

GOOD TIMES RESTAURANTS INC
Form 10-Q/A
February 15, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
Amendment No. 1**

(Mark One)

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

For the quarterly period ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 0-18590

GOOD TIMES RESTAURANTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

NEVADA

84-1133368

(State or Other Jurisdiction of

(I.R.S. Employer Identification
Number)

Incorporation or Organization)

601 CORPORATE CIRCLE, GOLDEN, CO 80401

(Address of Principal Executive Offices, Including Zip Code)

(303) 384-1400

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months
(or for such shorter period that the registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated
filer or a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

As of February 14, 2012, there were 2,726,214 shares of the Registrant's common stock, par value \$0.001 per
share, issued and outstanding.

Explanatory Note

The sole purpose of this Amendment to the Registrant's Quarterly Report on Form 10-Q for the period ended
December 31, 2011, as filed with the Securities and Exchange Commission on February 14, 2012 (the "Original
Filing"), is to furnish the XBRL Interactive Data Files on Exhibit 101. The XBRL Interactive Data Files were
inadvertently filed on Exhibit 100 in the Original Filing.

No other changes have been made to the Form 10-Q. This Amendment No. 1 on Form 10-Q speaks as of the original
filing date of the Form 10-Q and does not modify or update any related disclosures made in the Form 10-Q

Form 10-Q

Quarter Ended December 31, 2011

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PART I. - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****ASSETS**

	December 31, <u>2011</u>	September 30, <u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$758,000	\$847,000
Receivables, net of allowance for doubtful accounts of \$0	71,000	106,000
Prepaid expenses and other	32,000	47,000
Inventories	187,000	191,000
Notes receivable	<u>4,000</u>	<u>5,000</u>
Total current assets	1,052,000	1,196,000
PROPERTY AND EQUIPMENT, at cost:		
Land and building	6,716,000	6,969,000
Leasehold improvements	3,564,000	3,617,000
Fixtures and equipment	<u>7,535,000</u>	<u>7,669,000</u>
	17,815,000	18,255,000
Less accumulated depreciation and amortization	<u>(12,526,000)</u>	<u>(12,533,000)</u>
	5,289,000	5,722,000
OTHER ASSETS:		
Notes receivable, net of current portion	17,000	10,000
Deposits and other assets	<u>74,000</u>	<u>71,000</u>
	91,000	81,000
TOTAL ASSETS	<u>\$6,432,000</u>	<u>\$6,999,000</u>

LIABILITIES AND STOCKHOLDERS' EQUITY**CURRENT LIABILITIES:**

Current maturities of long-term debt, net of discounts of

\$26,000 and \$26,000 respectively	\$203,000	\$195,000
Accounts payable	432,000	496,000
Deferred income	66,000	101,000
Liabilities related to discontinued operations	14,000	14,000
Other accrued liabilities	<u>938,000</u>	<u>878,000</u>
Total current liabilities	1,653,000	1,684,000

LONG-TERM LIABILITIES:

Debt, net of current portion and net of discounts of \$0 and \$7,000, respectively

1,896,000	2,067,000
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Liabilities related to discontinued operations	79,000	82,000
Deferred liabilities	<u>640,000</u>	<u>646,000</u>
Total long-term liabilities	2,615,000	2,795,000

Continued

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GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(Unaudited)

	December 31, <u>2011</u>	September 30, <u>2011</u>
STOCKHOLDERS' EQUITY:		
Good Times Restaurants Inc stockholder's equity:		
Preferred stock, \$.01 par value;		
5,000,000 shares authorized, none issued and outstanding		
as of December 31, 2011 and September 30, 2011	-	-
Common stock, \$.001 par value; 50,000,000 shares authorized		
2,726,214 shares issued and outstanding		
as of December 31, 2011 and September 30, 2011	8,000	8,000
Capital contributed in excess of par value	19,992,000	19,977,000
Accumulated deficit	<u>(18,047,000)</u>	<u>(17,680,000)</u>
Total Good Times Restaurants Inc stockholders' equity	1,953,000	2,305,000
Non-controlling interest in partnerships	<u>211,000</u>	<u>215,000</u>
Total stockholders' equity	2,164,000	2,520,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$6,432,000</u>	<u>\$6,999,000</u>

See accompanying notes to condensed consolidated financial statements

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended December 31,	
	2011	2010
NET REVENUES:		
Restaurant sales, net	\$4,747,000	\$4,982,000
Franchise revenues	<u>99,000</u>	<u>103,000</u>
Total revenues	4,846,000	5,085,000
RESTAURANT OPERATING COSTS:		
Food and packaging costs	1,662,000	1,758,000
Payroll and other employee benefit costs	1,684,000	1,759,000
Occupancy and other operating costs	1,033,000	1,083,000
Depreciation and amortization	<u>208,000</u>	<u>204,000</u>
Total restaurant operating costs	4,587,000	4,804,000
General and administrative costs	341,000	344,000
Advertising costs	211,000	217,000
Franchise costs	14,000	17,000
Gain on sale of restaurant buildings and equipment	<u>(15,000)</u>	<u>(12,000)</u>
LOSS FROM OPERATIONS	(292,000)	(285,000)
OTHER INCOME AND (EXPENSES):		
Unrealized income on interest rate swap	7,000	13,000
Interest expense, net	<u>(54,000)</u>	<u>(112,000)</u>
Total other income and (expenses)	<u>(47,000)</u>	<u>(99,000)</u>
LOSS FROM CONTINUING OPERATIONS	<u>(\$339,000)</u>	<u>(\$384,000)</u>
Loss from discontinued operations	<u>(11,000)</u>	<u>(4,000)</u>
NET LOSS	<u>(\$350,000)</u>	<u>(\$388,000)</u>
Income attributable to non-controlling interest	<u>(17,000)</u>	<u>(17,000)</u>
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	<u>(\$367,000)</u>	<u>(\$405,000)</u>
Net loss per share - basic and diluted		
Continuing operations	(\$.12)	(\$.24)
Discontinued operations	(\$.00)	(\$.00)
Net loss applicable to common shareholders	(\$.13)	(\$.25)
WEIGHTED AVERAGE COMMON SHARES USED IN PER SHARE CALCULATION:		
BASIC AND DILUTED	2,726,214	1,594,102

See accompanying notes to condensed consolidated financial statements

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	December 31,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(\$350,000)	(\$388,000)
Loss from discontinued operations	<u>(11,000)</u>	<u>(4,000)</u>
Net loss from continuing operations	(339,000)	(384,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	208,000	204,000
Amortization of debt issuance costs	6,000	28,000
Stock based compensation expense	15,000	15,000
Unrealized gain on interest rate swap	(7,000)	(13,000)
Recognition of gain on sale of restaurant building	(6,000)	(8,000)
Gain on disposal of property and equipment	(9,000)	(4,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables and other	34,000	64,000
Inventories	4,000	(4,000)
Deposits and other	7,000	62,000
(Decrease) increase in:		
Accounts payable	(64,000)	(264,000)
Accrued liabilities and deferred income	<u>37,000</u>	<u>19,000</u>
Net cash used in operating activities from continuing operations	(114,000)	(285,000)
Net cash used in operating activities from discontinued operations	<u>(14,000)</u>	<u>(9,000)</u>
Net cash used in operating activities	(128,000)	(294,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of fixed assets	305,000	854,000
Payments for the purchase of property and equipment	(70,000)	(6,000)
Loans made to franchisees and to others	<u>(6,000)</u>	<u>-</u>
Net cash provided by investing activities	229,000	848,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from common stock sale	-	1,727,000
Principal payments on notes payable and long-term debt	(169,000)	(1,437,000)
Distributions paid to non-controlling interests	<u>(21,000)</u>	<u>(22,000)</u>
Net cash provided by (used in) financing activities	<u>(190,000)</u>	<u>268,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(89,000)	822,000
CASH AND CASH EQUIVALENTS, beginning of period	<u>\$847,000</u>	<u>\$429,000</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$758,000</u>	<u>\$1,251,000</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest	<u>\$ 48,000</u>	<u>\$ 86,000</u>
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See accompanying notes to condensed consolidated financial statements

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all of the normal recurring adjustments necessary to present fairly the financial position of the Company as of December 31, 2011 and the results of its operations and its cash flows for the three month period ended December 31, 2011. Operating results for the three month period ended December 31, 2011 are not necessarily indicative of the results that may be expected for the year ending September 30, 2012. The condensed consolidated balance sheet as of September 30, 2011 is derived from the audited financial statements, but does not include all disclosures required by generally accepted accounting principles. As a result, these financial statements should be read in conjunction with the Company's Form 10-K for the fiscal year ended September 30, 2011.

Note 2. Recent Developments

We sold one company-owned restaurant in Littleton, Colorado to an unrelated third party. The sale closed on December 29, 2011 with net proceeds of \$308,000 which resulted in a \$9,000 gain on the sale. As described below \$100,000 of the proceeds were used to prepay principal on our Wells Fargo Bank note.

We entered into a contract for a sale leaseback transaction with an unrelated third party effective January 25, 2012 related to one company-owned restaurant in Firestone, Colorado, subject to certain buyer contingencies. We also signed a letter of intent with an unrelated third party on February 1, 2012 for the sale of one company-owned restaurant, subject to certain buyer contingencies. Neither transaction will result in significant gains or losses.

As previously disclosed in the Company's current report on Form 8-K filed December 9, 2011, we received notice from Wells Fargo Bank, N.A. (the "Bank") that the Company was not in compliance with certain covenants under the Amended and Restated Credit Agreement dated December 10, 2010 (the "Credit Agreement"), including covenants requiring that the Company's tangible net worth not be less than \$2,500,000 at any time and that the Company deliver certain landlord's disclaimer and consent documents to the Bank. As previously disclosed in the Company's current report on Form 8-K filed December 27, 2011 we entered into a First Amendment to the Amended Credit Agreement and Waiver of Defaults and a Second Amended and Restated Term Note with Wells Fargo Bank (together, the "Amendments") that waived the current covenant defaults and modified the loan covenants and note terms. The Amendments were conditioned upon the closing of the sale of the Littleton restaurant described above and provided for a prepayment of \$100,000 in principal from the proceeds from the sale of the Littleton, Colorado restaurant, the release of collateral associated with that restaurant, the waiver of certain other collateral requirements, and a revision to the amortization and maturity date of the remaining loan balance as of January 2, 2012 of \$349,000 to December 31, 2013. There was no change to the interest rate of the loan.

In fiscal 2011, we sold two Company-operated restaurants and a franchisee closed one restaurant. We continue to evaluate the near term realizable asset value of each restaurant compared to its longer term cash flow value and we may choose to sell, sublease or close a limited number of additional lower performing restaurants in fiscal 2012 as we position the company for growth in new store development and reposition our stores away from trade areas that may have shifted demographically or from our current concept direction. We will require additional capital sources to

develop additional company-owned restaurants. We anticipate that the sale of lower volume restaurants will improve our operating margins as a percentage of revenue and provide cash resources for the further reduction of our long term debt and increase our working capital.

Note 3. Discontinued Operations

During fiscal 2010 we closed two locations: one dual-branded restaurant in Commerce City, Colorado in March 2010 and one co-developed restaurant in Denver, Colorado in June 2010. Fixed assets and associated accumulated depreciation of \$406,000 related to the Commerce City location are included in the property and equipment of our condensed consolidated balance sheet. Current and long-term liabilities related to discontinued operations relate to the future estimated lease obligations of the Commerce City location.

Discontinued operations losses of \$11,000 and \$4,000 for the three month periods ended December 31, 2011 and December 31, 2010, respectively, are from results of operations and lease obligations. With respect to the Commerce City closed location, we have continuing aggregate lease obligations of \$647,000 and we have subleased the location for \$528,000 in aggregate sublease income. We have recorded an estimated discounted liability of \$93,000 related to this location. We terminated the lease on the Denver location effective February 1, 2011 and no longer remain liable for any future lease obligations.

Note 4. Stock-Based Compensation

Stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant).

The Company measures the compensation cost associated with share-based payments by estimating the fair value of stock options as of the grant date using the Black-Scholes option pricing model. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options granted during all years presented. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the employees who receive equity awards.

Our net loss for the three months ended December 31, 2011 and December 31, 2010 each include \$15,000 of compensation costs related to our stock-based compensation arrangements.

During the three months ended December 31, 2011, we granted 30,000 non-statutory stock options with an exercise price of \$1.31 and a per-share weighted average fair value was \$1.07.

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

	<u>Non-Statutory Stock Options</u>
Expected term (years)	7.5
Expected volatility	95.71%
Risk-free interest rate	1.47%