion .

(a) **Right to Convert .** Subject to the terms and conditions of this Section 5, the holders of Series C Preferred Stock shall have the right at any time to convert outstanding shares of Series C Preferred Stock into fully paid and nonassessable shares of Common Stock, at an initial conversion ratio of two shares of Common Stock for each one share of Series C Preferred Stock surrendered for conversion, subject to adjustment as provided in Sections 5(d) and 5(e) below. Such right of conversion shall be exercised by a holder of Series C Preferred Stock by giving written notice to the Corporation stating that the holder elects to convert a stated number of shares of Series C Preferred Stock into Common Stock and by surrender of a certificate or certificates for the shares so to be converted to the Corporation at its principal office (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the holders of the Series C Preferred Stock) at any time during its usual business hours on the date set forth in such notice, together with a statement of the name or names, with addresses, in which the certificate or certificates for shares of Common Stock shall be issued.

(b) **Issuance of Certificate; Time Conversion Effected .** Promptly after the receipt of the written notice referred to in Section 5(a) and surrender of the certificate or certificates for the share or shares of Series C Preferred Stock to be converted, the Corporation shall issue and deliver, to the holder, registered in such name or names as such holder may direct, a certificate or certificates for the number of whole shares of Common Stock issuable upon the conversion of such shares of Series C Preferred Stock. Such conversion shall be deemed to have been effected as of the close of business on the date on which such written notice shall have been received by the Corporation and the certificate or certificates for such share or shares shall have been surrendered, and at such time the rights of the holder of such share or shares of Series C Preferred Stock shall cease and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the

holder or holders of record of the shares represented thereby. Upon any such conversion, all accrued but unpaid Accruing Dividends shall be paid in cash within seven days following the conversion date (unless there are no legally available funds with which to make such cash payment, in which event such cash payment shall be made as soon as possible).

(c) Fractional Shares; Partial Conversion . No fractional shares shall be issued upon conversion of Series C Preferred Stock into Common Stock. If any fractional share of Common Stock would, except for the provisions of the foregoing sentence, be delivered upon such conversion, the Corporation, in lieu of delivering such fractional share, shall pay to the holder surrendering the Series C Preferred Stock for conversion an amount in cash equal to the current fair market value of such fractional share as determined in the good faith discretion of the Board of Directors. If the number of shares of Series C Preferred Stock represented by the certificate or certificates surrendered pursuant to Section 5(a) exceeds the number of shares converted, the Corporation shall, upon such conversion, execute and deliver to the holder, at the expense of the Corporation, a new certificate or certificates for the number of shares of Series C Preferred Stock represented by the certificate or certificates surrendered which are not converted.

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(d) Subdivision or Combination of Common Stock . In case the Corporation shall at any time subdivide (by stock split, stock dividend, or otherwise) its outstanding shares of Common Stock into a greater number of shares, the number of shares of Common Stock into which the Series C Preferred Stock is convertible shall be proportionately increased. In case the Corporation shall at any time combine (by reverse stock split or otherwise) its outstanding shares of Common Stock into a lesser number of shares, the number of shares of Common Stock into which the Series C Preferred Stock is convertible shall be proportionately decreased.

(e) Reorganization or Reclassification . If any capital reorganization or reclassification of the capital stock of the Corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization or reclassification, lawful and adequate provisions shall be made whereby each holder of Series C Preferred Stock shall upon conversion of the Series C Preferred Stock as described in this Certificate of Designations have the right to receive, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately therefor receivable upon the conversion of such share or shares of Series C Preferred Stock, such shares of stock, securities, or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of Common Stock equal to the number of shares of such Common Stock immediately receivable upon such conversion had such reorganization or reclassification not taken place. In any such case, appropriate provisions shall be made with respect to the rights and interests of such holder to the end that the provisions hereof shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities, or assets thereafter deliverable upon the exercise of such conversion rights.

(f) Mandatory Conversion . At any time after 36 months following the Original Issuance Date, the Corporation may, at its option, upon at least 20 days' written notice to the holders of Series C Preferred Stock pursuant to Section 5(g) below, demand that each share of Series C Preferred Stock be automatically converted into shares of Common Stock; provided, however, that each of the following conditions is satisfied:

(i) The Common Stock shall have a trailing 20 consecutive trading day volume weighted average price ("VWAP") of not less than \$3.50 per share. The formula for the VWAP shall be calculated as follows: for each trade during the 20 day period prior to the date of the mandatory conversion notice, the number of shares traded shall be multiplied by the trade price with the product of each such transaction summed and the total of all such products divided by the total number of shares traded over such 20-day period. In the event of any subdivision or combination of Common Stock as described in Section 5(d), the foregoing \$3.50 per share of Common Stock VWAP shall be proportionately decreased or increased to reflect such changed number of outstanding shares of Common Stock;

(ii) The average daily volume shall not be less than 50,000 shares per day for each of the 20 trading days prior to the date of the mandatory conversion notice;

(iii) At the time of such notice, the Common Stock of the Corporation shall be listed for trading on a nationally recognized securities exchange or automated quotation system and for a continuous period of at least three months prior to the date of such notice; and

(iv) During the foregoing three-month period, the Corporation shall have publicly reported its financial results for its most recently completed fiscal quarter prior to the date of such notice.

Notwithstanding the foregoing, each share of Series C Preferred Stock shall automatically be converted into shares of Common Stock in the event of (A) an underwritten public offering of shares of the Corporation's stock at a per-share offering price (prior to underwriting commissions and expenses) of not less than \$3.00 per share (as adjusted for stock splits and combinations) and for total gross offering proceeds of not less than \$10,000,000 (a "Qualified Public Offering"), or (B) a sale of all or substantially all of the assets of the Corporation which has the effect of valuing the

Common Stock of the Corporation at not less than \$3.00 per share. In the event of any subdivision or combination of Common Stock as described in Section 5(d), the foregoing \$3.00 per share of Common Stock consideration shall be proportionately decreased or increased to reflect such changed number of outstanding shares of Common Stock.

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(g) Notice of Mandatory Conversion; Conversion Procedure . All holders of record of shares of Series C Preferred Stock shall be given at least 20 days' prior written notice of the date fixed and the place designated for mandatory conversion of all of such shares of Series C Preferred Stock pursuant to Section 5(f). Such notice shall be sent by mail, first class, postage prepaid, to each record holder of shares of Series C Preferred Stock at such holder's address appearing on the stock register. On or before the date fixed for conversion, each holder of shares of Series C Preferred Stock shall surrender its certificates or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter receive certificates for the number of shares of Common Stock to which such holder is entitled pursuant to this Section 5. All certificates evidencing shares of Series C Preferred Stock which are required to be surrendered for conversion in accordance with the provisions hereof shall, from and after the date such certificates are so required to be surrendered, be deemed to have been retired and canceled and the shares of Series C Preferred Stock represented thereby converted into shares of Common Stock as described above for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date. Upon any such mandatory conversion of Series C preferred Stock, all accrued but unpaid Accruing Dividends thereon shall be paid in cash within seven days following the conversion date (unless there are no legally available funds with which to make such cash payment, in which event such cash payment shall be made as soon as possible).

(h) Stock to be Reserved . The Corporation shall at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issuance upon the conversion of Series C Preferred Stock as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of all outstanding shares of Series C Preferred Stock. The Corporation covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof. The Corporation shall take all such action as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or regulation, or of any requirement of any securities exchange upon which the Common Stock may be listed.

(i) Closing of Books . The Corporation shall at no time close its transfer books against the transfer of any Series C Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any shares of Series C Preferred Stock in any manner which interferes with the timely conversion of such Series C Preferred Stock, except as may otherwise be required to comply with applicable securities laws.

6. Amendments. No provision of this Certificate of Designations of the terms of the Series C Preferred Stock may be amended, modified, or waived without the written consent or affirmative vote of the holders of a majority of the then-outstanding shares of Series C Preferred Stock.

IN WITNESS WHEREOF, Good Times Restaurants Inc. has caused this Certificate of Designations, Preferences, and Rights of Series C Convertible Preferred Stock to be duly executed by its President and Chief Executive Officer this ___ day of _____, 2012.

GOOD TIMES RESTAURANTS INC.

By: _____
Name: Boyd E. Hoback
Its: President and Chief Executive Officer

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EXHIBIT B

FIRST AMENDMENT TO
REGISTRATION RIGHTS AGREEMENT

This FIRST AMENDMENT TO REGISTRATION RIGHTS AGREEMENT (this “ Amendment ”) is made and entered into as of _____, 2012, by and between Good Times Restaurants Inc., a Nevada corporation (the “ Company ”), and Small Island Investments Limited, a Bermuda corporation (the “ Investor ”). This Amendment amends the Registration Rights Agreement dated as of December 13, 2010 (the “ Registration Rights Agreement ”) between the Company and the Investor. Capitalized terms used but not otherwise defined in this Amendment shall have the meanings given to such terms in the Registration Rights Agreement.

WHEREAS, the Company and the Investor are parties to that certain Securities Purchase Agreement dated as of June 13, 2012 (the “ Purchase Agreement ”), pursuant to which the Company has agreed to sell and issue to the Investor, and the Investor has agreed to purchase from the Company, shares of the Company’s Series C Convertible Preferred Stock (the “ Series C Shares ”);

WHEREAS, the Company and the Investor desire to amend the Registration Rights Agreement as set forth herein to include the shares of the Company’s Common Stock issued or issuable to the Investor upon conversion of the Series C Shares as Registrable Securities; and

WHEREAS, Section 8(a) of the Registration Rights Agreement provides that the Registration Rights Agreement may be amended only by a writing signed by the Company and the Investor.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Investor hereby agree as follows:

1. Amendment of Registration Rights Agreement.

(a) The following defined terms shall be added to Section 1 of the Registration Rights Agreement:

“ Preferred Stock ” shall mean the preferred stock of the Company, par value \$0.001 per share.

“ Series C Preferred Stock ” shall mean a series of Preferred Stock of the Company designated as “ Series C Convertible Preferred Stock .”

“ Series C Shares ” shall mean the shares of Series C Preferred Stock to be issued to the Investor under the Securities Purchase Agreement dated June 13, 2012 between the Company and the Investor (the “ Series C Purchase Agreement ”).

(b) The definition of “ Registrable Securities ” in Section 1 of the Registration Rights Agreement shall be amended to read in its entirety as follows:

“ Registrable Securities ” shall mean (i) the Shares, (ii) any shares of Common Stock issued or issuable to the Investor upon conversion of the Series C Shares; and (iii) any other securities issued or issuable with respect to or in exchange for Registrable Securities; provided, that a security shall cease to be a Registrable Security upon (A) sale pursuant to a Registration Statement or Rule 144, or (B) such security becoming eligible for sale by the Investor without restriction pursuant to Rule 144.

2. Effect of this Amendment . Except as specifically amended as set forth herein, each term and condition of the Registration Rights Agreement shall continue in full force and effect.

3. Counterparts; Facsimile Signatures . This Amendment may be executed or consented to in counterparts, each of which shall be deemed an original and all which taken together shall constitute one and the same instrument. This Amendment may be executed and delivered by facsimile or electronically and, upon such delivery, the facsimile or electronically transmitted signature shall be deemed to have the same effect as if the original signature had been delivered to the other party.

[Remainder of Page Intentionally Left Blank.]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized signatories as of the date first indicated above.

COMPANY:

GOOD TIMES RESTAURANTS INC.

By: _____
Name: Boyd E. Hoback
Title: President & CEO

INVESTOR:

SMALL ISLAND INVESTMENTS LIMITED

By: _____
Name: David L. Dobbin
Title: Chairman

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EXHIBIT C

SCHEDULE OF EXCEPTIONS

Pursuant to the Securities Purchase Agreement, dated as of June 13, 2012 (the "Purchase Agreement"), by and between Good Times Restaurant Inc., a Nevada corporation (the "Company"), and Small Island Investments Limited, a Bermuda corporation (the "Investor"), this Schedule of Exceptions is being delivered by the Company to the Investor. All defined terms herein have the same meanings assigned to them in the Purchase Agreement, unless otherwise defined.

The representations and warranties of the Company set forth in Section 3.1 of the Purchase Agreement are made and given subject to the disclosures in this Schedule of Exceptions. The section numbers in this Schedule of Exceptions correspond to the section numbers of the Purchase Agreement requiring such disclosure. Any information disclosed herein under any section number in Section 3.1 of the Purchase Agreement shall be deemed to be disclosed and incorporated into any other section number under Section 3.1 of the Purchase Agreement where the applicability of such disclosure to such other section number is reasonably apparent to the Investor based on the face of such disclosure.

Section 3.1(e) : As discussed in Section 3.1(g) of this Schedule of Exceptions, the Company intends to obtain waivers from its Series B investors of their participation rights with respect to this transaction.

Section 3.1(g) : Immediately prior to the Closing, the authorized capital stock of the Company consists of (i) 50,000,000 shares of Common Stock, par value \$0.001 per share, of which 2,726,214 shares are issued and outstanding, fully paid and non-assessable, and (ii) 5,000,000 shares of Preferred Stock, par value \$0.01 per share, none of which are issued and outstanding. As of immediately prior to the Closing, the Company has reserved an aggregate of 184,022 shares of its Common Stock for issuance under the Company's Omnibus Equity Plan (the "Plan"), of which options to purchase 178,956 shares of Common Stock have been issued and the remaining 5,066 shares remain available under the Plan. In addition, the Company has reserved an aggregate of 101,704 shares of its Common Stock for issuance upon the exercise of outstanding warrants.

The Company has granted Participation Rights to the holders of the shares of Common Stock issued upon conversion of the Series B Convertible Preferred Stock. The Series B investors will waive their right to participation in connection with this transaction.

Section 3.1(j) : None.

Section 3.1(k) : None.

Section 3.1(l) : None.

Section 3.1(q) : The Company's corporate headquarters are located in a building owned by The Bailey Company and in which The Bailey Company also has its corporate headquarters. The Company currently leases its executive office space of approximately 3,693 square feet from The Bailey Company for approximately \$55,000 per year. The lease expired September 30, 2009 and the Company continues to lease the space on a month to month basis.

The Bailey Company is also the owner of one franchised Good Times Drive Thru restaurant which is located in Loveland, Colorado and was the owner of one franchised restaurant in Thornton, Colorado which was closed in October 2009. The Bailey Company has entered into two franchise and management agreements with the Company. Franchise royalties and management fees paid under those agreements totaled approximately \$78,000 and \$94,000 for the fiscal years ending September 30, 2009 and 2008, respectively.

Explanation of Responses:

On April 6, 2012, the Company entered into a financial advisory services agreement with Heathcote Capital LLC (“Heathcote”), pursuant to which Heathcote will provide the Company with exclusive financial advisory services in connection with a possible strategic transaction. Gary J. Heller, a member of the Company’s Board of Directors, is the principal of Heathcote.

Section 3.1(t) : The Company has granted registration rights to in connection with shares of its Common Stock issuable upon exercise of certain outstanding warrants.

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Section 3.1(u) : On May 3, 2012, the Company received a letter from The NASDAQ Stock Market stating that the staff has rejected the Company's proposed compliance plan for continued listing on The NASDAQ Capital Market because no formal agreements or contracts had been yet signed with respect to a proposed acquisition or equity financing. The Company has appealed the staff's determination by requesting a hearing before a NASDAQ Listing Qualifications Panel, which had the effect of staying the delisting of the Company's securities. If the Panel does not grant the Company an extension to complete the transaction, the Company's securities will be delisted from NASDAQ.

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2008 Plan Amendment

AMENDMENT TO THE
GOOD TIMES RESTAURANTS INC.
2008 OMNIBUS EQUITY INCENTIVE COMPENSATION PLAN

Good Times Restaurants Inc. (the "Company") previously approved and adopted the Good Times Restaurants Inc. 2008 Omnibus Equity Incentive Compensation Plan (the "2008 Plan") to promote the success and enhance the value of the Company by linking the personal interests of the 2008 Plan's participants to those of the Company's stockholders and by providing such individuals with an incentive for outstanding performance in order to help grow the Company and to generate superior returns to its stockholders. By this Amendment, the Company desires to amend the 2008 Plan to increase the number of shares available under the 2008 Plan.

1. Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the 2008 Plan.
2. The effective date of this Amendment to the 2008 Plan shall be [_____], 2012.
3. Section 4.1 of the 2008 Plan is amended and restated in its entirety as follows:

"Number of Shares Available for Awards. Subject to adjustment as provided in Section 4.2 herein, the number of Shares hereby reserved for issuance to Participants under the Plan shall be 500,000 (such total number of Shares, including such adjustment, the "Total Share Authorization"). Any Shares issued in connection with an Option or SAR shall be counted against the Total Share Authorization limit as one (1) Share for every one (1) Share issued; for Awards other than Options and SARs, any Shares issued shall be counted against the Total Share Authorization limit as two (2) Shares for every one (1) Share issued. The maximum aggregate number of Shares that may be issued through Nonqualified Stock Options shall be equal to the Total Share Authorization. The maximum aggregate number of Shares that may be issued through Incentive Stock Options shall be equal to the Total Share Authorization."

4. This Amendment shall amend only the provisions of the 2008 Plan as set forth herein. Those provisions of the 2008 Plan not expressly amended hereby shall be considered in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized representative on this ____ day of _____, 2012.

GOOD TIMES RESTAURANTS INC.

By:

Its:

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GOOD TIMES RESTAURANTS INC.

REVOCABLE PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS IN CONNECTION WITH THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON AUGUST 22, 2012.

The undersigned hereby revokes all previous proxies, acknowledges receipt of the Notice of the Annual Meeting of Stockholders to be held on August 22, 2012 and the Proxy Statement, and appoints Boyd E. Hoback and Susan M. Knutson (or either of them), the proxy of the undersigned, each with full power of substitution, to vote all shares of common stock of Good Times Restaurants Inc., a Nevada corporation (the “Company”), that the undersigned is entitled to vote, either on his or her own behalf or on behalf of any entity or entities, at the Annual Meeting of Stockholders of the Company to be held on August 22, 2012, beginning at 9:00 a.m. Mountain Daylight Time, at the Company’s corporate offices, which are located at 601 Corporate Circle, Golden, Colorado 80401, and at any adjournment or postponement thereof, with the same force and effect as the undersigned might or could do if personally present thereat. The shares represented by this proxy shall be voted in the matter set forth herein.

PROPOSAL #1 – ELECTION OF DIRECTORS: To elect seven directors of the Company to serve for the next year.

Director Nominees:

Geoffrey R. Bailey	For	<input type="checkbox"/>	Against	<input type="checkbox"/>	Abstain	<input type="checkbox"/>
Neil Calvert	For	<input type="checkbox"/>	Against	<input type="checkbox"/>	Abstain	<input type="checkbox"/>
David L. Dobbin	For	<input type="checkbox"/>	Against	<input type="checkbox"/>	Abstain	<input type="checkbox"/>
Boyd E. Hoback	For	<input type="checkbox"/>	Against	<input type="checkbox"/>	Abstain	<input type="checkbox"/>
Gary J. Heller	For	<input type="checkbox"/>	Against	<input type="checkbox"/>	Abstain	<input type="checkbox"/>
Eric W. Reinhard	For	<input type="checkbox"/>	Against	<input type="checkbox"/>	Abstain	<input type="checkbox"/>
Alan A. Teran	For	<input type="checkbox"/>	Against	<input type="checkbox"/>	Abstain	<input type="checkbox"/>

PROPOSAL #2 – APPROVAL OF INVESTMENT TRANSACTION: To approve a \$2,000,001.48 equity investment in the Company through the issuance of 473,934 Shares of newly designated Series C Convertible Preferred Stock of the Company at a purchase price of \$4.22 per share, to Small Island Investments Limited, a Bermuda corporation, referred to herein as the “Investment Transaction”.

For Against Abstain

PROPOSAL #3 – APPROVAL OF 2008 PLAN AMENDMENT: To approve an amendment to the Company’s 2008 Omnibus Equity Incentive Compensation Plan to increase the number of shares of the Company’s common stock available for issuance thereunder to a total of 500,000 shares, referred to herein as the “2008 Plan Amendment”.

Explanation of Responses:

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For Against Abstain

This proxy when properly executed will be voted in the manner directed by the undersigned.

If this proxy is properly executed but no voting directions are given, this proxy will be voted "For" the election of each of the director nominees set forth above and "For" the approval of each of Proposals #2 and #3 set forth above.

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This proxy also confers discretionary authority to the proxies to vote on any other matters that may properly be presented at the meeting. As of the date of the accompanying Proxy Statement, the Company did not know of any other matters to be presented at the meeting. If any other matters are properly presented at the meeting, this proxy will be voted in accordance with the recommendations of the Company's Board of Directors.

Please sign exactly as your name appears below. When joint tenants hold shares, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the president or other authorized officer. If a partnership or limited liability company, please sign in such name by an authorized person.

Please complete, date and sign this proxy card and return it promptly in the accompanying envelope.

Shares Owned:

Dated:

Signature of Shareholder

Signature (if held jointly)

(Sign exactly as name appears on stock certificate)