GOOD TIMES RESTAURANTS INC
Form 10-K
December 29, 2011

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

FORM 10-K

[x] Annual Report Pursuant to Section 13 or 15(d) Of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2011

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _______ to _______

Commission file number 000-18590

GOOD TIMES RESTAURANTS INC.

(Exact name of registrant as specified in its charter)

Nevada	84-1133368
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
601 Corporate Circle, Golden, Colorado	80401
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: (303) 384-1400

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

Title of each class	Name of each exchange on which registered
Common Stock $.001 par value, Preferred Stock $.01 par	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	Yes [ ]	No [x]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	Yes [ ]	No [x]
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 and (2) has been subject to such filing requirements for the past 90 days.	Yes [x]	No [ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)	Yes [ ]	No [x]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy of information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	[x]	

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [ ] Smaller Reporting Company[x]

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

As of December 15, 2011, the aggregate market value of the 896,698 shares of common stock held by non affiliates of the issuer, based on the closing sales price of the common stock on December 15, 2011 of $1.39 per share as reported on the Nasdaq Capital Market, was $1,246,410.

As of December 15, 2011, the issuer had 2,726,214 shares of common stock outstanding.

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PART I

ITEM 1. BUSINESS

Overview: Good Times Restaurants Inc., a Nevada corporation (the "Company"), was organized in 1987. The Company is essentially a holding company for its wholly owned subsidiary, Good Times Drive Thru Inc. ("GTDT"), which is engaged in the business of developing, owning, operating and franchising hamburger-oriented drive-through restaurants under the name Good Times Burgers & Frozen Custard. Most of our restaurants are located in the front-range communities of Colorado but we also have franchised restaurants in North Dakota and Wyoming. The terms "Good Times", "we", "us" and "our" where used herein refer to the operations of GTDT and of the Company.

Recent Developments: We experienced fairly dramatic same store sales declines immediately after the beginning of the recession in the spring of 2008 that continued through late spring of 2010 after several consecutive years of same store sales increases. Beginning in June 2010 our same store sales trends began to flatten out and have increased for sixteen consecutive months through November 2011, including an increase of 6.2% in fiscal 2011. We have experienced increases in both customer traffic and our average transaction amount as a result of the implementation of more price choice for our guests across our menu and ongoing new product initiatives discussed below in "Concept and Business Strategy."

Our Income from Operations improved by $1,247,000 in fiscal 2011 compared to fiscal 2010. In addition, we estimate that commodity cost increases negatively impacted our Income from Operations by approximately $400,000 over and above our menu price increases. We are focusing on sustaining our same store sales momentum through improving our core value proposition for our customers and continuing to evolve the brand away from mainstream hamburger quick service restaurants' standard fare. While we are and will remain all about burgers, fries and frozen custard, we are elevating each category's fresh, handcrafted and unique offerings. After extensive consumer research and feedback in fiscal 2011, we will be adding focused, "horizontal" menu variety through one or two new product categories in fiscal 2012 in addition to continuing to elevate flavor profiles and brand attributes in each of our existing menu categories. We are currently in testing and development of several exciting new products that we believe will drive incremental transactions, average check growth and margin improvement.

From August through November 2011 we rolled out new menu boards across our entire system of restaurants for improved consistency and point of purchase communications. The new system provides improved flexibility in the frequency of point of purchase messaging and promotion. We expect to implement a comprehensive exterior reimaging test in one restaurant by January 2012 that will be the prototype for upgrading older restaurants to a like-new condition. The reimaging includes sign faces, all vertical fascias, graphics, lighting, paint scheme and patio enhancements. We anticipate the reimaging to be very cost effective, totaling less than $40,000 per restaurant. We will evaluate the results of the test and we plan to systematically apply it to older, double drive thru stores throughout fiscal 2012 and 2013 depending on the availability of funds.

As part of our ongoing product development and menu reengineering in fiscal 2012, we plan to modify all of our packaging, print advertising and point of purchase graphics with a new theme that is consistent with the exterior reimaging.

We entered into a purchase and sale agreement with an unrelated third party effective as of October 11, 2011 for the sale of one company-owned restaurant in Littleton, Colorado. We anticipate the sale to close prior to December 31, 2011 with estimated net proceeds of $310,000 which would result in a nominal gain on the sale.

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 is currently 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 are conditioned upon the closing of the sale of the Littleton restaurant described above and provide 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. As of January 2, 2012, we will have reduced the principal balance of the Wells Fargo loan from $722,000 at the end of fiscal 2010 to $349,000 and reduced other long term debt by $843,000 during that same period.

On December 31, 2010, following approval by the Company's stockholders at a special meeting on December 13, 2010, the Company effected a one-for-three reverse stock split of its issued and outstanding Common Stock. All references to numbers of shares and share prices in the following paragraphs and throughout Items 1 and 2 are stated at post-reverse split amounts.

In fiscal 2011, we closed 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.

See Financing Activities under the Liquidity and Capital Resources section Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations below for further details of the transactions described above.

Concept and Business Strategy: We operate with two different formats that have evolved over the course of our history: a smaller, 880 to 1000 square foot building without indoor seating that is focused on drive thru service and limited walk up service; and a 2,400 square foot, 70 seat dining room format that has been the model for the last thirteen restaurants developed in Colorado. We have further refined the prototype design to reduce development costs and improve the return on investment model for future company-owned and franchised restaurant expansion with a 1,900 to 2,000 square foot, 40 seat dining room design that will carry forward all of the core design elements of our prior prototype design.

We operate at the upper end of the quick service restaurant (QSR) category in terms of the quality of our ingredients and pricing strategy, without a $1 menu or deep discounting. Consumer research has shown us that the customer feels a strong connection to Good Times and feels better about choosing Good Times over the larger hamburger QSR brands due to the quality of our ingredients and brand personality. As a result we have developed a communications umbrella called "Happiness Made to Order" with three primary brand pillars of Innovation, Quality and Connectedness. All of our product initiatives are designed to support a brand position that adds differentiation to our concept within the landscape of quick service restaurant competitors, particularly in the hamburger segment. Within Innovation we strive to create products and flavor profiles available only at Good Times that challenge QSR norms. Within Quality, our products are supported by Fresh, All Natural, Handcrafted attributes using high quality, regional ingredients. Within Connectedness, we strive to create connections with our customers based on the Colorado lifestyle, local brand partners and community support and involvement,

We continued making significant product introductions and modifications in fiscal 2011 with a combination of limited time offer and permanent product introductions including Sweet Potato Fries, Hand Spun Custard Flavors, Summer and Holiday Shakes, Santiago's Hatch Valley New Mexico Green Chile, Fresh Grilled, Honey Cured Bacon Burgers and Loaded Fries. We engaged a third party research company to help us evaluate over twenty new menu items to find the most compelling incremental sales opportunities to drive frequency amongst our current customer base and new occasions with infrequent or lapsed customers while simplifying our current offerings that are duplicative to the customer. As a result we have three new areas of menu focus for fiscal 2012, one of which is an entirely new category and two of which are a restructuring of current offerings and product design. We expect to broaden our customer base, decrease food costs as a percentage of sales and increase transactions. Our goal is to decrease our food cost margin by 2% to 3% by the end of fiscal 2012 from current levels through menu engineering and new product introductions.

While our primary value proposition for the consumer is derived from the quality of ingredients and taste of our products, the current competitive and consumer spending environment continues to redefine value expectations within the quick service restaurant segment and a larger number of transactions are being driven by the availability of menu items at lower price points. Our lower priced options are consistent with our brand strategy to offer fresh, real, handcrafted food with unique flavor profiles in our core menu categories of burgers, chicken, fries, frozen custard and fountain products and we continue to evolve our overall menu price ranges available for our customers, including a lower tier option, a mid-tier everyday option and a premium tier for specialty products.

We will continue to focus on elevating the attributes of our menu items that we believe give us a unique position in hamburger quick service restaurants - Fresh All Natural Angus beef that is free from hormones, antibiotics and animal byproducts in the feed; Fresh Frozen Custard made fresh every few hours in every restaurant; Fresh Grilled Honey Cured Bacon; Fresh Squeezed Lemonade; Fresh Cut Fries; 100% Breast of Chicken; Freshly Sliced Produce and toppings such as real guacamole and sautéed mushrooms. We are working on the preparation system and packaging design for our burgers with the goal of achieving a more hot-off-the-grill, cooked to order flavor that is more common in fast casual and casual theme concepts than in quick service restaurants.

Our core strategies have not changed and we continue to focus on the following initiatives to maintain positive sales growth and improve our profitability:

Focus on our most important drivers of success:

o Values. We strive to build and develop behaviors and expectations around what we value most throughout the company: integrity, continued improvement, customer loyalty and respect for each other.

o People. We seek to hire high quality people throughout and provide them with comprehensive training programs to ensure that we deliver consistently superior products and service. We offer an incentive program at the restaurant level based on customer service, personal development and financial performance.

o Distinctive quality. We strive to offer unique, highly distinctive tastes with the highest quality ingredients available in the quick service restaurant category.

o Excellent systems. We strive to provide the best systems and processes in every area to free our management to focus on leading their people.

Offer high quality, unique menu items that provide exceptional value. Our restaurants feature menu items that are unique in the quick service segment, and flavor profiles that are associated more with fast casual and casual theme restaurants than with fast food. Each menu category has signature recipes with fun, irreverent names that build Good Times' non-traditional personality such as Wild Fries with Wild Dippin Sauce, Big Daddy Bacon Cheeseburger, Mighty Deluxe, Burnin' Buffalo Chicken and and Strawberry Cheesecake Addiction Spoonbender. We continue to make relevant changes to our entire menu to leverage our heritage of quality products and to position the Good Times brand for a more unique and highly differentiated consumer experience.

Establish a unique brand position in quick service restaurants. We aspire to have Good Times stand for "providing food the way it used to be." Key brand support for that includes attributes such as "Fresh", "All Natural", "Fresh Grilled", "Authentic", "Handcrafted", and "Fresh Squeezed" with a theme of fresh ingredients and made to order food.

Continually improve our fast, friendly, personal customer service under our tagline of "Happiness Made to Order". We strive to optimize and personalize the interaction between our employees and customers, particularly at the points of order and payment, to build a reputation as having the friendliest service. We manage the face to face interaction with our customers through extensive employee screening and hospitality training to ensure their experience is punctuated by attentive, friendly service. We have implemented an online screening and hiring system to reduce our hourly employee turnover and hire team members that exhibit good service attitudes. Additionally, we introduced video training tools that we believe enhance consistent execution of our quality standards. Speed of service through our drive thru lanes is important to the consumers' need for convenience, but is always secondary to delivering the highest quality product possible. We monitor each car's service time and have developed incentive programs for management and employees to maintain our quick service standards.

Build customer loyalty through a unique brand experience. In addition to fast friendly service and great tasting products, we strive to maintain clean, safe and appealing facilities with a particular emphasis on well groomed landscaping, freshly painted exteriors and merchandising that highlights the unique product attributes and flavors of our products. We believe that everything the customer sees, smells, hears and feels influences their overall impression and the reputation of Good Times and that Good Times' target customer is seeking more out of a quick service restaurant experience.

Build awareness of the Good Times Burgers & Frozen Custard brand. We believe that Good Times has built substantial brand equity among our customers and has become known for our quality, service and signature tastes, particularly within the hamburger category. We believe there is significant opportunity to continue to build that reputation within the hamburger category by continuing to build a stronger overall value proposition and offer a new menu category outside of Burgers, Sides and Custard. As capital becomes available to us to build out the Colorado market, we plan to sustain our media advertising and increase our store level communications, augmented by a new Loyalty Program and social media.

Continually improve our employees' knowledge and proficiency of our core processes. Our customers' experience is driven by the ability of our management and employees to consistently execute clearly defined processes in every area of our business. We believe that our employees' abilities and attitudes are directly related to our ability to provide well designed service, production and operating processes and effective training that allows them to continually learn, improve and succeed. We train, test, certify and re-train all employees and management on all of our core operating and management processes to continually improve levels of proficiency.

Current Fiscal Year Initiatives:

1. Consistently Grow Same Store Sales: We will continue to focus on comparable restaurant sales driven by increases in guest counts and increases in the average guest check. Same store sales increased 6.2% in fiscal 2011 compared to fiscal 2010 and through November, 2011 we have experienced sixteen consecutive months of same store sales increases. We hope to increase guest counts throughout fiscal 2012 through a multi-faceted approach to continually improve the Good Times brand experience for our customers by:

Continuing to communicate our core value proposition that is centered on the availability of high quality at several different price points across our menu.

Shifting our marketing communications from broadcast media to more store level communications, the introduction of a new Loyalty Program and implementation of new social media initiatives that leverage our existing customer base.

Introducing both permanent and limited time products that are only available at Good Times.

Improving our execution on customer service and the delivery of our brand experience through continual re-training of all of our employees on our standards and heightened expectations.

Continuing to reinvest in our existing facilities.

2. Reduce our Cost of Sales: In fiscal 2011 our food and packaging costs increased ..6% of restaurant sales from fiscal 2010. The increase was primarily due to an increase in commodity costs as we experienced a 5% increase in our weighted average food and packaging costs in fiscal 2011 on top of an 11% increase in fiscal 2010 due mainly to increases in beef, bacon and dairy products. We implemented a cumulative total menu price increase of 6.2% during fiscal 2010 and 5.3% in fiscal 2011; however, commodity costs increased more than our weighted menu price increases. We expect to make modest price increases in fiscal 2012 but anticipate larger menu reengineering within our current menu categories and the addition of a new menu category that will reduce our overall cost of sales as a percentage of sales.

3. Improve our Income from Operations by managing the profitability of incremental sales growth: In addition to reducing our cost of sales, the highest near term return on our capital investment and opportunity for profit improvement is from increasing sales in our existing restaurants. Historically, depending on the sales volume of each restaurant, we have experienced a 35% to 50% profit contribution on incremental sales. By managing the profitability of compounding sales increases, we believe we can improve our Income from Operations through the operating leverage on existing assets.

4. Pursue Strategic Alternatives: We continue to pursue possible additional strategic alternatives to enhance shareholder value and leverage the costs related to our operation as a publicly traded entity.

Expansion strategy and site selection: Our longer term strategy of becoming a super regional brand in select contiguous markets depends on our ability to continue our same store sales trends, on the consumer spending environment and on the availability of capital, which is currently limited. If we can effect a 2% reduction in our cost of sales and continue our same store sales increases, our new store return on investment model is very competitive, which can lead to new company-owned and franchised development.

Any new development would involve our new prototype restaurant design on sites that are on or adjacent to big box or grocery store anchored shopping centers in high activity and employment areas. Our site selection for new restaurants is oriented toward slightly higher income demographic areas than many of our urban locations and most of our targeted trade areas are in relatively high growth areas of the Denver and northern Colorado markets.

We lease most of our sites. When we do purchase and develop a site, we intend to sell the developed site into the sale-leaseback market under a long term lease. Our primary site objective is to secure a suitable site, with the decision to buy or lease as a secondary objective. Our site criteria includes a mix of substantial daily traffic, density of at least 30,000 people within a three mile radius, strong daytime population and employment base, retail and entertainment traffic generators, good visibility and easy access.

Restaurant locations: We currently operate and franchise a total of forty-five Good Times restaurants, of which forty-one are in Colorado, with thirty-nine in the Denver greater metropolitan area, one in Colorado Springs and one in Silverthorne.

	Total	**Denver, CO Greater Metro**	**Colorado, Other**	**Idaho**	**Wyoming**	**North Dakota**
Company-owned & Co-developed	24	23	1			
Franchised	15	13	1	1		
Dual brand company-owned	1	1				
Dual brand franchised	5	2			2	1
	45	**39**	**2**	**1**	**2**	**1**

December:	**2010**	**2011**
Company-owned restaurants	20	18
Co-developed	7	7
Franchise operated restaurants	22	20
Total restaurants:	49	45

In December 2010 a franchisee operating a Good Times restaurant in Grand Junction, Colorado terminated their franchise agreement and closed the restaurant. In February 2011 we sold one dual branded company-owned restaurant in Colorado Springs, Colorado, and in May 2011 we sold one company-owned Good Times restaurant in Colorado Springs, Colorado. We entered into a purchase and sale agreement with an unrelated third party effective as of October 11, 2011 for the sale of one company-owned restaurant in Littleton, Colorado. We anticipate the sale to close prior to December 31, 2011 with estimated net proceeds of $310,000. We anticipate that franchisees may close up to two low volume franchised restaurants in fiscal 2012 and we may close one or two lower volume company operated restaurants, which would result in improved overall operating margins and more efficient allocation of overhead resources.

Menu: The menu of a Good Times Burgers & Frozen Custard restaurant is limited to hamburgers, cheeseburgers, chicken sandwiches, french fries, onion rings, fresh squeezed and frozen lemonades, soft drinks and frozen custard products. Each menu item is made to order at the time the customer places the order and is not pre-prepared.

The hamburger patty is made with Meyer All Natural, All Angus beef, served on a 4" bun. Hamburgers and cheeseburgers are garnished with fresh iceberg lettuce, fresh sliced sweet red onions, mayonnaise, guacamole, fresh grilled honey cured bacon, and proprietary sauces. The chicken products include a spiced, battered whole muscle breast patty and a grilled seasoned breast patty, both served with mayonnaise, lettuce and tomatoes, and Chicken Dunkers, whole breast meat breaded Tenders. Signature chicken products include the Burnin' Buffalo, Guacamole Bacon Chicken, and 100% whole muscle breast meat Dunkers. Equipment has been automated and equipped with compensating computers to deliver a consistent product and minimize variability in operating systems.

All natural Angus beef is raised without the use of any hormones, antibiotics or animal byproducts that are normally used in the open beef market. We believe that all natural beef delivers a better tasting product and, because of the rigorous protocols and testing that are a part of the Meyer All Natural Beef processes, also may minimize the risk of any food-borne bacteria-related illnesses.

Fresh frozen custard is a premium ice cream (requiring in excess of 10% butterfat content and .4% egg yolks) with a proprietary vanilla blend that is prepared from highly specialized equipment that minimizes the amount of air that is added to the mix and that creates smaller ice crystals than other frozen dairy desserts. The custard is scooped similarly to hard-packed ice cream but is served at a slightly warmer temperature. The resulting product is smoother, creamier and thicker than typical soft serve or hard-packed ice cream products. Good Times serves the frozen custard as vanilla and a flavor of the day in cups and cones, specialty sundaes and "Spoonbenders", a mix of custard and toppings, and we anticipate it will continue to be a significant percentage of sales as we continue to develop and promote custard products.

Marketing & Advertising: Our marketing strategy focuses on: 1) driving comparable restaurant sales through attracting new customers and increasing the frequency of visits by current customers; 2) communicating specific product news and attributes to build strong points of difference from competitors; and 3) communicating a unique, strong and consistent brand.

Media is an important component of building Good Times' brand awareness and distinctiveness. We spent most of our advertising dollars on radio media during fiscal 2011. The Colorado market is an expensive media market, so most of our advertising placement is not in prime time but in early and late fringe, prime access and late news time slots. As we continue to develop more and more distinctiveness to Good Times' brand and increase penetration of the Colorado market, we anticipate we will continue to use media advertising to increase overall awareness. However, during fiscal 2011, we reduced our overall advertising expenditures and focused more of our marketing funds on store level and trade area level communication and activities. During fiscal 2012 we will implement a Loyalty Program supplemented by our first social media presence that affords us a higher level of engagement with current customers and those that have chosen Good Times as their hamburger QSR.

Another important component of our marketing efforts is point-of-sale and on-site merchandising. We rotate new four color product point-of-purchase displays every other month and support new product introductions with extensive merchandising. Our restaurants with dining rooms have back-lit and front-lit product displays and product messaging throughout. Menu boards are kept fresh with new food photography and graphics several times throughout the year.

We plan to continue to be active in digital media in order to create more customer engagement with the Good Times brand. We anticipate leveraging our customer email database and website to create cost effective channels to target existing customers and increase their frequency.

Operations:

Restaurant Management: We have developed Operating Partners in several of our restaurants as we are able to recruit qualified candidates. We believe that this is a distinct competitive advantage that provides a higher level of service, quality control and stability over time. The objective of the Operating Partner Program is to have each partner develop a relationship with the employees, the customers and the community at their restaurant and develop an ownership mentality with commensurate rewards as sales increase over a longer period of time. The program allows an Operating Partner to earn 25% of a restaurant's improvement in cash flow over an established baseline. Each Good Times restaurant employs an operating partner or a general manager, one to two assistant managers and approximately 15 to 25 employees, most of whom work part-time during three shifts. An eight to ten week training program is utilized to train restaurant managers on all phases of the operation. Ongoing training is provided as necessary. We believe that incentive compensation of our restaurant managers is essential to the success of our business. Accordingly, in addition to a salary, managerial employees may be paid a bonus based upon proficiency in meeting financial, customer service and quality performance objectives tied to a monthly scorecard of measures. Due to our decline in sales in 2009 and 2010, we shifted most of our Operating Partners into a more traditional bonus plan based on their performance against the monthly scorecard metrics.

Operational Systems and Processes: We believe that we have some of the best operating systems and processes in the industry. Detailed processes have been developed for hourly, daily, weekly and monthly responsibilities that drive consistency across our system of restaurants and performance against our standards within different day parts. We utilize a labor program to determine optimal staffing needs of each restaurant based on its actual customer flow and demand. We also employ several additional operational tools to continuously monitor and improve speed of service, food waste, food quality, sanitation, financial management and employee development. We are moving toward automating and computerizing as many of these systems as possible into an integrated, digital management system.

The order system at each Good Times restaurant is equipped with an internal timing device that displays and records the time each order takes to prepare and deliver. The total transaction time for the delivery of food at the window is approximately 30 to 60 seconds during peak times.

We use several sources of customer feedback to evaluate each restaurant's service and quality performance, including an extensive secret shopper program, customer comment phone line, telephone surveys and website comments. Additionally, management uses both its own primary consumer research for product development and to determine customer usage and attitude patterns as well as third party market research that evaluates Good Times' performance ratings on several different operating attributes against key competitors.

Training: We strive to maintain quality and consistency in each of our restaurants through the careful training and supervision of all our employees at all levels and the establishment of, and adherence to, high standards relating to personnel performance, food and beverage preparation and maintenance of our restaurants. Each manager must complete an eight to ten week training program, be certified on several core processes and is then closely supervised to show both comprehension and capability before they are allowed to manage autonomously. All of our training and development is based upon a "train, test, certify, re-train" cycle around standards and operating processes at all levels. We conduct a semiannual performance review with each manager to discuss prior performance and future performance goals. We have a defined weekly and monthly goal setting process around future performance goals. We have a defined weekly and monthly goal setting process around service, employee development, financial management and store maintenance goals for every restaurant. Additionally we have a library of video training tools to drive training efficiencies and consistency.

Recruiting and Retention: We seek to hire experienced restaurant managers and Operating Partners. We support employees by offering competitive wages and benefits, including a 401(k) plan, medical insurance, stock options for regional managers and incentive plans at every level that are tied to performance against key goals and objectives. We motivate and prepare our employees by providing them with opportunities for increased responsibilities and advancement. We also provide various other incentives, including vacations, car allowances, monthly performance bonuses and monetary rewards for managers who develop future managers for our restaurants. We have implemented an online screening and hiring tool that has proven to reduce hourly employee turnover by more than 50%.

Franchising: Good Times has prepared prototype area rights and franchise agreements, a Uniform Franchise Disclosure Document ("UFDD") and advertising material to be utilized in soliciting prospective franchisees. We seek to attract franchisees that are experienced restaurant operators, well capitalized and have demonstrated the ability to develop one to five restaurants. We review sites selected for franchises and monitor performance of franchise units. We are not currently soliciting new franchisees and will not do so until capital becomes more available and we have regained greater same store sales momentum.

We estimate that it will cost a franchisee on average approximately $750,000 to $1,100,000 to open a restaurant with dining room seating, including pre-opening costs and working capital, assuming the land is leased. A franchisee typically will pay a royalty of 4% of net sales, an advertising materials fee of at least 1.5% of net sales, plus participation in regional advertising up to an additional 4% of net sales, or a higher amount approved by the advertising cooperative, and initial development and franchise fees totaling $25,000 per restaurant. Among the services and materials which we provide to franchisees are site selection assistance, plans and specifications for construction of the Good Times Burgers and Frozen Custard restaurants, an operating manual which includes product specifications and quality control procedures, training, on-site opening supervision and advice from time to time relating to operation of the franchised restaurants.

After a franchise agreement is signed, we actively work with and monitor our franchisees to ensure successful franchise operations as well as compliance with Good Times systems and procedures. During the development phase, we assist in the selection of sites and the development of prototype and building plans, including all required changes by local municipalities and developers. We provide an opening team of trainers to assist in the opening of the restaurant and training of the employees. We advise the franchisee on menu, management training, marketing, and employee development. On an ongoing basis we conduct standards reviews of all franchise restaurants in key areas including product quality, service standards, restaurant cleanliness and sanitation, food safety and people development.

We have entered into eleven franchise agreements in the greater Denver metropolitan area. Thirteen franchise restaurants and seven joint-venture restaurants are operating in the Denver metropolitan area media market. Good Times franchise restaurants also operate in Colorado Springs and in Boise, Idaho. The Boise Idaho franchise agreement expired in November, 2011 and we anticipate that it will not be renewed. Dual branded franchised restaurants operate in Gillette and Sheridan, Wyoming, Ft. Collins and Windsor, Colorado, and Bismarck, North Dakota.

Management Information Systems: Financial and management control is maintained through the use of automated data processing and centralized accounting and management information systems that we provide. Sales, labor and cash data is collected daily via a restaurant back office system which gathers data from the restaurant point-of-sale system. Management receives daily, weekly and monthly reports identifying food, labor and operating expenses and other significant indicators of restaurant performance. We believe that these reporting systems are sophisticated and enhance our ability to control and manage operations

Food Preparation, Quality Control & Purchasing: We believe that we have some of the highest food quality standards in the quick service restaurant industry. Our systems are designed to protect our food supply throughout the preparation process. We inspect specific qualified manufacturers and work together with those manufacturers to provide specifications and quality controls. Our operations management teams are trained in a comprehensive safety and sanitation course provided by the National Restaurant Association. Minimum cook temperature requirements and line checks throughout the day ensure the safety and quality of both burgers and other items we use in our restaurants.

We currently purchase 100% of our restaurant food and paper supplies from Yancey's Food Service. We do not believe that the current reliance on this sole vendor will have any long-term material adverse effect since we believe that there are a sufficient number of other suppliers from which food and paper supplies could be purchased. We do not anticipate any difficulty in continuing to obtain an adequate quantity of food and paper supplies of acceptable quality and at acceptable prices.

Employees: At December 15, 2011, we had approximately 411 employees of which 348 are part time hourly employees and 63 are salaried employees working full time. We consider our employee relations to be good. None of our employees are covered by a collective bargaining agreement.

Competition: The restaurant industry, including the fast food segment, is highly competitive. Good Times competes with a large number of other hamburger-oriented fast food restaurants in the areas in which it operates. Many of these restaurants are owned and operated by regional and national restaurant chains, many of which have greater financial resources and experience than we do. Restaurant companies that currently compete with Good Times in the Denver market include McDonald's, Burger King, Wendy's, Carl's Jr., Sonic and Jack in the Box. Double drive-through restaurant chains such as Rally's Hamburgers and Checker's Drive-In Restaurants, which currently operate a total of over 800 double drive-through restaurants in various markets in the United States, are not currently operating in Colorado. Culver's and Freddy's are the only significant competitors offering frozen custard as a primary menu item operating in the Denver and Colorado Springs markets and both have a significant presence in Midwestern markets that may be targeted for expansion. Additional "fast casual" hamburger restaurants are being developed in the Colorado market, such as Smashburger and Five Guys; however, they do not have drive-through service and generate an average per person check that is approximately 50% higher than Good Times' average check.

Our management believes that we may have a competitive advantage in terms of quality of product compared to traditional fast food hamburger chains. Early development of our double drive-through concept in Colorado has given us an advantage over other double drive-through chains that may seek to expand into Colorado because of our brand awareness and present restaurant locations. Nevertheless, we may be at a competitive disadvantage to other restaurant chains with greater name recognition and marketing capability. Furthermore, most of our competitors in the fast-food business operate more restaurants, have been established longer, and have greater financial resources and name recognition than we do. There is also active competition for management personnel, as well as for attractive commercial real estate sites suitable for restaurants.

Trademarks: Good Times has registered its mark "Good Times! Drive Thru Burgers"(SM) with the State of Colorado. We have also registered our mark "Good Times Burgers & Frozen Custard" federally and with the State of Colorado.

Good Times received approval of its federal registration of "Good Times" in 2003. In addition we own trademarks or service marks that have been registered, or for which applications are pending, with the United States Patent and Trademark Office including but not limited to: "Mighty Deluxe", "Wild Fries", "Spoonbender", "Chicken Dunkers", "Big Daddy Bacon Cheeseburger", and "Wild Dippin' Sauce". Our trademarks expire between 2012 and 2015.

Government Regulation: Each Good Times restaurant is subject to the regulations of various health, sanitation, safety and fire agencies in the jurisdiction in which the restaurant is located. Difficulties or failures in obtaining the required licenses or approvals could delay or prevent the opening of a new Good Times restaurant. Federal and state environmental regulations have not had a material effect on our operations. More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations. We are subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime, and other working conditions. In addition, we are subject to the Americans With Disabilities Act, which requires restaurants and other facilities open to the public to provide for access and use of facilities by the handicapped. Management believes that we are in compliance with the Americans With Disabilities Act.

We are also subject to federal and state laws regulating franchise operations, which vary from registration and disclosure requirements in the offer and sale of franchises to the application of statutory standards regulating franchise relationships.

Available Information: Our Internet website address is www.goodtimesburgers.com. We make available free of charge through our website's investor relations information section our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed with or furnished to the SEC under applicable securities laws as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC. Our website information is not part of or incorporated by reference into this Annual Report on Form 10-K.

Special Note About Forward-Looking Statements: From time to time the Company makes oral and written statements that reflect the Company's current expectations regarding future results of operations, economic performance, financial condition and achievements of the Company. A forward-looking statement is neither a prediction nor a guarantee of future events. We try, whenever possible, to identify these forward-looking statements by using words such as "anticipate," "assume," "believe," "estimate," "expect," "intend," "plan," "project," "may," "will," "would," and similar expressions Certain forward-looking statements are included in this Form 10-K, principally in the sections captioned "Description of Business," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are related to, among other things:

business objectives and strategic plans;

operating strategies;

our ability to open and operate additional restaurants profitably and the timing of such openings;

restaurant and franchise acquisitions;

anticipated price increases;

expected future revenues and earnings, comparable and non-comparable restaurant sales, results of operations, and future restaurant growth (both company-owned and franchised);

estimated costs of opening and operating new restaurants, including general and administrative, marketing, franchise development and restaurant operating costs;

anticipated selling, general and administrative expenses and restaurant operating costs, including commodity prices, labor and energy costs;

future capital expenditures;

o our expectation that we will have adequate cash from operations and credit facility borrowings to meet all future debt service, capital expenditure and working capital requirements in fiscal year 2012;

o the sufficiency of the supply of commodities and labor pool to carry on our business;

o success of advertising and marketing activities;

o the absence of any material adverse impact arising out of any current litigation in which we are involved;

o impact of the adoption of new accounting standards and our financial and accounting systems and analysis programs;

o expectations regarding competition and our competitive advantages;

o impact of our trademarks, service marks, and other proprietary rights; and

o effectiveness of our internal control over financial reporting.

Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties.

In some cases, information regarding certain important factors that could cause actual results to differ materially from any forward-looking statements appears together with such statement. In addition, the factors described under Critical Accounting Policies and Estimates in Part II, Item 7, and Risk Factors in Part I, Item 1A, as well as other possible factors not listed, could cause actual results to differ materially from those expressed in forward-looking statements, including, without limitation, the following: concentration of restaurants in certain markets and lack of market awareness in new markets; changes in disposable income; consumer spending trends and habits; increased competition in the quick service restaurant market; costs and availability of food and beverage inventory; our ability to attract qualified managers, employees, and franchisees; changes in the availability of capital or credit facility borrowings; costs and other effects of legal claims by employees, franchisees, customers, vendors, stockholders and others, including settlement of those claims; effectiveness of management strategies and decisions; weather conditions and related events in regions where our restaurants are operated; and changes in accounting standards policies and practices or related interpretations by auditors or regulatory entities.

All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

ITEM 1A. RISK FACTORS

You should consider carefully the following risk factors before making an investment decision with respect to Good Times Restaurants' securities. You are cautioned that the risk factors discussed below are not exhaustive.

We have accumulated losses. We have incurred losses in every fiscal year since inception except 1999, 2002, 2006 and 2007. As of September 30, 2011 we had an accumulated deficit of $17,680,000. We cannot assure you that we will not have a loss for the current fiscal year ending September 30, 2012. As of September 30, 2011, we had a working capital deficit of $488,000.

We must sustain same store sales increases. We must sustain same store sales increases in existing restaurants to sustain profitability and we experienced declines in our same store sales in fiscal 2008, fiscal 2009 and the first ten months of fiscal 2010. Sales increases will depend in part on the success of our advertising and promotion of new and existing menu items and consumer acceptance. We cannot assure that our advertising and promotional efforts will in fact be successful.

New restaurants, when and if opened, may not be profitable, if at all, for several months. We anticipate that our new restaurants, when and if opened, will generally take several months to reach normalized operating levels due to inefficiencies typically associated with new restaurants, including lack of market awareness, the need to hire and train a sufficient number of employees, operating costs, which are often materially greater during the first several months of operation than thereafter, pre-opening costs and other factors. In addition, restaurants opened in new markets may open at lower average weekly sales volumes than restaurants opened in existing markets, and may have higher restaurant-level operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach average annual company-owned restaurant sales, if at all, thereby affecting the profitability of these restaurants.

Our operations are susceptible to the cost of and changes in food availability which could adversely affect our operating results. Our profitability depends in part on our ability to anticipate and react to changes in food costs. Various factors beyond our control, including adverse weather conditions, governmental regulation, production, availability, recalls of food products and seasonality may affect our food costs or cause a disruption in our supply chain. We enter into annual contracts with our chicken and other miscellaneous suppliers. Our contracts for chicken are fixed price contracts. Our contracts for beef are generally based on current market prices plus a processing fee. Changes in the price or availability of chicken or beef or other commodities could materially adversely affect our profitability. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. In addition, because we provide a "value-priced" product, we may not be able to pass along price increases to our guests.

The macroeconomic recession could affect our operating results. The current state of the economy and decreased consumer spending may adversely affect our sales in the future. A proliferation of heavy discounting by our major competitors may also negatively affect our sales and operating results.

Price increases may impact guest visits. We may make price increases on selected menu items in order to offset increased operating expenses we believe will be recurring. Although we have not experienced significant consumer resistance to our past price increases, we cannot provide assurance that this or other future price increases will not deter guests from visiting our restaurants or affect their purchasing decisions.

The hamburger restaurant market is highly competitive. The hamburger restaurant market is highly competitive. Our competitors include many recognized national and regional fast-food hamburger restaurant chains such as McDonald's, Burger King, Wendy's, Carl's Jr., Sonic, Jack in the Box and Culver's. We also compete with small regional and local hamburger and other fast-food restaurants, many of which feature drive-through service. Most of our competitors have greater financial resources, marketing programs and name recognition. All of the major hamburger chains have offered selected food items and combination meals at discounted prices. Discounting by competitors may adversely affect the revenues and profitability of our restaurants.

Sites may be difficult to acquire. Location of our restaurants in high-traffic and readily accessible areas is an important factor for our success. Drive-through restaurants require sites with specific characteristics and there are a limited number of suitable sites available in our geographic markets. Since suitable locations are in great demand, in the future we may not be able to obtain optimal sites at a reasonable cost. In addition, we cannot assure you that the sites we do obtain will be successful.

We will require additional financing. In order to fully develop the Denver and Colorado Springs/Pueblo markets and to expand into markets outside of Colorado, we will require additional financing. We cannot assure you that we will be able to access sufficient capital to adequately finance our operations and our planned developments or that additional financing will be available on reasonable terms. The current economic environment and status of the capital markets may adversely affect our ability to acquire additional debt or equity financing for working capital, new restaurant development, or refinancing of existing funding agreements.

If our franchisees cannot develop or finance new restaurants, build them on suitable sites or open them on schedule, our growth and success may be impeded. Under our current form of area development agreement, some franchisees must develop a predetermined number of restaurants according to a schedule that lasts for the term of their development agreement. Franchisees may not have access to the financial or management resources that they need to open the restaurants required by their development schedules, or may be unable to find suitable sites on which to develop them. Franchisees may not be able to negotiate acceptable lease or purchase terms for the sites, obtain the necessary permits and government approvals or meet construction schedules. From time to time in the past, we have agreed to extend or modify development schedules and we may do so in the future. Any of these problems could slow our growth and reduce our franchise revenues.

Additionally, our franchisees depend upon financing from banks and other financial institutions in order to construct and open new restaurants. Difficulty in obtaining adequate financing adversely affects the number and rate of new restaurant openings by our franchisees and adversely affect our future franchise revenues.

Our franchisees could take actions that could harm our business. Franchisees are independent contractors and are not our employees. We provide training and support to franchisees; however, franchisees operate their restaurants as independent businesses. Consequently, the quality of franchised restaurant operations may be diminished by any number of factors beyond our control. Moreover, franchisees may not successfully operate restaurants in a manner consistent with our standards and requirements, or may not hire and train qualified managers and other restaurant personnel. Our image and reputation, and the image and reputation of other franchisees, may suffer materially, and system-wide sales could significantly decline, if our franchisees do not operate successfully.

We depend on key management employees. We believe our current operations and future success depend largely on the continued services of our management employees, in particular Boyd E. Hoback, our president and chief executive officer, and Scott Lefever, our vice president of operations. Although we have entered into an employment agreement with Mr. Hoback, he may voluntarily terminate his employment with us at any time. In addition, we do not maintain key-person insurance on Messrs. Hoback's or Lefever's life. The loss of Messrs. Hoback's or Lefever's services, or other key management personnel, could have a material adverse effect on our financial condition and results of operations.

Labor shortages could slow our growth or harm our business. Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified, high-energy employees. Qualified individuals needed to fill these positions are in short supply in some areas. The inability to recruit and retain these individuals may delay the planned openings of new restaurants or result in high employee turnover in existing restaurants, which could harm our business. Additionally, competition for qualified employees could require us to pay higher wages to attract sufficient employees, which could result in higher labor costs. Most of our employees are paid on an hourly basis. The employees are paid in accordance with applicable minimum wage regulations. Accordingly, any increase in the minimum wage, whether state or federal, could have a material adverse impact on our business.

Nevada law and our articles of incorporation and bylaws have provisions that discourage corporate takeovers and could prevent stockholders from realizing a premium on their investment. We are subject to anti-takeover laws for Nevada corporations. These anti-takeover laws prevent a Nevada corporation from engaging in a business combination with any stockholder, including all affiliates and associates of the stockholder, who owns 10% or more of the corporation's outstanding voting stock, for three years following the date that the stockholder acquired 10% or more of the corporation's voting stock, unless specified conditions are met.

Our articles of incorporation and our bylaws contain a number of provisions that may deter or impede takeovers or changes of control or management. These provisions:

authorize our Board of Directors to establish one or more series of preferred stock, the terms of which can be determined by the Board of Directors at the time of issuance;

do not allow for cumulative voting in the election of directors unless required by applicable law. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors;

state that special meetings of our stockholders may be called only by the chairman of the board, the president or any two directors, and must be called by the president upon the written request of the holders of ten percent of the outstanding shares of capital stock entitled to vote at such special meeting; and

provide that the authorized number of directors is no more than seven, as determined by our Board of Directors.

These provisions, alone or in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to stockholders for their common stock.

We have a controlling stockholder. Small Island Investments Limited ("SII") beneficially owns approximately 50.7% of our outstanding common stock. In addition, SII has the right, for so long as it owns more than 50% of our outstanding common stock, to designate a majority of our Board of Directors. SII therefore has the ability to alter the strategic direction and/or capital structure of the Company.

Future changes in financial accounting standards may cause adverse unexpected operating results and affect our reported results of operations. Changes in accounting standards can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. As an example, in 2006, we adopted the change that requires us to record compensation expense in the statement of operations for employee stock options using the fair value method. See Note 1 to our Consolidated Financial Statements for further discussion. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or differing interpretations with respect to our current practices may adversely affect our reported financial results.

Our NASDAQ Listing Is Important. Our Common Stock is currently listed for trading on the NASDAQ Capital Market. The NASDAQ maintenance rules require, among other things, that our common stock price remains above $1.00 per share and that we have minimum stockholders' equity of $2.5 million. During fiscal 2010, the Company received notices of non-compliance with both the minimum bid price and minimum stockholders' equity continued listing requirements. The completion of the SII Investment Transaction has helped the Company to regain compliance with the minimum stockholders' equity requirement and a one-for-three reverse stock split that took effect on December 31, 2010, allowed us to regain compliance with the minimum bid price requirement. If we do not complete another equity transaction, we anticipate that we will again fall below the minimum stockholders' equity requirement of $2.5 million in fiscal 2012.

We are subject to extensive government regulation that may adversely hinder or impact our ability to govern various aspects of our business including our ability to expand and develop our restaurants. The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food. While in the past we have been able to obtain and maintain the necessary governmental licenses, permits and approvals, our failure to maintain these licenses, permits and approvals, including food licenses, could adversely affect our operating results. Difficulties or failures in obtaining the required licenses and approvals could delay or result in our decision to cancel the opening of new restaurants. Local authorities may suspend or deny renewal of our food licenses if they determine that our conduct does not meet applicable standards or if there are changes in regulations.

Various federal and state labor laws govern our relationship with our employees and affect operating costs. These laws govern minimum wage requirements, such as those to be imposed by recently enacted legislation in Colorado, overtime pay, meal and rest breaks, unemployment tax rates, workers' compensation rates, citizenship or residency requirements, child labor regulations and sales taxes. Additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits may increase our operating costs.

The federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations for, disabled persons.

We are also subject to federal and state laws that regulate the offer and sale of franchises and aspects of the licensor-licensee relationship. Many state franchise laws impose restrictions on the franchise agreement, including limitations on non-competition provisions and the termination or non-renewal of a franchise. Some states require that franchise materials be registered before franchises can be offered or sold in the state.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses. Keeping abreast of, and in compliance with, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and The NASDAQ

Market rules, has required an increased amount of management attention and expense. We remain committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest all reasonably necessary resources to comply with evolving standards, and this investment has resulted in and will continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Risks related to internal controls. Public companies in the United States are required to review their internal controls as set forth in the Sarbanes-Oxley Act of 2002. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. If the internal controls put in place by us are not adequate or in conformity with the requirements of the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated by the Securities and Exchange Commission, we may be forced to restate our financial statements and take other actions which will take significant financial and managerial resources, as well as be subject to fines and other government enforcement actions.

Health concerns relating to the consumption of beef, chicken or other food products could affect consumer preferences and could negatively impact our results of operations. Like other restaurant chains, consumer preferences could be affected by health concerns about the avian influenza, also known as bird flu, or the consumption of beef, the key ingredient in many of our menu items, or negative publicity concerning food quality, illness and injury generally, such as negative publicity concerning E. coli, "mad cow" or "foot-and-mouth" disease, publication of government or industry findings concerning food products served by us, or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. This negative publicity may adversely affect demand for our food and could result in a decrease in guest traffic to our restaurants. If we react to the negative publicity by changing our concept or our menu we may lose guests who do not prefer the new concept or menu, and may not be able to attract a sufficient new guest base to produce the revenue needed to make our restaurants profitable. In addition, we may have different or additional competitors for our intended guests as a result of a concept change and may not be able to compete successfully against those competitors. A decrease in guest traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We currently lease approximately 3,700 square feet of space for our executive offices in Golden, Colorado for approximately $55,000 per year under a lease agreement which expired in September 2009. We are currently leasing the space on a month to month basis. The space is leased from The Bailey Company, a significant stockholder in the Company, at their corporate headquarters.

As of December 15, 2011, Good Times has an ownership interest in twenty-five Good Times units, all of which are located in Colorado. Seven of these restaurants are held in a joint venture limited partnership of which Good Times is the general partner. Good Times has a 50% interest in six of the partnership restaurants and a 78% interest in one restaurant. In June 2010 we sold our 51% interest in one restaurant that was held in a joint venture limited partnership to our limited partner, and the restaurant is now operated under a franchise agreement. There are eighteen Good Times units that are wholly owned by Good Times.

Most of our existing Good Times restaurants are a combination of free-standing structures containing approximately 880 to 1,000 square feet for the double drive thru format and approximately 2,400 square feet for our prototype building with a 70 seat dining room. In addition, we have several restaurants that are conversions from other concepts in various sizes ranging from 1,700 square feet to 3,500 square feet. The buildings are situated on lots of approximately 18,000 to 50,000 square feet. Certain restaurants serve as collateral for the underlying debt financing arrangements as discussed in the Notes to Consolidated Financial Statements included in this report. We intend to acquire new sites both through ground leases and purchase agreements supported by mortgage and leasehold financing arrangements and through sale-leaseback agreements.

All of the restaurants are regularly maintained by our repair and maintenance staff as well as by outside contractors, when necessary. We believe that all of our properties are in good condition and that there will be a need for periodic capital expenditures to maintain the operational and aesthetic integrity of our properties for the foreseeable future, including recurring maintenance and periodic capital improvements. All of our properties are covered up to replacement cost under our property and casualty insurance policies and in the opinion of management are adequately covered by insurance.

ITEM 3. LEGAL PROCEEDINGS

We are not involved in any material legal proceedings. We are subject, from time to time, to various lawsuits in the normal course of business. These lawsuits are not expected to have a material impact.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Shares of our Common Stock are listed for trading on the NASDAQ Capital Market under the symbol "GTIM". The following table presents the quarterly high and low bid prices for our Common Stock as reported by the NASDAQ Capital Market for each quarter within the last two fiscal years. The quotations reflect interdealer prices, without retail mark-ups, mark-downs or commissions and may not represent actual transactions.

	2010			**2011**	
QUARTER ENDED	**HIGH**	**LOW**	**QUARTER ENDED**	**HIGH**	**LOW**
December 31, 2009	$1.37	$1.05	December 31, 2010	$3.00	$1.56
March 31, 2010	$1.32	$1.03	March 31, 2011	$4.73	$1.80
June 30, 2010	$1.25	$0.92	June 30, 2011	$2.44	$1.64
September 30, 2010	$1.01	$0.30	September 30, 2011	$1.88	$1.38

As of December 15, 2011 there were approximately 210 holders of record of Common Stock. However, management estimates that there are not fewer than 1,375 beneficial owners of our Common Stock.

Dividend Policy: We have never paid dividends on our Common Stock and do not anticipate paying dividends in the foreseeable future. In addition, we have obtained financing under loan agreements that restrict the payment of dividends. Our ability to pay future dividends will necessarily depend on our earnings and financial condition. However, since restaurant development is capital intensive, we currently intend to retain any earnings for that purpose.

Recent Sales of Unregistered Securities:

<u>SII Investment Transaction</u>

As previously disclosed in the Company's current report on Form 8-K filed on November 3, 2010, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with SII on October 29, 2010, pursuant to which the Company agreed to sell, and SII agreed to purchase, 1,400,000 shares of our Common Stock (the "Shares") at a purchase price of $1.50 per share, or an aggregate of $2,100,000. The Purchase Agreement was amended on December 13, 2010 to clarify the scope of SII's director designation rights following the Closing. On December 13, 2010, the Company and SII completed the issuance and sale of the Shares to the SII (the "SII Investment Transaction"). The Company received gross proceeds of $2,100,000, which were used to pay off the interim working capital loans, reduce the Company's current liabilities and provide working capital.

The Shares sold to SII were not registered under the Securities Act or state securities laws, and may not be resold in the United States in the absence of an effective registration statement filed with the SEC or an available exemption from the applicable federal and state registration requirements. In the Purchase Agreement, SII represented to the Company that: (a) it is an accredited investor, as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act; (b) it acquired the Shares as principal for its own account for investment purposes only and not with a view to or for distributing or reselling the Shares or any part thereof; and (c) it is knowledgeable, sophisticated and experience 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. The Company has relied on the exemption from the registration requirements of the Securities Act set forth in Section 4(2) thereof and the rules and regulations promulgated there under for the purposes of the SII Investment Transaction.

Disclosure with Respect to the Company's Equity Compensation Plans: We maintain the 2008 Omnibus Equity Incentive Compensation Plan, pursuant to which we may grant equity awards to eligible persons, and have outstanding stock options granted under our 2001 Good Times Restaurants Stock Option Plan, 1992 Incentive Stock Option Plan and 1992 Non-Statutory Stock Option Plan. For additional information, see Note 13, Stockholders' Equity, in the Notes to the Consolidated Financial Statements included in this report. The following table gives information about equity awards under our plans as of September 30, 2011.

Equity Compensation Plan Information:

	(a)	(b)	(c)

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants & rights	Weighted-average exercise price of outstanding options, warrants & rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders-options	166,022	$6.89	18,000
Total	166,022	$6.89	18,000

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data on the following pages are derived from our historical financial statements and is qualified in its entirety by such financial statements which are included in Item 8 hereof.

The following presents certain historical financial information of the Company. This financial information includes the combined operations of the Company and its subsidiary for the fiscal years ended September 30, 2007 to 2011. Certain prior year balances have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the net income or loss.

	September 30,				
Operating Data:	**2011**	**2010**	**2009**	**2008**	**2007**
Restaurant sales	$20,183,000	$20,390,000	$22,079,000	$25,244,000	$24,215,000
Franchise fees and royalties	420,000	473,000	536,000	638,000	740,000
Total Net Revenues	20,603,000	20,863,000	22,615,000	25,882,000	24,955,000
Restaurant Operating Costs:					
Food and packaging costs	7,241,000	7,181,000	7,423,000	8,002,000	7,589,000
Payroll and other employee benefit costs	7,043,000	7,359,000	7,663,000	8,780,000	8,063,000
Occupancy and other operating costs	4,172,000	4,331,000	4,529,000	4,881,000	4,393,000
New store pre-opening costs	-	-	15,000	38,000	118,000
Depreciation and amortization	888,000	943,000	1,172,000	1,283,000	1,223,000
Total restaurant operating costs	19,344,000	19,814,000	20,802,000	22,984,000	21,386,000
Selling, General & Administrative costs	2,038,000	2,638,000	2,814,000	3,567,000	3,226,000
Franchise costs	70,000	124,000	161,000	312,000	160,000
Loss (Gain) on restaurant assets	(184,000)	199,000	(28,000)	(35,000)	(17,000)
Income (Loss) from Operations	($665,000)	($1,912,000)	($1,134,000)	($946,000)	$200,000
Other Income and (expenses)					
Unrealized gain (loss) on interest rate swap	27,000	3,000	(87,000)	-	-
Interest income (expense), net	(279,000)	(598,000)	(261,000)	(13,000)	40,000
Total other income (expense)	(252,000)	(595,000)	(348,000)	(13,000)	40,000
Net Income (Loss) from continuing operations	($917,000)	($2,507,000)	($1,482,000)	($959,000)	$240,000
Income (loss) from discontinued operations	22,000	(590,000)	(218,000)	-	-
Net Income (Loss)	($895,000)	($3,097,000)	($1,700,000)	($959,000)	$240,000
Income (Expense) from non-controlling interest	(118,000)	165,000	54,000	(113,000)	(211,000)
Income tax expense	-	-	-	4,000	-
Net Income (Loss) available to Common Shareholders	($1,013,000)	($2,932,000)	($1,646,000)	($1,076,000)	$29,000
Basic and Diluted Earnings (Loss) Per Share	($.42)	($2.26)	($1.26)	($.84)	$.03
Balance Sheet Data:					
Working Capital (Deficit)	($488,000)	($1,869,000)	($1,200,000)	($2,082,000)	$532,000

Total assets	6,999,000	8,318,000	10,254,000	11,920,000	11,544,000
Non-controlling interest in partnerships	215,000	274,000	428,000	584,000	751,000
Long-term debt	2,067,000	3,005,000	2,478,000	846,000	970,000
Stockholders' equity	$2,520,000	$1,694,000	$4,378,000	$5,993,000	$7,084,000

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net Revenues: Net revenues for fiscal 2011 decreased $260,000 (1.2%) to $20,603,000 from $20,863,000 for fiscal 2010. Same store restaurant sales increased $1,048,000 (6.2%) during fiscal 2011. Restaurants are included in same store sales after they have been open a full fifteen months and only Good Times restaurants are included while dual branded restaurants are excluded. Restaurant sales decreased $39,000 due to one non-traditional company-owned restaurant not included in same store sales and decreased $38,000 due to one dual branded company-owned restaurant. Restaurant sales decreased $1,178,000 due to one co-developed restaurant sold in fiscal 2010 and two company-owned restaurants sold in fiscal 2011. Net revenues decreased $53,000 in fiscal 2011 due to a decrease in franchise royalties and fees of $53,000.

Our first and second fiscal quarter same store restaurant sales were positively affected by better than average weather in both October and December 2010 and in March 2011. The positive same store sales results for fiscal 2011 also reflect the continuation of the positive momentum we experienced in the last fiscal quarter of 2010 when same store sales increased 1.8%.

Our outlook for fiscal 2012 is optimistic based on the last sixteen months' of positive sales trends, however our sales trends are influenced by many factors and the macroeconomic environment remains challenging for smaller restaurant chains. Our average transaction has increased in fiscal 2011 compared to fiscal 2010 and we are continuing to manage our marketing communications to balance growth in customer traffic and their average expenditure.

Average restaurant sales for company-owned and co-developed restaurants (including double drive thru restaurants and restaurants with dining rooms but excluding dual brand restaurants) for fiscal 2010 and 2011 were as follows:

	Fiscal 2011	**Fiscal 2010**
Company-operated	$779,000	$734,000

Company operated restaurants' sales range from a low of $473,000 to a high of $1,487,000.

For factors which may affect future results of operations, please refer to the section entitled "Current Fiscal Year Initiatives" in Item 1 on page 4 of this report and a related discussion of planned product and system changes discussed in the section entitled "Concept and Business Strategy" in Item 1 on pages 2 - 4 of this report.

Restaurant Operating Costs: Restaurant operating costs as a percent of restaurant sales were 95.8% for fiscal 2011 compared to 97.2% in fiscal 2010.

The changes in restaurant-level costs are explained as follows:

Restaurant-level costs for the period ended September 30, 2010	97.2%
Increase in food and packaging costs	.6%
Decrease in payroll and other employee benefit costs	(1.2%)
Decrease in occupancy and other operating costs	(.6%)
Decrease in depreciation and amortization costs	(.2%)
Restaurant-level costs for the period ended September 30, 2011	95.8%

Food and Packaging Costs: Food and packaging costs for fiscal 2011 increased $60,000 from $7,181,000 (35.2% of restaurant sales) in fiscal 2010 to $7,241,000 (35.9% of restaurant sales). We experienced dramatic increases in commodity costs including beef, bacon, soft drinks and dairy costs in fiscal 2010 and fiscal 2011.

In fiscal 2010 our weighted food and packaging costs increased approximately 11%. The total menu price increases taken during fiscal 2010 were 7.1%, all of which were taken in the last four months of the year. The introduction of the $2.89 Craver combo meals in May 2010 negatively impacted our cost of sales by an estimated 1% of restaurant sales; however, we believe the new value offer has been a significant driver of customer traffic.

In fiscal 2011 our weighted food and packaging costs increased approximately 5%. We implemented a 1.2% menu price increase in February 2011, a 1.1% menu price increase in late May 2011 and a 2.4% menu price increase in September 2011. We anticipate continued cost pressure on several core commodities, including beef, bacon and dairy for fiscal 2012.

However, we anticipate our food and packaging costs as a percentage of sales will decrease in fiscal 2012 from a combination of price increases, product sales mix changes and recipe modifications.

Payroll and Other Employee Benefit Costs: For fiscal 2011, payroll and other employee benefit costs decreased $316,000 from $7,359,000 (36.1% of restaurant sales) in fiscal 2010 to $7,043,000 (34.9% of restaurant sales).

The decrease in payroll and other employee benefit expenses as a percent of restaurant sales for fiscal 2011 is primarily the result of higher restaurant sales. Because payroll costs are semi-variable in nature they decrease as a percentage of restaurant sales when there is an increase in restaurant sales. Additionally payroll and other employee benefits decreased approximately $409,000 in fiscal 2011 due to two company-owned restaurants sold in February and May 2011 and one co-developed restaurant sold in June 2010. We anticipate payroll and other employee benefit costs will decrease as a percentage of sales in fiscal 2012 due to the operating leverage on increasing sales.

Occupancy and Other Costs: For fiscal 2011, occupancy and other costs decreased $159,000 from $4,331,000 (21.3% of restaurant sales) in fiscal 2010 to $4,172,000 (20.7% of restaurant sales). The $159,000 decrease in occupancy and other costs is primarily attributable to:

Decrease in building rent of $173,000 primarily due to the three restaurants sold in fiscal 2011 and 2010.

Decrease of $175,000 in all other restaurant operating costs due to the three restaurants sold in fiscal 2011 and 2010.

The decreases above were offset by the following cost increases:

Increases in various other restaurant operating costs of $84,000 at existing restaurants, comprised primarily of utility costs and bank fees.

An adjustment of $62,000 to our liability for the accretion of deferred rent in fiscal 2011 due to two sold restaurants. This compares to an adjustment of $167,000 in fiscal 2010 due to negotiated rent reductions at several locations.

Occupancy costs may increase as a percent of sales as new company-owned restaurants are developed due to higher rent associated with sale-leaseback operating leases, as well as increased property taxes on those locations.

Depreciation and Amortization Costs: For fiscal 2011, depreciation and amortization costs decreased $55,000 from $943,000 in fiscal 2010 to $888,000. Depreciation costs primarily decreased due to the three restaurants sold in fiscal 2011 and 2010 as well as due to declining depreciation expense in our aging company-owned and joint-venture restaurants. The decrease was offset by depreciation expense in the fourth quarter of fiscal 2011 of approximately $90,000 related to our company-owned restaurant in Firestone, Colorado that was reclassified from held for sale to held and used in the accompanying Condensed Consolidated Balance Sheet.

Selling, General and Administrative Costs: For fiscal 2011, selling, general and administrative costs decreased $600,000 from $2,638,000 (10.1% of restaurant sales) in fiscal 2010 to $2,038,000 (12.9% of restaurant sales). The decrease in selling, general and administrative costs are partially attributable to decreased advertising costs, which decreased to $757,000 (3.8% of restaurant sales) for fiscal 2011 from $1,156,000 (5.7% of restaurant sales) for fiscal 2010, and a decrease in general and administrative costs, which decreased to $1,281,000 (6.3% of restaurant sales) for fiscal 2011 from $1,482,000 (7.3% of restaurant sales) for fiscal 2010 as explained below.

Contributions are made to the advertising materials fund and regional advertising cooperative based on a percentage of sales and there was a reduction in the percentage contribution for fiscal 2011 compared to fiscal 2010. Additionally in fiscal 2011 there was a refund of $122,000 of excess year-to-date contributions paid to the advertising cooperative. We fully allocated the returned contributions to the capitalized asset cost for new menu boards in all company-owned and co-developed restaurants.

We anticipate that fiscal 2012 advertising expense will increase from fiscal 2011 and will consist primarily of radio advertising, a new Loyalty Program, social media and on-site and point-of-purchase merchandising totaling approximately 4.3% of restaurant sales. We anticipate that general and administrative expenses will be relatively stable in fiscal 2012, with the exception of reinstating certain salaries that were reduced in fiscal 2009 and 2010.

The $201,000 decrease in general and administrative expenses in fiscal 2011 is primarily attributable to:

Reductions in payroll and employee benefit costs of $74,000.

Reduction of $82,000 in other expenses due to a note receivable write off in fiscal 2010.

Reduction in professional services of $7,000.

Reduction in vacant land costs of $15,000.

Increase of $19,000 in miscellaneous income.

Net reductions in various other fixed expenses of $34,000.

The decreases above were offset by the following cost increases:

Increase in training and recruiting expenses of $12,000.

Increase in stock exchange fees and expenses of $18,000 due to costs incurred for the reverse stock split in December 2010.

Franchise Costs: For fiscal 2011 franchise costs decreased $54,000 from $124,000 (.6% of total revenues) in fiscal 2010 to $70,000 (.3% of total revenues).

The decrease in franchise costs for fiscal 2011 is primarily attributable to sponsorship costs incurred in the prior year associated with the Good Times licensee operating in the Pepsi Center in Denver, Colorado which closed in late fiscal 2010.

Loss (Gain) on Restaurant Assets: For fiscal 2011 the gain on restaurant assets was $184,000 compared to a loss of $199,000 in fiscal 2010. The $184,000 gain on restaurant assets in fiscal 2011 is primarily related to the $168,000 gain on the sale of two company-owned restaurants in February and May 2011 and the sale of one co-developed building related to a restaurant closed in fiscal 2010.

Income (Loss) from Operations: The loss from operations was $665,000 in fiscal 2011 compared to a loss from operations of $1,912,000 in fiscal 2010. The decrease in loss from operations for the fiscal year is due primarily to matters discussed in the "Restaurant Operating Costs", "General and Administrative Costs", "Franchise Costs" and "Loss (Gain) on Restaurant Assets" sections above.

Loss from Continuing Operations: The loss from continuing operations was $917,000 for fiscal 2011 compared to a loss of $2,507,000 in fiscal 2010. The change from fiscal 2010 to fiscal 2011 was primarily attributable to the matters discussed in the "Net Revenues", "Restaurant Operating Costs", "Selling, General and Administrative Costs" and "Franchise Costs" sections of Item 6, as well as 1) a decrease in net interest expense of $319,000 compared to the same prior year period; and 2) an increase in the unrealized gain related to our interest rate swap liability of $24,000 in fiscal 2011 compared to fiscal 2010.

Net interest expense for fiscal 2011 includes non-cash amortization of debt issuance costs of $48,000 related to: 1) warrants issued in conjunction with the extension of the PFGI II loan in January, 2010; and 2) beneficial conversion rights and warrants related to the loan agreement with W Capital and John T. MacDonald entered into in February 2010. Net interest expense for fiscal 2010 includes non-cash amortization of debt issuance costs of $259,000 related to: 1) warrants issued in conjunction with the PFGI II loan in January, 2010; 2) beneficial conversion rights and warrants related to the loan agreement with W Capital and John T. MacDonald entered into in February 2010; and 3) warrants related to the loan agreement with Golden Bridge LLC entered into in April, 2009. (See "Financing" below).

Gain (Loss) from Discontinued Operations: The gain from discontinued operations for fiscal 2011was $22,000 compared to a loss from discontinued operations in fiscal 2010 of $590,000. The income from discontinued operations of $22,000 for fiscal 2011 represents our lease liability costs in excess of our accrued liability for the Commerce City location offset by a reversal of a $31,000 lease accrual associated with a Denver location. The lease on the Denver location was terminated in February 2011 and there are no remaining lease obligations. The fiscal 2010 loss of $590,000 includes the results of operations of $153,000, the fair value of all future lease obligations of $143,000 and impairment charges to write down the fixed assets to book value and other costs of $294,000, all related to our Commerce City, Colorado dual-branded restaurant that was closed in March 2010 and one Denver, Colorado co-developed restaurant that was closed in June 2010.

Income from Non-controlling Interests: For fiscal 2011 the expense from non-controlling interests was $118,000 compared to income from non-controlling interests of $165,000 in fiscal 2010. The non-controlling interests represents the limited partner's share of income or loss in the co-developed restaurants. The $283,000 increase in fiscal 2011 was attributable to the increased profitability of the co-developed restaurants.

Liquidity and Capital Resources

Cash and Working Capital: As of September 30, 2011, we had $847,000 in cash and cash equivalents on hand. We currently plan to use the cash balance and any cash generated from operations for our working capital needs and reinvestment in capital expenditures for existing restaurants in fiscal 2012. We believe that we will have sufficient capital to meet our working capital, long term debt obligations and recurring capital expenditure needs in fiscal 2012 and beyond. As of September 30, 2011, we had a working capital deficit of $488,000 due to normal recurring accounts payable and accrued liabilities. We will require additional capital sources for the development of new restaurants. We entered into a purchase and sale agreement with an unrelated third party effective as of October 11, 2011 for the sale of one company-owned restaurant in Littleton, Colorado. We anticipate the sale to finalize prior to December 31, 2011 with estimated net proceeds of $310,000 which would result in a nominal gain on the sale. $100,000 of the net proceeds will go to reduce the principal of the Wells Fargo Note Payable. Additionally, we may sell or sublease select underperforming company operated restaurants if we believe the realizable asset value is greater than the long term cash flow value or if the asset does not fit our longer term distribution and location of restaurants.

Financing:

Wells Fargo Note Payable: In May 2007 we borrowed $1,100,000 from Wells Fargo Bank (the "Bank") under a note payable with an eight year term with a floating interest rate at .50% below prime. We simultaneously entered into an interest rate swap transaction with Wells Fargo Bank for the full $1,100,000 with a fixed interest rate of 7.77% for the full eight year term coinciding with the note payable. As previously disclosed in the Company's current report on Form 8-K filed December 17, 2010, we entered into a new Credit and Loan Agreement that modified the loan covenants and provided additional collateral to Wells Fargo for the remaining loan balance of $528,552. In addition to the normal recurring principal payments we made additional principal payments in fiscal 2011 of $67,500 from the proceeds of the sale of two company-owned restaurants in Colorado Springs, Colorado to further reduce the note payable thereby reducing certain collateral under the modified Credit and Loan Agreement.

On December 27, 2011, Good Times Restaurants Inc. and its subsidiary Good Times Drive Thru Inc. (together, the "Company") entered into a First Amendment To Amended and Restated Credit Agreement and Waiver of Defaults and a Second Amended and Restated Term Note in the principal amount of $470,874.00 (together the "Amendments") with the Bank. The Amendments are conditional upon the closing of the sale of the Littleton restaurant described under Recent Events and provide for a reduction in the principal amount of the loan by an additional $100,000 from the proceeds of that sale , the release of collateral associated with that restaurant and a modification to the repayment terms and maturity date of the loan to December 31, 2013. The Amendments waive the current covenant defaults asserted by the Bank and modify certain financial covenants in the Credit Agreement requiring the Company to have a Net Worth not less than $2,500,000 as of December 31, 2012 and thereafter and an EBITDA Coverage Ratio not less than (i) 0.30 to 1.00 as of the end of the third quarter ending June 30, 2012, (ii) 0.70 to 1.00 as of the end of the fiscal year ending September 30, 2012, and (iii) .90 to 1.00 as of the end of each fiscal quarter thereafter, determined on a rolling 4-quarter basis. The Company is required to prepay the Term Loan up to the full outstanding principal balance of the note (in addition to any and all other obligations due to Bank including the Interest Rate Swap) upon the sale of any stock or other equity interest in the Company. There was not any change to the interest rate or fees payable to the Bank under the Amendment and the re-amortized loan balance will be $356,700 as of January 2, 2012. Repayment of the loan is secured by equipment in various restaurants owned by the Company.

PFGI II LLC Promissory Note: In July 2008, we entered into a $2,500,000 promissory note with an unrelated third party (PFGI II, LLC) and amended that note on April 20, 2009 extending the maturity to July 10, 2010. Effective January 2, 2010, the Company entered into an agreement to amend its loan with PFGI II LLC. The maturity date was extended to December 31, 2012, the interest rate was increased to 8.65% and monthly payments of principal and interest are payable beginning January 31, 2010, based upon a 25 year amortization prior to maturity. In connection with the agreement, the Company issued a three-year warrant dated January 2, 2010 to PFGI II, LLC which provides that PFGI II, LLC may at any time from January 2, 2010 until December 31, 2012 purchase up to 37,537 shares of the Company's common stock at an exercise price of $3.33 per share. The number of shares purchasable upon exercise of the warrant and the exercise price are subject to customary anti-dilution adjustments upon the occurrence of any stock dividends, stock splits, reverse stock splits, recapitalizations, reclassifications, stock combinations or similar events. The fair value of the warrant issued to PFGI II, LLC was determined to be $79,000 with the following assumptions; 1) risk free interest rate of 1.7%, 2) an expected life of 3 years, and 3) an expected dividend yield of zero. The fair value of $79,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount is being amortized over the term of thirty six months and charged to interest expense.

The promissory note originally constituted a revolving line-of-credit for the development of new restaurants which was advanced and repaid on a monthly basis from time to time. The promissory note now constitutes a term loan with monthly payments of principal and interest. The loan is secured by separate leasehold deeds of trust and security agreements related to six company-owned restaurants and a first deed of trust on one real property funded by the line of credit. The total outstanding balance on the promissory note was $1,645,000 at September 30, 2011. Of the $1,645,000 outstanding balance, $1,595,000 is related to the construction of one company-owned restaurant in Firestone, Colorado that opened in October 2008. We anticipate that we will either extend the maturity date of the PFGI II note or sell the fully developed restaurant in the sale leaseback market as the profitability of the restaurant improves and the trade area develops. On December 5, 2010 the company sold a parcel of land in Aurora, Colorado and used approximately $812,000 of the net proceeds to reduce the loan balance.

Golden Bridge, LLC: On April 20, 2009 as reported on Form 8-K, the Company entered into a loan agreement with Golden Bridge, LLC ("Golden Bridge"), pursuant to which Golden Bridge made a loan of $185,000 (the "Golden Bridge Loan") to GTDT to be used for restaurant marketing and other working capital costs. Eric Reinhard, Ron Goodson, David Grissen, Richard Stark, and Alan Teran, who were all members of the Company's Board of Directors at the time of the transaction and stockholders of the Company, are the sole members of Golden Bridge. The loan was repaid in full on December 13, 2010 from the proceeds of the SII Investment Transaction (see "SII Investment Transaction" below).

In connection with the Golden Bridge Loan, the Company issued a three-year warrant dated April 20, 2009 to Golden Bridge which provides that Golden Bridge may at any time from April 20, 2009 until April 20, 2012 purchase up to 30,833 shares of the Company's common stock at an exercise price of $3.45 per share. The number of shares purchasable upon exercise of the warrant and the exercise price are subject to customary anti-dilution adjustments upon the occurrence of any stock dividends, stock splits, reverse stock splits, recapitalizations, reclassifications, stock combinations or similar events. The fair value of the warrant issued to Golden Bridge was determined to be $42,000. The note discount was amortized over fourteen months and charged to interest expense.

W. Capital and John T. McDonald: On February 1, 2010, the Company entered into a loan agreement with W Capital, Inc. ("W Capital"), John T. McDonald ("McDonald") and Golden Bridge, pursuant to which the lenders made loans totaling $200,000, with up to an additional $200,000 available through April 30, 2010, to be used for restaurant marketing and other working capital uses of GTDT. As set forth below, the loan agreement was subsequently amended as of April 1, 2010 to remove Golden Bridge as a lender and to replace it with additional loans from W Capital and McDonald. On December 13, 2010, the outstanding principal amount of the Bridge Loans was paid in full from the proceeds of the SII Investment Transaction, and accrued interest on the Bridge Loans was converted into 26,477 shares of Common Stock.

In connection with the Bridge Loans, the Company issued warrants dated February 1, 2010 to W Capital and McDonald which provide that the lenders may at any time from February 1, 2010 until two years from the date of repayment or conversion of the Bridge Loans purchase up to an aggregate of 16,667 shares of the Company's Common Stock at an exercise price of 25% less than the average price of the Company's common stock during the 20 days prior to the exercise date, provided, however, that the exercise price shall not be below $2.25 per share nor above $3.24 per share. Pursuant to the terms of the loan agreement, because the Bridge Loans were not repaid prior to August 1, 2010, the Company issued warrants to W Capital and McDonald for the purchase of 16,667 additional shares of the Company's Common Stock upon the same terms as the initial warrants. The number of shares purchasable upon exercise of the warrants issued to W Capital and McDonald and the exercise price are subject to customary anti-dilution adjustments upon the occurrence of any stock dividends, stock splits, reverse stock splits, recapitalizations, reclassifications, stock combinations or similar events. The warrants will expire on December 12, 2012.

The fair value of the warrants issued February 1, 2010 was determined to be $38,000 with the following assumptions: 1) risk free interest rate of 1.41%, 2) an expected life of 2.5 years, and 3) an expected dividend yield of zero. The fair value of $38,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount was amortized over the term of seven months and charged to interest expense.

The intrinsic value of the embedded beneficial conversion feature of the Bridge Loans was determined to be $161,000. The intrinsic value of $161,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount was amortized over the term of seven months and charged to interest expense.

The fair value of the warrants issued August 1, 2010 was determined to be $36,000 with the following assumptions: 1) risk free interest rate of .70%, 2) an expected life of 2.4 years, and 3) an expected dividend yield of zero. The fair value of $36,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount was amortized over the term of five months and charged to interest expense.

SII Investment Transaction: On October 29, 2010, the Company and SII entered into the Purchase Agreement, pursuant to which the Company agreed to sell, and SII agreed to purchase, 1,400,000 Shares of Common Stock at a purchase price of $1.50 per share, or an aggregate purchase price of $2,100,000. The Purchase Agreement was amended on December 13, 2010. On December 13, 2010, the Company and SII completed the SII Investment Transaction through the issuance and sale of the Shares to SII. On December 13, 2010, the Company and SII also entered into a Registration Rights Agreement, pursuant to which the Company granted SII certain registration rights with respect to resale of the Shares. As a result of the completion of the SII Investment Transaction, SII became the beneficial owner of approximately 51.4 percent of the Company's outstanding Common Stock as of December 13, 2010. As of December 15, 2011, SII beneficially owns 50.7% of our outstanding Common Stock.

The Purchase Agreement provides that for so long as SII holds more than 50 percent of our outstanding common stock, (i) our Board of Directors shall consist of seven members, and (ii) SII will have the right to designate four members of our Board. In addition, the Purchase Agreement provides that for a period of three years following the Closing, as long as SII continues to own at least 80 percent of its Common Stock acquired, SII will have a right of first refusal to purchase additional securities which are offered and sold by the Company for the purpose of maintaining its percentage interest in the Company.

The proceeds from the SII Investment Transaction were used to pay approximately $288,000 of expenses related to the transaction, repay $585,000 in short term loans, reduce accrued liabilities by $200,000, reduce accounts payable by approximately $150,000 and the balance going to increase the Company's working capital.

Cash Flows: Net cash used in operating activities was $539,000 for fiscal 2011 compared to cash used in operating activities of $737,000 in fiscal 2010. The decrease in net cash used in operating activities from continuing operations for fiscal 2011 was the result of a net loss from continuing operations of $917,000 and non-cash reconciling items totaling $397,000 (comprised principally of depreciation and amortization of $888,000, amortization of debt issuance costs of $48,000, $61,000 of stock option compensation expense, a $184,000 gain on asset sales, a $120,000 decrease in accrued liabilities related to property taxes, a $220,000 decrease in our trade accounts payable and net increases in operating assets and liabilities totaling $76,000). Net cash used in operating activities from discontinued operations for fiscal 2011 was $19,000 compared to $140,000 for fiscal 2010.

Net cash provided by investing activities in fiscal 2011 was $954,000 compared to $54,000 in fiscal 2010. The fiscal 2011 activity reflects payments for the purchase of property and equipment of $189,000 and proceeds from the sales of fixed assets of $1,143,000.

Net cash provided by financing activities in fiscal 2011 was $3,000 compared to $297,000 in fiscal 2010. The fiscal 2011 activity includes principal payments on notes payable and long term debt of $1,617,000, proceeds from a stock sale of $1,727,000 and net distributions to non-controlling interests in partnerships of $107,000.

Contingencies and Off-Balance Sheet Arrangements: We remain contingently liable on various land leases underlying restaurants that were previously sold to franchisees. We have never experienced any losses related to these contingent lease liabilities, however if a franchisee defaults on the payments under the leases, we would be liable for the lease payments as the assignor or sublessor of the lease. Currently we have not been notified nor are we aware of any leases in default under which we are contingently liable, however there can be no assurance that there will not be in the future, which could have a material adverse effect on our future operating results.

Critical Accounting Policies and Estimates: We follow accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets generally accepted accounting principles (GAAP) that we follow to ensure we consistently report our financial condition, results of operations, and cash flows. Over the years, the FASB and other designated GAAP-setting bodies, have issued standards in the form of FASB

Statements, Interpretations, FASB Staff Positions, EITF consensuses, AICPA Statements of Position, etc.

The FASB recognized the complexity of its standard-setting process and embarked on a revised process in 2004 that culminated in the release on July 1, 2009, of the FASB Accounting Standards Codification,™ sometimes referred to as the Codification or ASC. To the Company, this means instead of following the Statements, Interpretations, Staff Positions, etc., we will follow the guidance in Topics as defined in the ASC. The Codification does not change how the Company accounts for its transactions or the nature of related disclosures made. However, when referring to guidance issued by the FASB, the Company refers to topics in the ASC rather than Statements, etc. The above change was made effective by the FASB for periods ending on or after September 15, 2009. We have updated references to GAAP in this Annual Report on Form 10-K to reflect the guidance in the Codification.

Notes Receivable: We evaluate the collectability of our note receivables from franchisees annually. The aggregate notes receivable on the consolidated balance sheet at September 30, 2011 were $15,000.

Discontinued Operations: Discontinued operations are presented in accordance with FASB ASC 205-20, Presentation of Financial Statements. 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. The loss from discontinued operations includes both the current and historical results of operations, the fair value of all future lease obligations and an impairment charge to write down the fixed assets to book value. 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.

With respect to the Commerce City closed location, we have continuing aggregate lease obligations of $671,000 and we have subleased the location for $546,000 in aggregate sublease income. We have recorded an estimated discounted liability of $96,000 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. In fiscal 2011 we reversed the $31,000 accrued lease liability associated with the Denver location.

Non-controlling Interests: The Company adopted the provisions of FASB ASC 810, Consolidation, effective October 1, 2009. FASB ASC 810 requires non-controlling interests, previously called minority interests, to be presented as a separate item in the equity section of the consolidated balance sheet. It also requires the amount of consolidated net income or loss attributable to non-controlling interests to be clearly presented on the face of the consolidated income statement. Additionally, Topic 810 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions, and that deconsolidation of a subsidiary requires gain or loss recognition in net income based on the fair value on the deconsolidation date. Topic 810 was applied prospectively with the exception of presentation and disclosure requirements, which were applied retrospectively for all periods presented, and did not significantly change the presentation of our consolidated financial statements.

Impairment of Long-Lived Assets: We review our long-lived assets for impairment in accordance with the guidance of FASB ASC 360-10, Property, Plant, and Equipment, including land, property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the capitalized costs of the assets to the future undiscounted net cash flows expected to be generated by the assets and the expected cash flows are based on recent historical cash flows at the restaurant level (the lowest level that cash flows can be determined).

An analysis was performed on a restaurant by restaurant basis at September 30, 2011. Assumptions used in preparing expected cash flows were as follows:

Sales projections are as follows: Fiscal 2012 sales are projected to increase 3% to 5% with respect to fiscal 2011, for fiscal years 2013 to 2024 we have used annual increases of 2% to 3%. We believe the 2% to 3% increase in the years beyond 2012 is a reasonable expectation of growth and that it would be unreasonable to expect no growth in our sales. These increases include menu price increases in addition to any real growth. Historically our weighted menu prices have increased 1.5% to 6%.

Our variable and semi-variable restaurant operating costs are projected to increase proportionately with the sales increases as well as increasing an additional 1.5% per year consistent with inflation.

Our other fixed restaurant operating costs are projected to increase 1.5% to 2% per year.

Food and packaging costs are projected to decrease approximately 1% as a percentage of sales in relation to our current fiscal 2011 food and packaging costs as a result of menu price increases and other menu initiatives.

Salvage value has been estimated on a restaurant by restaurant basis considering each restaurant's particular equipment package and building size.

Given the results of our impairment analysis at September 30, 2011 there are no restaurants which are impaired as their projected undiscounted cash flows show recoverability of their asset values.

Our impairment analysis included a sensitivity analysis with regard to the cash flow projections that determine the recoverability of each restaurant's assets. The results indicate that even with a 15% decline in our projected cash flows we would still not have any potential impairment issues. However if we elect to sublease, close or otherwise exit a restaurant location impairment could be required.

Each time we conduct an impairment analysis in the future we will compare actual results to our projections and assumptions, and to the extent our actual results do not meet expectations, we will revise our assumptions and this could result in impairment charges being recognized.

All of the judgments and assumptions made in preparing the cash flow projections are consistent with our other financial statement calculations and disclosures. The assumptions used in the cash flow projections are consistent with other forward-looking information prepared by the Company, such as those used for internal budgets, discussions with third parties, and/or reporting to management or the Board of Directors.

In fiscal 2010 we closed two company operated restaurants resulting in total charges of $396,000. Projecting the cash flows for the impairment analysis involves significant estimates with regard to the performance of each restaurant, and it is reasonably possible that the estimates of cash flows may change in the near term resulting in the need to write down operating assets to fair value. If the assets are determined to be impaired, the amount of impairment recognized is the amount by which the carrying amount of the assets exceeds their fair value. Fair value would be determined using forecasted cash flows discounted using an estimated average cost of capital and the impairment charge would be recognized in income from operations.

Income Taxes: We account for income taxes in accordance with FASB ASC 740, Income Taxes. FASB ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value. The deferred tax assets are reviewed periodically for recoverability, and valuation allowances are adjusted as necessary. We believe it is more likely than not that the recorded deferred tax assets will be realized.

The Company is subject to taxation in various jurisdictions. The Company continues to remain subject to examination by U.S. federal authorities for the years 2008 through 2011. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Therefore, no reserves for uncertain income tax positions have been recorded. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company has accrued $0 for interest and penalties as of September 30, 2011.

Variable Interest Entities: We analyze any potential Variable Interest or Special-Purpose Entities in accordance with the guidance of FASB ASC 810-10, Consolidation of Variable Interest and Special-Purpose Entities. Once an entity is determined to be a Variable Interest Entity (VIE), the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. We have two franchisees with notes payable to the Company and after analysis we have determined that, while these franchisees are VIE's as defined by FASB ASC 810-10, we are not the primary beneficiary of the entities, and therefore they are not required to be consolidated.

Fair Value of Financial Instruments: We adopted the provisions of FASB ASC 820, Fair Value Measurements and Disclosures, effective October 1, 2008. FASB ASC 820 defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosure about fair value measurements. The adoption of this guidance did not have a material impact on either our financial position or results of operations.

New Accounting Pronouncements: There are no current pronouncements that affect the Company.

Subsequent Events:

We entered into a purchase and sale agreement with an unrelated third party effective as of October 11, 2011 for the sale of one company-owned restaurant in Littleton, Colorado. We anticipate the sale to close prior to December 31, 2011 with estimated net proceeds of $310,000.

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 is currently 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 are conditioned upon the closing of the sale of the Littleton restaurant described above and provide 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.

ITEM 7A. QUANTITIATIVE AND QUALITIATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Good Times Restaurants, Inc.

We have audited the accompanying consolidated balance sheets of Good Times Restaurants, Inc. and subsidiary as of September 30, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Good Times Restaurants, Inc. and subsidiary as of September 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Hein & Associates LLP

Denver, Colorado

December 29, 2011

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	September 30, 2011	September 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$847,000	$429,000
Receivables, net of allowance for doubtful accounts of $0	106,000	157,000
Prepaid expenses and other	47,000	38,000
Inventories	191,000	201,000
Notes receivable	5,000	9,000
Total current assets	1,196,000	834,000
PROPERTY AND EQUIPMENT		
Land and building	6,969,000	5,653,000
Leasehold improvements	3,617,000	3,821,000
Fixtures and equipment	7,669,000	8,229,000
	18,255,000	17,703,000
Less accumulated depreciation and amortization	(12,533,000)	(12,828,000)
	5,722,000	4,875,000
Assets held for sale	-	2,445,000
OTHER ASSETS:		
Notes receivable, net of current portion	10,000	10,000
Deposits and other assets	71,000	154,000
	81,000	164,000
TOTAL ASSETS	$6,999,000	$8,318,000

LIABILITIES AND STOCKHOLDERS' EQUITY

-

	2011	2010
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations, net of discount of $26,000 and $48,000, respectively	$195,000	$702,000
Accounts payable	496,000	716,000
Deferred income	101,000	89,000
Liabilities related to discontinued operations	14,000	20,000
Other accrued liabilities	878,000	1,176,000
Total current liabilities	1,684,000	2,703,000
LONG-TERM LIABILITIES:		
Debt and capital lease obligations, net of current portion and net of discount of $7,000 and $33,000, respectively	2,067,000	3,005,000
Liabilities related to discontinued operations	82,000	123,000
Deferred liabilities	646,000	793,000

Total long-term liabilities	2,795,000	3,921,000
COMMITMENTS AND CONTINGENCIES (Notes 4 and 6)		
STOCKHOLDERS' EQUITY:		
Good Times Restaurants Inc stockholders' equity:		
Preferred stock, $.01 par value;		
5,000,000 shares authorized, none issued		
and outstanding as of September 30, 2011 and 2010	-	-
Common stock, $.001 par value; 50,000,000 shares		
Authorized, 2,726,214 and 1,299,520 shares issued and		
outstanding as of September 30, 2011 and 2010, respectively	8,000	4,000
Capital contributed in excess of par value	19,977,000	18,153,000
Accumulated deficit	(17,680,000)	(16,737,000)
Total Good Times Restaurants Inc stockholders' equity	2,305,000	1,420,000
Non-controlling interest in partnerships	215,000	274,000
Total stockholders' equity	2,520,000	1,694,000
	-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,999,000	$8,318,000

See accompanying notes to these consolidated financial statements.

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended September 30,	
	2011	**2010**
NET REVENUES:		
Restaurant sales	$20,183,000	$20,390,000
Area development and franchise fees	1,000	16,000
Franchise royalties	419,000	457,000
Total net revenues	20,603,000	20,863,000
RESTAURANT OPERATING COSTS:		
Food and packaging costs	7,241,000	7,181,000
Payroll and other employee benefit costs	7,043,000	7,359,000
Restaurant occupancy costs	3,220,000	3,361,000
Other restaurant operating costs	952,000	970,000
Depreciation and amortization	888,000	943,000
Total restaurant operating costs	19,344,000	19,814,000
General and administrative costs	1,281,000	1,482,000
Advertising costs	757,000	1,156,000
Franchise costs	70,000	124,000
Loss (gain) on restaurant asset sale	(184,000)	199,000
Loss From Operations	(665,000)	(1,912,000)
Other Income (Expenses):		
Interest income	1,000	1,000
Interest expense	(280,000)	(599,000)
Unrealized income (loss) on interest rate swap	27,000	3,000
Total other expenses, net	(252,000)	(595,000)
LOSS FROM CONTINUING OPERATIONS	($917,000)	($2,507,000)
Income (loss) from discontinued operations	22,000	(590,000)
NET LOSS	($895,000)	($3,097,000)
Income (loss) from non-controlling interests	(118,000)	165,000
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	($1,013,000)	($2,932,000)
BASIC AND DILUTED LOSS PER SHARE:		
Continuing operations	($.38)	($1.93)
Discontinued operations	$.01	($.45)
Net loss applicable to common stockholders	($.42)	($2.26)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and Diluted	2,440,860	1,299,520

See accompanying notes to these consolidated financial statements.

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2011

	Preferred Stock		Common Stock					
	Issued Shares	**Par Value**	**Issued Shares (1)**	**Par Value**	**Capital Contributed in Excess of Par Value**	**Non-controlling interest in Partnerships**	**Accumulated Deficit**	**Total**
BALANCES, October 1, 2009	-	$ 0	1,299,520	$4,000	$17,751,000	$428,000	$(13,805,000)	$4,378,000
Stock option compensation cost					88,000			88,000
Value of warrants issued with debt					153,000			153,000
Value of beneficial conversion feature					161,000			161,000
Non-controlling interest in Partnerships						(154,000)		(154,000)
Net Loss and comprehensive loss							(2,932,000)	(2,932,000)
BALANCES, September 30, 2010	-	$ 0	1,299,520	$4,000	$18,153,000	$274,000	$(16,737,000)	$1,694,000
Stock issued			1,426,694	4,000	1,763,000			1,767,000
Stock option compensation cost					61,000			61,000
Non-controlling interest in Partnerships						(59,000)	70,000	11,000
Net Loss and comprehensive loss							(1,013,000)	(1,013,000)
BALANCES, September 30, 2011	-	$ 0	2,726,214	$8,000	$19,977,000	$215,000	$(17,680,000)	$2,520,000

(1) Adjusted to effect a 1 for 3 reverse stock split on December 31, 2010

See accompanying notes to these consolidated financial statements.

GOOD TIMES RESTAURANTS INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED September 30,	
	2011	**2010**
Cash Flows from Operating Activities:		
Net Loss	$(895,000)	$(3,097,000)
Income (loss) from discontinued operations	22,000	(590,000)
Net loss from continuing operations	(917,000)	(2,507,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	888,000	943,000
Amortization of debt issuance costs	48,000	259,000
Accretion of deferred rent	(62,000)	(167,000)
Write off of note receivable	4,000	85,000
Loss (gain) on disposal of property, restaurants and equipment	(184,000)	199,000
Stock option compensation cost	61,000	88,000
Unrealized loss (income) on interest rate swap agreement	(27,000)	(3,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	51,000	22,000
Inventories	10,000	10,000
Prepaid expenses and other	(9,000)	(6,000)
Deposits and other assets	(43,000)	(47,000)
(Decrease) increase in:		
Accounts payable	(220,000)	361,000
Accrued and other liabilities	(120,000)	166,000
Net cash used in operating activities from continuing operations	(520,000)	(597,000)
Net cash used in operating activities from discontinued operations	(19,000)	(140,000)
Net cash used in operating activities	(539,000)	(737,000)
Cash Flows From Investing Activities:		
Payments for the purchase of property and equipment	(189,000)	(61,000)
Proceeds from the sale of assets	1,143,000	100,000
Payments received on loans to franchisees and to others	-	15,000
Net cash provided by investing activities	954,000	54,000
Cash Flows From Financing Activities:		
Principal payments on notes payable, capital leases, and long term debt	(1,617,000)	(144,000)
Borrowings on notes payable and long-term debt	-	400,000
Proceeds from stock sale	1,727,000	-
Advances (distributions) from minority interest partner	(107,000)	41,000
Net cash provided by financing activities	3,000	297,000
Net Change in Cash and Cash Equivalents:	418,000	(386,000)

Cash and Cash Equivalents, beginning of year	429,000	815,000
Cash and Cash Equivalents, end of year	$847,000	$429,000
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$240,000	$282,000
Non-cash fair value of warrants and beneficial conversion feature	-	$313,000
Purchase of equipment with debt and capital leases	$124,000	-

See accompanying notes to these consolidated financial statements.

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Notes to Consolidated Financial statements

1. Organization and Summary of Significant Accounting Policies:

Organization - Good Times Restaurants Inc. (Good Times or the Company) is a Nevada corporation. The Company operates through its wholly owned subsidiary Good Times Drive Thru Inc. (Drive Thru).

Drive Thru commenced operations in 1986 and, as of September 30, 2011, operates twenty five company-owned and joint venture drive-thru fast food hamburger restaurants. The Company's restaurants are located in Colorado. In addition, Drive Thru has twenty franchises, sixteen operating in Colorado, two in Wyoming, one in Idaho and one in North Dakota, and is offering franchises for development of additional Drive Thru restaurants.

We follow accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB". The FASB sets generally accepted accounting principles (GAAP) that we follow to ensure we consistently report our financial condition, results of operations and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*™, sometimes referred to as the Codification or ASC.

Principles of Consolidation - The consolidated financial statements include the accounts of Good Times, its subsidiary and one limited partnership, in which the Company exercises control as general partner. In June 2010 the Company sold its interest in one limited partnership to the limited partner and then entered into a franchise agreement with the limited partner who now operates the restaurant as a franchisee. The Company owns an approximate 51% interest in the remaining partnership, is the sole general partner and receives a management fee prior to any distributions to the limited partners. Because the Company owns an approximate 51% interest in the partnership and exercises complete management control over all decisions for the partnership, except for certain veto rights, the financial statements of the partnership are consolidated into the Company's financial statements. The equity interest of the unrelated limited partner is shown on the accompanying consolidated balance sheet in the stockholders' equity section as a non-controlling interest, and the limited partner's share of the net income or loss in the partnership is shown as non-controlling interest income or expense in the accompanying consolidated statement of operations. All inter-company accounts and transactions are eliminated.

Accounting Estimates - The preparation of consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

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Reclassification - Certain prior year balances have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the net income or loss.

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable include uncollateralized receivables from our franchisees and our advertising fund, due in the normal course of business, generally requiring payment within thirty days of the invoice date. On a periodic basis the Company monitors all accounts for delinquency and provides for estimated losses of uncollectible accounts. Currently and historically there have been no allowances for unrecoverable accounts receivable.

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

Property and Equipment - Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets, generally three to eight years. Property and equipment under capital leases are stated at the present value of minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the term of the lease or the estimated useful life of the asset.

Maintenance and repairs are charged to expense as incurred, and expenditures for major improvements are capitalized. When assets are retired, or otherwise disposed of, the property accounts are relieved of costs and accumulated depreciation with any resulting gain or loss credited or charged to income.

At September 30, 2010 we had classified $2,445,000 as assets held for sale in the accompanying consolidated balance sheet. These costs were related to two sites, one in Firestone, Colorado which has been fully developed and one in Aurora, Colorado that was sold to a third party in December 2010. The proceeds of the land sale were used for the reduction of the line of note payable to PFGI II, LLC. As of September 30, 2011 we have reclassified the Firestone, Colorado property as held and used resulting in a $92,000 depreciation expense charge to accurately reflect the net book value of the restaurant in the accompanying consolidated balance sheet.

Impairment of Long-Lived Assets - We review our long-lived assets for impairment in accordance with the guidance of FASB ASC 360-10, Property, Plant, and Equipment, including land, property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the capitalized costs of the assets to the future undiscounted net cash flows expected to be generated by the assets and the expected cash flows are based on recent historical cash flows at the restaurant level (the lowest level that cash flows can be determined).

An analysis was performed on a restaurant by restaurant basis at September 30, 2011, given the results of our analysis there were no restaurants which are impaired as their projected undiscounted cash flows show recoverability of their asset values.

In fiscal 2010 we closed two company operated restaurants resulting in total charges of $396,000. Projecting the cash flows for the impairment analysis involves significant estimates with regard to the performance of each restaurant, and it is reasonably possible that the estimates of cash flows may change in the near term resulting in the need to write down operating assets to fair value. If the assets are determined to be impaired, the amount of impairment recognized is the amount by which the carrying amount of the assets exceeds their fair value. Fair value would be determined using forecasted cash flows discounted using an estimated average cost of capital and the impairment charge would be recognized in income from operations.

Sales of Restaurants and Restaurant Equity Interests - Sales of restaurants or non-controlling equity interests in restaurants developed by the Company are recorded under either the full accrual method or the installment method of accounting. Under the full accrual method, a gain is not recognized until the collectability of the sales price is reasonably assured and the earnings process is virtually complete without further contingencies. When a sale does not meet the requirements for income recognition, the related gain is deferred until those requirements are met. Under the installment method, the gain is incrementally recognized as principal payments on the related notes receivable are collected. The Company's accounting policy, with regards to the sale of restaurants, is in accordance with the guidance of FASB ASC 360-10, Property, Plant, and Equipment. If the initial payment is less than specified percentages, use of the installment method is required.

The Company's accounting for the sale of restaurants is also in accordance with FASB ASC 810-20, Consolidation of Variable Interest and Special-Purpose Entities, because the risks and other incidents of ownership have been transferred to the buyer. Specifically, a) no continuing involvement by the Company exists in restaurants that are sold, b) sales contracts and related income recognition are not dependant on the future successful operations of the sold restaurants, and c) the Company is not involved as a guarantor on the purchasers' debts.

Deferred Liabilities - Rent expense is reflected on a straight-line basis over the term of the lease for all leases containing step-ups in base rent. An obligation representing future payments (which totaled $322,000 as of September 30, 2011) is reflected in the accompanying consolidated balance sheet as a deferred liability. Also included in the $646,000 deferred liability balance is a $307,000 deferred gain on the sale of the building and improvements of one Company-owned restaurant in a sale leaseback transaction. The building and improvements were subsequently leased back from the third party purchaser. The gain will be recognized in future periods in proportion to the rents paid on the twenty year lease.

Opening Costs - Restaurant opening costs are expensed as incurred.

Advertising - The Company incurs advertising expenses in connection with the marketing of its restaurant operations. Advertising costs are expensed when the related advertising begins.

Franchise and Area Development Fees - Individual franchise fee revenue is deferred when received and is recognized as income when the Company has substantially performed all of its obligations under the franchise agreement and the franchisee has commenced operations. The Company's commitments and obligations pursuant to the franchise agreements consist of a) development assistance; including site selection, building specifications and equipment purchasing and

b) operating assistance; including training of personnel and preparation and distribution of manuals and operating materials. All of these obligations are effectively complete upon the opening of the restaurant at which time the franchise fee and the portion of any development fee allocable to that restaurant is recognized. There are no additional material commitments or obligations.

The Company has not recognized any franchise fees that have not been collected. The Company segregates initial franchise fees from other franchise revenue in the statement of operations. Revenues and costs related to company-owned restaurants are segregated from revenues and costs related to franchised restaurants in the statement of operations.

Continuing royalties from franchisees, which are a percentage of the gross sales of franchised operations, are recognized as income when earned. Franchise development expenses, which consist primarily of legal costs and restaurant opening expenses associated with developing and opening franchise restaurants, are expensed against the related franchise fee income.

Operating Partner Program - Operating Partners in a restaurant share in future increases of their restaurant's cash flows above an established baseline, which is based on the preceding twelve months' cash flow after full allocation of advertising and capital expenses. This program is designed to figuratively put Operating Partners in the shoes of an owner so that a portion of their compensation is derived solely from the improvement in the financial performance of their respective restaurants. The portion of cash flow increases allocable to the Operating Partners are expensed as incurred on a quarterly basis, with a cumulative adjustment made for any months where cash flows fall below the established baselines. Compensation under this program is expensed to restaurant operations as incurred. No other long term benefits accrue or vest to the Operating Partners in this program. Operating Partners are employees at will and are subject to termination from this program if certain operating, customer service and financial objectives are not met.

Income Taxes - We account for income taxes in accordance with FASB ASC 740, Income Taxes. FASB ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value. The deferred tax assets are reviewed periodically for recoverability, and valuation allowances are adjusted as necessary. We believe it is more likely than not that the recorded deferred tax assets will be realized.

The Company is subject to taxation in various jurisdictions. The Company continues to remain subject to examination by U.S. federal authorities for the years 2008 through 2011. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Therefore, no reserves for uncertain income tax positions have been recorded. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. No accrual for interest and penalties was considered necessary as of September 30, 2011.

Net Income (Loss) Per Common Share - The income (loss) per share is presented in accordance with the guidance of FASB ASC 260-10, Earnings per Share (EPS). Basic EPS is calculated by dividing the income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Options for 14,964 and 906 shares of common stock were not included in computing diluted EPS for 2011 and 2010, respectively, because their effects were anti-dilutive.

Financial Instruments and Concentrations of Credit Risk - Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly effected by changes in economic or other conditions. Financial instruments with off-balance-sheet risk to the Company include lease liabilities whereby the Company is contingently liable as a guarantor of certain leases that were assigned to third parties in connection with various sales of restaurants to franchisees (see Note 7).

Financial instruments potentially subjecting the Company to concentrations of credit risk consist principally of receivables. At September 30, 2011, notes receivable totaled $15,000 and is due from one entity. Additionally, the Company has other current receivables totaling $106,000, which includes $67,000 of franchise receivables.

The Company purchases 100% of its restaurant food and paper from one vendor. The Company believes a sufficient number of other suppliers exist from which food and paper could be purchased to prevent any long-term, adverse consequences.

The Company operates in one industry segment, restaurants. A geographic concentration exists because the Company's customers are generally located in the State of Colorado.

Comprehensive Income (Loss) - Comprehensive income includes net income or loss, changes in certain assets and liabilities that are reported directly in equity such as adjustments resulting from unrealized gains or losses on held-to-maturity investments and certain hedging transactions.

In May 2007, the Company entered into an interest rate swap agreement, designated as a cash flow hedge, which hedges the Company's exposure to interest rate fluctuations on the Company's floating rate $1,100,000 term loan. In fiscal 2008 the Company recorded the fair value of these contracts in the balance sheet, with the offset to other comprehensive loss. In fiscal 2009 through fiscal 2011 the fair value has been recognized in current earnings, as the cash flow hedge has been de-designated. The contract requires monthly settlements of the difference between the amounts to be received and paid under the agreement, the amount of which is recognized in current earnings as interest expense. See Note 4 for additional information.

Stock-Based Compensation - Stock-based compensation is presented in accordance with the guidance of FASB ASC 718-10-30, Compensation - Stock Compensation. Under the provisions of FASB ASC 718, 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). See Note 11 for additional information.

Variable Interest Entities - FASB ASC 810-20, Consolidation of Variable Interest and Special-Purpose Entities, can require consolidation of "variable interest entities" (VIEs). Once an entity is determined to be a VIE, the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. The Company has one franchisee with a note payable to the Company. This franchisee is a VIE as defined by FASB ASC 810-20, however, the franchisee is the primary beneficiary of this entity, not the Company. Therefore they are not required to be consolidated under the guidance of FASB ASC 810-20.

Fair Value of Financial Instruments - The Company adopted the provisions of FASB ASC 820, Fair Value Measurements and Disclosures, effective October 1, 2008. FASB ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. See Note 10 for additional information.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value, as required by Topic 820 of the FASB ASC, must maximize the use of observable inputs and minimize the use of unobservable inputs.

FASB ASC 820 defines three levels of inputs that may be used to measure fair value and requires that the assets or liabilities carried at fair value must be disclosed by the input level under which they were valued. The input levels defined under FASB ASC 820 are as follows:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than defined in Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are not corroborated by observable market data.

Non-controlling Interests

Non-controlling interests are presented in accordance with the provisions of FASB ASC 810, Consolidation. FASB ASC 810 requires non-controlling interests to be presented as a separate item in the equity section of the consolidated balance sheet. The amount of consolidated net income or loss attributable to non-controlling interests are required to be clearly presented on the face of the consolidated income statement.

Subsequent Events

The Company follows the provisions of FASB ASC 855, Subsequent Events. FASB ASC 855 establishes the accounting for, and disclosure of, material events that occur after the balance sheet date but before the financial statements are issued. In general, these events will be recognized if the condition existed at the date of the balance sheet, but will not be recognized if the condition did not exist at the balance sheet date. Disclosure is required for non-recognized events if required to keep the financial statements from being misleading.

Recent Accounting Pronouncements - There are no current pronouncements that affect the Company.

2. Liquidity:

As of September 30, 2011, we had $847,000 in cash and cash equivalents on hand. We currently plan to use the cash balance and any cash generated from operations for our working capital needs in fiscal 2012. We believe that we will have sufficient capital to meet our working capital, long term debt obligations and recurring capital expenditure needs in fiscal 2012. Additionally, we may sell or sublease select underperforming company operated restaurants if we believe the realizable asset value is greater than the long term cash flow value or if the asset does not fit our longer term distribution and location of restaurants.

As of September 30, 2011, we had a working capital deficit of $488,000 due to normal recurring accounts payable and other accrued liabilities.

3. DISCONTINUED OPERATIONS

-

Discontinued operations are presented in accordance with FASB ASC 205-20, Presentation of Financial Statements. 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.

Following is a summary of the costs from discontinued operations for the current and prior year periods:

	Twelve Months Ended September 30, 2011	2010
Results of operations	($5,000)	($153,000)
Future lease obligations, fair value	(4,000)	(143,000)
Asset impairment credits (charges) and other costs	31,000	(294,000)

Income (loss) from discontinued operations	$22,000	($590,000)

With respect to the Commerce City closed location, we have continuing aggregate lease obligations of $670,000 and we have subleased the location for $546,000 in aggregate sublease income. We have recorded an estimated discounted liability of $96,000 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. In the three month period ended March 31, 2011 we reversed the $31,000 accrued lease liability associated with the Denver location.

4. Debt AND CAPITAL LEASES:

Note payable with PFGI II, LLC with monthly payments of principal and interest (8.65%, with a 25 year amortization) and a balloon payment of all unpaid principal due on December 31, 2012. The loan is secured by one Real Property Deed of Trust, four Leasehold Deeds of Trust and Security Agreements and Assignment of Rents and Fixture Filings and two Security Agreements and Assignment of Rents and Fixture Filings related to those six corporate restaurants. The promissory note constitutes a line of credit which may be repaid but not re-advanced, at any time.	$1,645,000
Note payable with Wells Fargo Bank, NA with scheduled payments of principal and interest (prime rate less .5%) due monthly, additional principal payments of $7,500 due monthly through January 2012 and the final payment due in November 2014. The loan is secured by four Security Agreements related to the furniture, fixtures and equipment of the four corporate restaurants.	529,000
Capital signage lease with Yesco, LLC with payments of principal and interest (8%) due monthly and the final payment due in August 2016.	90,000
Note payable with Ally Financial with payments of principal and interest (1.9%) due monthly and the final payment due in July 2015. The loan is secured by a 2011 GMC utility van.	31,000
Unamortized note discount related to warrants issued in connection with the above note payable with PFGI II, LLC.	(33,000)
	2,262,000
Less current portion	(195,000)
Long term portion	$2,067,000

In conjunction with the Wells Fargo Bank term loan, the Company entered into a variable to fixed interest rate swap agreement with Wells Fargo Bank effective May 9, 2007, with a notional amount of $1,100,000, a pay rate of 7.77% and a receive rate based on the bank prime rate less .50%. The swap agreement has an eight-year term and has the effect of normalizing the effective interest rate at 7.77%. As of September 30, 2011, the fair value of the contract was a loss of $57,000. The unrealized loss has been recorded in interest expense.

As of September 30, 2011, principal payments on debt become due as follows:

Years Ending September 30,	
2012	$195,000
2013	1,797,000
2014	196,000
2015	55,000
2016	19,000
	$2,262,000

As previously disclosed in the Company's current report on Form 8-K filed December 17, 2010, we entered into a new Credit and Loan Agreement with Wells Fargo Bank that modified the loan covenants and provided additional collateral to Wells Fargo for the remaining loan balance of $529,000. As of September 30, 2011 we were in compliance with all of the modified loan covenants.

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 is currently 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 are conditioned upon the closing of the sale of the Littleton restaurant described above and provide 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.

5. Other Accrued Liabilities:

Other accrued liabilities consist of the following at September 30, 2011:

Wages and other employee benefits	$238,000
Taxes, other than income tax	462,000
Discontinued operations	14,000
Other	178,000
	$892,000

6. Commitments and Contingencies:

The Company's office space, and the land and buildings related to the Drive Thru restaurant facilities are classified as operating leases and expire over the next 13 years. Some leases contain escalation clauses over the lives of the leases. Most of the leases contain one to three five-year renewal options at the end of the initial term. Certain leases include provisions for additional contingent rent payments if sales volumes exceed specified levels. The Company paid no material contingent rentals during fiscal 2011 and 2010.

Following is a summary of operating lease activities:

	Year Ended September 30,2011
Minimum rentals	$2,081,000
Less sublease rentals	(355,000)
Net rent paid	$1,726,000

As of September 30, 2011, future minimum rental commitments required under the Company's operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

Years Ending September 30,	
2012	$1,918,000
2013	1,926,000
2014	1,723,000
2015	1,301,000
2016	1,133,000
Thereafter	5,587,000
	13,588,000
Less sublease rentals	(2,410,000)
	$11,178,000

The Company is contingently liable on several ground leases that have been subleased or assigned to franchisees. The subleased and assigned leases expire between 2015 and 2024. Currently we have not been notified nor are we aware of any leases in default by the franchisees, however there can be no assurance that there will not be such defaults in the future which could have a material effect on our future operating results.

7. Financing Transactions:

Wells Fargo Bank N.A.

In May 2007 we borrowed $1,100,000 from Wells Fargo Bank (the "Bank") under a note payable with an eight year term with a floating interest rate at .50% below prime. We simultaneously entered into an interest rate swap transaction with Wells Fargo Bank for the full $1,100,000 with a fixed interest rate of 7.77% for the full eight year term coinciding with the note payable. As previously disclosed in the Company's current report on Form 8-K filed December 17, 2010, we entered into a new Credit and Loan Agreement that modified the loan covenants and provided additional collateral to Wells Fargo for the remaining loan balance of $528,552. In addition to the normal recurring principal payments we made additional principal payments in fiscal 2011 of $67,500 from the proceeds of the sale of two company-owned restaurants in Colorado Springs, Colorado to further reduce the note payable thereby reducing certain collateral under the modified Credit and Loan Agreement.

On December 27, 2011, Good Times Restaurants Inc. and its subsidiary Good Times Drive Thru Inc. (together, the "Company") entered into a First Amendment To Amended and Restated Credit Agreement and Waiver of Defaults and a Second Amended and Restated Term Note in the principal amount of $470,874.00 (together the "Amendments") with the Bank. The Amendments are conditional upon the closing of the sale of the Littleton restaurant described under Recent Events and provide for a reduction in the principal amount of the loan by an additional $100,000 from the proceeds of that sale , the release of collateral associated with that restaurant and a modification to the repayment terms and maturity date of the loan to December 31, 2013. The Amendments waive the current covenant defaults asserted by the Bank and modify certain financial covenants in the Credit Agreement requiring the Company to have a Net Worth not less than $2,500,000 as of December 31, 2012 and thereafter and an EBITDA Coverage Ratio not less than (i) 0.30 to 1.00 as of the end of the third quarter ending June 30, 2012, (ii) 0.70 to 1.00 as of the end of the fiscal year ending September 30, 2012, and (iii) .90 to 1.00 as of the end of each fiscal quarter thereafter, determined on a rolling 4-quarter basis. The Company is required to prepay the Term Loan up to the full outstanding principal balance of the note (in addition to any and all other obligations due to Bank including the Interest Rate Swap) upon the sale of any stock or other equity interest in the Company. There was not any change to the interest rate or fees payable to the Bank under the Amendment and the re-amortized loan balance will be $349,000 as of January 2, 2012. Repayment of the loan is secured by equipment in various restaurants owned by the Company.

PFGI II, LLC

In July 2008, we entered into a $2,500,000 promissory note with an unrelated third party (PFGI II, LLC) and amended that note on April 20, 2009 extending the maturity to July 10, 2010. Effective January 2, 2010, the Company entered into an agreement to amend its loan with PFGI II LLC. The maturity date was extended to December 31, 2012, the interest rate was increased to 8.65% and monthly payments of principal and interest are payable beginning January 31, 2010, based upon a 25 year amortization prior to maturity. In connection with the agreement, the Company issued a three-year warrant dated January 2, 2010 to PFGI II, LLC which provides that PFGI II, LLC may at any time from January 2, 2010 until December 31, 2012 purchase up to 37,537 shares of the Company's common stock at an exercise price of $3.33 per share. The number of shares purchasable upon exercise of the warrant and the exercise price are subject to customary anti-dilution adjustments upon the occurrence of any stock dividends, stock splits, reverse stock splits, recapitalizations, reclassifications, stock combinations or similar events. The fair value of the warrant issued to PFGI II, LLC was determined to be $79,000 with the following assumptions; 1) risk free interest rate of 1.7%, 2) an expected life of 3 years, and 3) an expected dividend yield of zero. The fair value of $79,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount is being amortized over the term of thirty six months and charged to interest expense.

The promissory note originally constituted a revolving line-of-credit for the development of new restaurants which was advanced and repaid on a monthly basis from time to time. The promissory note now constitutes a term loan with monthly payments of principal and interest. The loan is secured by separate leasehold deeds of trust and security agreements related to six company-owned restaurants and a first deed of trust on one real property funded by the line of credit. The total outstanding balance on the promissory note was $1,645,000 at September 30, 2011. Of the $1,645,000 outstanding balance, $1,595,000 is related to the construction of one company-owned restaurant in Firestone, Colorado that opened in October 2008. On December 5, 2010 the company sold a parcel of land in Aurora, Colorado and used approximately $812,000 of the net proceeds to reduce the loan balance.

Golden Bridge, LLC

On April 20, 2009 as reported on Form 8-K, the Company entered into a loan agreement with Golden Bridge, LLC ("Golden Bridge"), pursuant to which Golden Bridge made a loan of $185,000 (the "Golden Bridge Loan") to GTDT to be used for restaurant marketing and other working capital costs. Eric Reinhard, Ron Goodson, David Grissen, Richard Stark, and Alan Teran, who were all members of the Company's Board of Directors at the time of the transaction and stockholders of the Company, are the sole members of Golden Bridge. The loan was repaid in full on December 13, 2010 from the proceeds of the SII Investment Transaction (see "SII Investment Transaction" below).

In connection with the Golden Bridge Loan, the Company issued a three-year warrant dated April 20, 2009 to Golden Bridge which provides that Golden Bridge may at any time from April 20, 2009 until April 20, 2012 purchase up to 30,833 shares of the Company's common stock at an exercise price of $3.45 per share. The number of shares purchasable upon exercise of the warrant and the exercise price are subject to customary anti-dilution adjustments upon the occurrence of any stock dividends, stock splits, reverse stock splits, recapitalizations, reclassifications, stock combinations or similar events. The fair value of the warrant issued to Golden Bridge was determined to be $42,000. The note discount was amortized over fourteen months and charged to interest expense.

W. Capital and John T. McDonald

On February 1, 2010, the Company entered into a loan agreement with W Capital, Inc. ("W Capital"), John T. McDonald ("McDonald") and Golden Bridge, pursuant to which the lenders made loans totaling $200,000, with up to an additional $200,000 available through April 30, 2010, to be used for restaurant marketing and other working capital uses of GTDT. As set forth below, the loan agreement was subsequently amended as of April 1, 2010 to remove Golden Bridge as a lender and to replace it with additional loans from W Capital and McDonald. On December 13, 2010, the outstanding principal amount of the Bridge Loans was paid in full from the proceeds of the SII Investment Transaction, and accrued interest on the Bridge Loans was converted into 26,477 shares of Common Stock.

In connection with the Bridge Loans, the Company issued warrants dated February 1, 2010 to W Capital and McDonald which provide that the lenders may at any time from February 1, 2010 until two years from the date of repayment or conversion of the Bridge Loans purchase up to an aggregate of 16,667 shares of the Company's Common Stock at an exercise price of 25% less than the average price of the Company's common stock during the 20 days prior to the exercise date, provided, however, that the exercise price shall not be below $2.25 per share nor above $3.24 per share. Pursuant to the terms of the loan agreement, because the Bridge Loans were not repaid prior to August 1, 2010, the Company issued warrants to W Capital and McDonald for the purchase of 16,667 additional shares of the Company's Common Stock upon the same terms as the initial warrants. The number of shares purchasable upon exercise of the warrants issued to W Capital and McDonald and the exercise price are subject to customary anti-dilution adjustments upon the occurrence of any stock dividends, stock splits, reverse stock splits, recapitalizations, reclassifications, stock combinations or similar events. The warrants will expire on December 12, 2012.

The fair value of the warrants issued February 1, 2010 was determined to be $38,000 with the following assumptions: 1) risk free interest rate of 1.41%, 2) an expected life of 2.5 years, and 3) an expected dividend yield of zero. The fair value of $38,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount was amortized over the term of seven months and charged to interest expense.

The intrinsic value of the embedded beneficial conversion feature of the Bridge Loans was determined to be $161,000. The intrinsic value of $161,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount was amortized over the term of seven months and charged to interest expense.

The fair value of the warrants issued August 1, 2010 was determined to be $36,000 with the following assumptions: 1) risk free interest rate of .70%, 2) an expected life of 2.4 years, and 3) an expected dividend yield of zero. The fair value of $36,000 was charged to the note discount and credited to Additional Paid in Capital. The note discount was amortized over the term of five months and charged to interest expense.

SII Investment Transaction

On October 29, 2010, the Company and SII entered into the Purchase Agreement, pursuant to which the Company agreed to sell, and SII agreed to purchase, 1,400,000 Shares of Common Stock at a purchase price of $1.50 per share, or an aggregate purchase price of $2,100,000. The Purchase Agreement was amended on December 13, 2010. On December 13, 2010, the Company and SII completed the SII Investment Transaction through the issuance and sale of the Shares to SII.

On December 13, 2010, the Company and SII also entered into a Registration Rights Agreement, pursuant to which the Company granted SII certain registration rights with respect to resale of the Shares. As a result of the completion of the SII Investment Transaction, SII became the beneficial owner of approximately 51.4 percent of the Company's outstanding Common Stock.

The Purchase Agreement provides that for so long as SII holds more than 50 percent of our outstanding common stock, (i) our Board of Directors shall consist of seven members, and (ii) SII will have the right to designate four members of our Board. In addition, the Purchase Agreement provides that for a period of three years following the Closing, as long as SII continues to own at least 80 percent of its Common Stock acquired, SII will have a right of first refusal to purchase additional securities which are offered and sold by the Company for the purpose of maintaining its percentage interest in the Company.

The proceeds from the SII Investment Transaction were used to pay approximately $288,000 of expenses related to the transaction, repay $585,000 in short term loans, reduce accrued liabilities by $200,000, reduce accounts payable by approximately $150,000 and the balance going to increase the Company's working capital.

8. Income Taxes:

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

	2011		2010	
	Current	Long Term	Current	Long Term
Deferred assets (liabilities):				
Tax effect of net operating loss carry-forward (includes $12,000 of charitable carry-forward)	$ -	$3,128,000	$ -	$3,047,000
Partnership basis difference	-	147,000	-	173,000
Deferred revenue	-	126,000	-	160,000
Property and equipment basis differences	-	339,000	-	286,000
Other accrued liability difference	63,000	43,000	90,000	41,000
Net deferred tax assets	63,000	3,783,000	90,000	3,707,000
Less valuation allowance*	(63,000)	(3,783,000)	(90,000)	(3,707,000)
Net deferred tax assets	$ -	$ -	$ -	$ -

* The valuation allowance increased by $49,000 during the year ended September 30, 2011.

The Company has net operating loss carry-forwards of approximately $8,196,000 for income tax purposes which expire from 2012 through 2031. The use of these net operating loss carry-forwards may be restricted due to changes in ownership.

Total income tax expense for the years ended 2011 and 2010 differed from the amounts computed by applying the U.S. Federal statutory tax rates to pre-tax income as follows:

	2011	2010
Total expense (benefit) computed by applying the U.S. Statutory rate (35%)	$(355,000)	$(1,026,000)
State income tax, net of federal tax benefit	(31,000)	(88,000)
Effect of change in valuation allowance	49,000	989,000
Permanent differences	22,000	30,000

Expiration of net operating loss carry-forward	312,000	-
Other	3,000	95,000
Provision for income taxes	$ -	$ -

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9. Related Parties:

The Erie County Investment Company (owner of 99% of The Bailey Company) is a holder of our common stock and has certain contractual rights to elect members of the Company's Board of Directors under the Series B Convertible Preferred Stock Agreements entered into in February, 2005.

The Company leases office space from The Bailey Company under a lease agreement which expired in September 2011 and is currently leasing the space on a month to month basis. Rent paid to them in fiscal 2011 and 2010 for office space was $55,000 and $55,000, respectively.

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 us. Franchise royalties and management fees paid under those agreements totaled approximately $53,000 and $50,000 for the fiscal years ending September 30, 2011 and 2010, respectively. Amounts due from The Bailey Company related to these agreements at September 30, 2011 and 2010 were $16,000 and $12,000, respectively.

Total interest and commitment fees paid to Golden Bridge, LLC under their agreement were approximately $4,000 and $18,000 for the fiscal years ending September 30, 2011 and 2010, respectively. See Note 8 above for the terms of the loan.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following table summarizes financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2011:

Level 2:

Interest Rate Swap liability:

Balance at September 30, 2010	$84,000
Balance at September 30, 2011	$57,000
Net change	$27,000

The unrealized gain for the fiscal year ended September 30, 2011 of $27,000 is reported in the Condensed Consolidated Statement of Operations. There were no transfers in or out of Level 3 for the twelve month period ending September 30, 2011.

11. Stockholders' Equity:

Non-controlling Interest - Drive Thru is currently the general partner of one limited partnership that was formed to develop Drive Thru restaurants and Drive Thru sold their limited partner interest in one restaurant in June 2010. Limited partner contributions have been used to construct new restaurants. Drive Thru, as a general partner, generally receives an allocation of approximately 51% of the profit and losses and a fee for its management services. The equity interest of the unrelated limited partner is shown on the accompanying consolidated balance sheet in the stockholders equity section as a non-controlling interest, and the limited partner's share of the net income or loss in the partnership is shown as non-controlling interest income or expense in the accompanying consolidated statement of operations.

Stock Transaction - On December 13, 2010 the company completed a stock sale of 1,400,000 shares of Common Stock, par value $.001, at a price of $1.50 per share to one investor.

On December 13, 2010 the company received Board of Directors and Shareholder approval to effect a one-for-three reverse stock split of its Common Stock no later than December 31, 2010. The reverse stock split was effected on December 31, 2010. Immediately prior to the reverse stock split the company had 8,177,989 of Common Stock outstanding and immediately following the reverse split the outstanding shares were approximately 2,725,996 (subsequently 218 shares have been issued for rounding of fractional shares resulting from the reverse split).

Preferred Stock - The Company has the authority to issue 5,000,000 shares of preferred stock. The Board of Directors has the authority to issue such preferred shares in series and determine the rights and preferences of the shares as may be determined by the Board of Directors.

Common Stock Dividend Restrictions - As long as at least two-thirds of the shares of common stock into which the Series B Preferred Stock was converted remains held by the former holders of such converted Series B Preferred Stock, without the written consent or affirmative vote of the holders of three-quarters of the then outstanding votes of the shares of the Series B Preferred Stock and the shares of the common stock, the Company cannot institute any payment of cash dividends or other distributions on any shares of common stock.

Stock Option Plans - The Company has an Omnibus Equity Incentive Compensation Plan (the "2008 Plan"), approved by shareholders in fiscal 2008, which is the successor equity compensation plan to the Company's 2001 Stock Option Plan (the "2001 Plan"). As of September 30, 2011, 17,333 shares were available for future grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and stock-based awards.

The 2008 Plan serves as the successor to our 2001 Plan, as amended (the "Predecessor Plan"), and no further awards shall be made under the Predecessor Plan from and after the effective date of the 2008 Plan. All outstanding awards under the Predecessor Plan immediately prior to the effective date of the 2008 Plan shall be incorporated into the 2008 Plan and shall accordingly be treated as awards under the 2008 Plan. However, each such award shall continue to be governed solely by the terms and conditions of the instrument evidencing such grant or issuance, and, except as otherwise expressly provided in the 2008 Plan or by the Committee that administers the 2008 Plan, no provision of the 2008 Plan shall affect or otherwise modify the rights or obligations of holders of such incorporated awards.

Following the guidance of FASB ASC 718-10-30, Compensation - Stock 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 fiscal 2011. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the employees who receive equity awards.

Net loss for the fiscal years ended September 30, 2011 and 2010 includes $61,000 and $88,000, respectively, of compensation costs related to our stock-based compensation arrangements.

During the fiscal year ended September 30, 2011, we granted 4,000 non-statutory stock options and 53,233 incentive stock options with exercise prices of $1.56. The per-share weighted average fair value was $1.26 for both the non-statutory stock option grants and incentive stock option grants.

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:

	Incentive Stock Options	Non-Statutory Stock Options
Expected term (years)	6.5	6.7
Expected volatility	98.5%	97.4%
Risk-free interest rate	2.46%	2.52%
Expected dividends	0	0

We estimate expected volatility based on historical weekly price changes of our common stock for a period equal to the current expected term of the options. The risk-free interest rate is based on the United States treasury yields in effect at the time of grant corresponding with the expected term of the options. The expected option term is the number of years we estimate that options will be outstanding prior to exercise considering vesting schedules and our historical exercise patterns.

FASB ASC 718-10-30 requires the cash flows resulting from the tax benefits for tax deductions in excess of the compensation expense recorded for those options (excess tax benefits) to be classified as financing cash flows. These excess tax benefits were $0 for the fiscal years ended September 30, 2011 and 2010.

A summary of stock option activity under our share-based compensation plan for the fiscal year ended September 30, 2011 is presented in the following table: (The numbers of options and the exercise prices shown in this table have been adjusted to effect the one for three reverse stock split that occurred on December 31, 2010.)

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value
Outstanding-beg of year	130,027	$9.89		
Granted	57,233	$1.56		
Exercised	0			
Forfeited	(20,038)	$11.28		
Expired	(1,200)	$4.14		
Outstanding Sept 30, 2011	166,022	$6.89	6.0	$0
Exercisable Sept 30, 2011	80,153	$11.46	3.2	$0

As of September 30, 2011, the total remaining unrecognized compensation cost related to unvested stock-based arrangements was $54,000 and is expected to be recognized over a weighted average period of 2.21 years.

The total intrinsic value of stock options exercised during the fiscal year ended September 30, 2011 was $0. Cash received from stock option exercises for the fiscal year ended September 30, 2011 was $0.

12. Retirement Plan:

The Company has a 401(k) profit sharing plan (the "Plan"). Eligible employees may make voluntary contributions to the Plan, which may be matched by the Company, in an amount equal to 25% of the employee's contribution up to 6% of their compensation. The amount of employee contributions is limited as specified in the Plan. The Company may, at its discretion, make additional contributions to the Plan or change the matching percentage. The Company did not make any matching contributions in fiscal 2011 or fiscal 2010.

13. Subsequent Events:

We entered into a purchase and sale agreement for the sale of one company-owned restaurant in Littleton, Colorado that was effective October 11, 2011. We anticipate the sale to close prior to December 31, 2011 with estimated net proceeds of $310,000.

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 is currently 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 are conditioned upon the closing of the sale of the Littleton restaurant described above and provide 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the two most recent fiscal years, Good Times Restaurants has not had any changes in or disagreements with its independent accountants on matters of accounting or financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: Based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended), as of the end of the Company's fiscal year ended September 30, 2011, the Company's Chief Executive Officer and Controller (its principal executive officer and principal financial officer, respectively) have concluded that the Company's disclosure controls and procedures were effective.

149,983 shares

**

6,476,249

MFS Institutional International Equity Fund

2,064,000 shares

**

52,549,447

JP Morgan Equity Income Select Fund

4,484,670 shares

**

78,033,254

DFA Emerging Markets Core Equity Fund

140,448 shares

**

3,261,201

BlackRock Total Return Fund Class K

659,018 shares

**

7,710,514

VOYA Small Cap Opps

487,872 shares

**

31,126,260

Total Mutual Funds

437,264,892

21

RYDER SYSTEM, INC. 401(k) SAVINGS PLAN
FORM 5500, SCHEDULE H, LINE 4i
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2017

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment including Maturity Date, rate of Interest, Par or Maturity Value		(d) Cost	(e) Current Value
	COMMON COLLECTIVE TRUSTS:				
*	Pyramis Index Lifecycle Inc V		367,281 units	**	5,006,044
*	Pyramis Index Lifecycle 2005 Commingled Pool		198,909 units	**	2,912,034
*	Pyramis Index Lifecycle 2010 Commingled Pool		213,111 units	**	3,367,147
*	Pyramis Index Lifecycle 2015 Commingled Pool		1,041,049 units	**	16,750,472
*	Pyramis Index Lifecycle 2020 Commingled Pool		3,385,191 units	**	54,129,202
*	Pyramis Index Lifecycle 2025 Commingled Pool		4,033,355 units	**	68,083,039
*	Pyramis Index Lifecycle 2030 Commingled Pool		3,640,252 units	**	61,083,422
*	Pyramis Index Lifecycle 2035 Commingled Pool		2,850,548 units	**	50,255,166
*	Pyramis Index Lifecycle 2040 Commingled Pool		2,033,766 units	**	35,611,242
*	Pyramis Index Lifecycle 2045 Commingled Pool		1,714,691 units	**	30,212,858
*	Pyramis Index Lifecycle 2050 Commingled Pool		1,350,325 units	**	23,617,178
*	Pyramis Index Lifecycle 2055 Commingled Pool		764,996 units	**	13,731,671
*	Pyramis Index Lifecycle 2060 Commingled Pool		78,250 units	**	998,475
*	Fidelity Growth Co Pool		11,565,620 units		220,093,741
	Total Common Collective Trusts				585,851,691
*	Ryder System, Inc. common stock		1,096,963	**	92,331,376
	Total investments per net assets available for plan benefits				1,249,216,384
*	Notes receivable from participants	maturing thru 2033	3.25% - 9.5%		35,009,755
	Investments at Fair Value				$1,284,226,139

* Represents a Party-In-Interest
** Indicates a participant directed investment; the cost disclosure is not required.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Ryder System, Inc. Retirement Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

RYDER SYSTEM, INC. 401(k) SAVINGS PLAN

Date: May 31, 2018 By: /s/ Nicole Turner
Nicole Turner
Vice President of Compensation and Benefits

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
23.1	Consent of Independent Registered Certified Public Accounting Firm - BDO USA, LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ryder System, Inc. 401(k) Savings Plan
Miami, Florida

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-134113 and No. 333-177285) of Ryder System, Inc. of our report dated May 31, 2018, relating to the financial statements and supplemental schedule of Ryder System, Inc. 401(k) Savings Plan which appear in this Form 11-K for the year ended December 31, 2017.

/s/ BDO USA, LLP
Miami, Florida
May 31, 2018

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