DENNYS CORP
Form 10-K
March 11, 2011

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

Form 10-K

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

For the Fiscal Year Ended December 29, 2010

Commission file number 0-18051

DENNY'S CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-3487402
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

203 East Main Street
Spartanburg, South Carolina 29319-9966
(Address of principal executive offices)
(Zip Code)

(864) 597-8000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
$.01 Par Value, Common Stock	The Nasdaq Stock Market

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 þ

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 þ

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

Yes þ 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 ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	þ	Non-accelerated filer	o	Smaller reporting company	o
				(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $218.1 million as of June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sales price of registrant's common stock on that date of $2.60 per share and, for purposes of this computation only, the assumption that all of the registrant's directors, executive officers and beneficial owners of 10% or more of the registrant's common stock are affiliates.

As of March 1, 2011, 99,168,293 shares of the registrant's common stock, $.01 par value per share, were outstanding.

Documents incorporated by reference:
Portions of the registrant's definitive Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

The forward-looking statements included in the “Business,” “Risk Factors,” “Legal Proceedings,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures About Market Risk” sections and elsewhere herein, which reflect our best judgment based on factors currently known, involve risks and uncertainties. Words such as “expects,” “anticipates,” “believes,” “intends,” “plans,” “hopes,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Except as may be required by law, we expressly disclaim any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors including, but not limited to, the factors discussed in such sections and, in particular, those set forth in the cautionary statements contained in “Risk Factors.” The forward-looking information we have provided in this Form 10-K pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors.

PART I

Item 1. Business

Description of Business

Denny’s Corporation (Denny’s) is one of America’s largest family-style restaurant chains. Denny’s, through its wholly owned subsidiary, Denny’s, Inc., owns and operates the Denny’s restaurant brand. At December 29, 2010, the Denny’s brand consisted of 1,658 restaurants, 1,426 (86%) of which were franchised/licensed restaurants and 232 (14%) of which were company-owned and operated.

Open 24/7 in most locations, Denny’s restaurants have been providing their guests with quality food, good value and friendly service in a pleasant dining atmosphere for over 50 years. Denny’s is best known for its breakfast fare served around the clock. The Original Grand Slam®, introduced in 1977, remains one of our most popular menu items. Denny’s has increased its popularity as a lunch and dinner destination by offering something for everyone in a “come as you are” atmosphere including cravable burgers, sandwiches, salads and entrees. In addition to these products with our "always open" appeal, sharable appetizers and desserts cater to the late-night crowd.

References to "Denny's," the "Company," "we," "us," and "our" in this Form 10-K are references to Denny's Corporation and its subsidiaries.

Significant Developments

Leadership Team

Fiscal 2010 was a year of transition for our leadership team. During the year we hired Frances Allen as our Chief Marketing Officer and Robert Rodriguez as our Chief Operating Officer. Effective February 1, 2011, subsequent to fiscal 2010, John Miller joined Denny's as our President and Chief Executive Officer. Together with Mark Wolfinger, our Chief Financial Officer and Chief Administrative Officer, these positions comprise our executive leadership team.

Debt Refinancing

During the fourth quarter of 2010, we refinanced our then existing credit facility (the “Old Credit Facility”) and entered into an amended and restated senior secured credit agreement in an aggregate principal of $300 million (the “New Credit Facility”). The New Credit Facility consists of a $50 million five year senior secured revolver (with a $30 million letter of credit sublimit) and a $250 million six year senior secured term loan.

Proceeds from the New Credit Facility were used principally to repurchase or redeem the then outstanding $175 million aggregate principal amount of our 10% Senior Notes due 2012 (the "10% Notes") and to repay the $65 million term loan under the Old Credit Facility.

On March 1, 2011, subsequent to fiscal year 2010, we completed a re-pricing of the New Credit Facility to reduce the interest rates under the facility. Interest on the New Credit Facility, as amended, is payable at per annum rates equal to LIBOR plus 375 basis points, with a LIBOR floor of 1.50% for the term loan and no LIBOR floor for the revolver, compared with an interest rate of LIBOR plus 475 basis points and a LIBOR floor of 1.75% for both the revolver and the term loan prior to the re-pricing.

Share Repurchase

The New Credit Facility permits the payment of cash dividends and/or the purchase of Denny's stock subject to certain limitations. In November 2010, the Board of Directors approved a share repurchase program authorizing us to repurchase up to 3.0 million shares of our Common Stock. Under the program, we may, from time to time, purchase shares through December 31, 2011 in the open market (including pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Securities Exchange Act of 1934) or in privately negotiated transactions, subject to market and business conditions. As of December 29, 2010, we had repurchased 1,036,800 shares of Common Stock for approximately $3.9 million under the share repurchase program.

For more information see "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Dividends and Share Repurchases."

Business Strategy

During 2010, we focused on the following initiatives, which we believe are important steps to making the Denny's brand the leading family-style restaurant in the nation:

Traditional Development

We continued our Franchise Growth Initiative ("FGI") to increase franchise restaurant development through the sale of certain geographic clusters of company restaurants to both current and new franchisees. As of December 29, 2010, the total number of company restaurants sold since our FGI program began in early 2007 is 314. Fulfilling the unit growth expectations of this program, certain franchisees that purchased company restaurants during the year also signed development agreements to build additional new franchise restaurants. In addition to franchise development agreements signed under our FGI, we have been negotiating development agreements outside of our FGI program under our Market Growth Incentive Plan ("MGIP"). Over the last 30 months we have signed development agreements for 204 new restaurants under our FGI and MGIP programs, 87 of which have opened. The majority of the units in the pipeline are expected to open over the next five years. While the majority of the units scheduled under MGIP agreements are on track, from time to time some of our franchisees' ability to grow and meet their development commitments is hampered by the economy and the difficult lending environment.

Non-Traditional Development

During 2010, Denny's was selected as the full-service restaurant operator of choice for Pilot Travel Centers LLC ("Pilot"). Also, during the year, Pilot merged with Flying J Travel Centers ("Flying J"). Now named Pilot Flying J, the company is North America's largest retail operator of travel centers. We began converting former Flying J restaurant operations in July 2010 and as of December 29, 2010 had converted 100 sites, 21 of which operate as company restaurants and 79 of which operate as franchise restaurants. We plan to convert up to a total of 125 Flying J full-service restaurants to Denny's. We also expect to open up to an additional 50 Denny's restaurants in existing and proposed Pilot Travel Centers over the next several years.

Additionally during 2010, we expanded the Denny's brand to include university campus and fast-casual locations. We opened six franchised locations on university campuses during 2010, which operate under either the Denny's Fresh Express® or Denny's AllNighter® names. We expect to open an additional ten university locations in 2011. Two company-operated fast-casual Denny's Cafe locations were opened as test sites during 2010. We expect to open two additional fast-casual Denny's Cafe test sites in 2011.

International Development

We opened one franchised location in Honduras during 2010 and expect to open several international locations during 2011. We believe that there is a significant opportunity for development of the Denny's brand in several international growth markets.

Ongoing Transition to a Franchise Focused Business Model

As a result of the development efforts described above, over the past five years we have transitioned from a portfolio mix of 66% franchised and 34% company-operated to a portfolio mix of 86% franchised and 14% company-operated. Our targeted portfolio mix is 90% franchised and 10% company-operated. We anticipate achieving this goal through a combination of new franchise unit growth and the sale of restaurants to franchisees over the next couple of years. We expect that the future growth of the brand will come primarily from the development of franchise restaurants. The following table summarizes the changes in the number of company-owned and franchised and licensed restaurants during the past five years:

	2010	2009	2008	2007	2006
Company-owned restaurants, beginning of period	233	315	394	521	543
Units opened	24	1	3	5	3
Units relocated	1	—	—	—	—
Units acquired from franchisees	—	—	—	1	1
Units sold to franchisees	(24)	(81)	(79)	(130)	—
Units closed (including units relocated)	(2)	(2)	(3)	(3)	(26)
End of period	232	233	315	394	521
Franchised and licensed restaurants, beginning of period	1,318	1,226	1,152	1,024	1,035
Units opened	112	39	31	18	17
Units relocated	4	3	1	4	1
Units acquired by Company	—	—	—	(1)	(1)
Units purchased from Company	24	81	79	130	—

Units closed (including units relocated)	(32)	(31)	(37)	(23)	(28)
End of period	1,426	1,318	1,226	1,152	1,024
Total restaurants, end of period	1,658	1,551	1,541	1,546	1,545

The table below sets forth information regarding the distribution of single-store and multi-store franchisees as of December 29, 2010:

	Franchisees	Percentage of Franchisees	Restaurants	Percentage of Restaurants
One	93	35.0%	93	6.5%
Two to five	111	41.7%	325	22.8%
Six to ten	31	11.7%	224	15.7%
Eleven to fifteen	11	4.1%	143	10.0%
Sixteen to thirty	12	4.5%	269	18.9%
Thirty-one and over	8	3.0%	372	26.1%
Total	266	100.0%	1,426	100.0%

Value Menu

Responding to the economic downturn and cost-conscious consumers, during 2010, Denny’s introduced a $2-$4-$6-$8 Value Menu that crosses all dayparts. We balance this focus on value by offering innovative limited time products. Together, these items have proven to be an effective sales and traffic driver.

Restaurant Operations

We believe that the superior execution of basic restaurant operations in each Denny’s restaurant, whether it is company-owned or franchised, is critical to our success. To meet and exceed our guests’ expectations, we require both our company-owned and our franchised restaurants to maintain the same strict brand standards. These standards relate to the preparation and efficient serving of quality food and the maintenance, repair and cleanliness of restaurants.

We devote significant effort to ensuring all restaurants offer quality food served by friendly, knowledgeable and attentive employees in a clean and well-maintained restaurant. We seek to ensure that our company-owned restaurants meet our high standards through a network of regional Directors of Company Operations, Company Regional Managers, Company District Managers and restaurant level managers, all of whom spend the majority of their time in the restaurants. A network of Regional Directors of Franchise Operations and Franchise Business Leaders oversee our franchised restaurants to ensure compliance with brand standards, promote operational excellence and provide general support to our franchisees.

A principal feature of Denny’s restaurant operations is the consistent focus on improving operations at the unit level. Unit managers are hands-on and versatile in their supervisory activities. Many of our restaurant management personnel began as hourly associates in the restaurants and, therefore, know how to perform restaurant functions and are able to train by example.

Denny’s maintains professional training programs for hourly associates and restaurant managers. Hourly associate training programs are position specific and focus on skills and tasks necessary to successfully fulfill the responsibilities assigned to them while continually enhancing guest satisfaction. Denny's Manager In Training (“MIT”) program is conducted at Designated Training Restaurants. The MIT program is required for all company new hires and internal promotes, and is available for use by Denny's franchisees to train their managers to Denny's standards. The mission of the MIT program is to provide managers with the knowledge and leadership skills needed to successfully run a Denny's restaurant.

Franchising and Development

Our criteria to become a Denny’s franchisee include minimum liquidity and net worth requirements and appropriate operational experience. We believe that Denny’s is an attractive financial proposition for current and potential franchisees and that our fee structure is competitive with other full service brands. The initial fee for a single twenty-year Denny’s franchise agreement is $40,000 and the royalty payment is up to 4% of gross sales. Additionally, our franchisees are required to contribute up to 4% of gross sales for advertising and may make additional advertising contributions as part of a local marketing co-operative.

Site Selection

The success of any restaurant is influenced significantly by its location. Our development team works closely with franchisees and real estate brokers to identify sites which meet specific standards. Sites are evaluated on the basis of a variety of factors, including but not limited to:

- demographics;
- traffic patterns;
- visibility;
- building constraints;
- competition;
- environmental restrictions; and

- proximity to high-traffic consumer activities.

Research and Innovation

Denny’s is a consumer-driven brand with particular focus on hospitality, menu choices, marketing strategy, and overall guest experience. We rely on consumer insights obtained through secondary and primary qualitative and quantitative studies. These insights form the strategic foundation for menu architecture, pricing, promotion and advertising. The added-value of these insights and strategic understandings also assist our Restaurant Operations and Information Technology staffs in the evaluation and development of new restaurant processes and upgraded restaurant equipment that may enhance our speed of service, food quality and order accuracy.

Through this consumer-focused effort, we are successfully innovating our brand and concept, striving for continued relevance and brand differentiation. This allows us the opportunity to protect margins, gain market share and efficiently maximize our research investment.

Marketing and Advertising

Denny’s marketing team employs integrated marketing and advertising strategies that promote the Denny’s brand. Communications strategy, media, advertising, menu management, product innovation and development, consumer insights, public relations, field marketing and national promotions all fall under the marketing umbrella.

Our marketing campaigns, including broadcast advertising, focus on amplifying Denny's brand strengths with what consumers want – it’s about choice with made-to-order variety and an emphasis on breakfast at an affordable value offered all day, every day. On a national level and through recently formed local co-operatives, the campaigns reach their consumer targets through network, cable and local television, radio, online, digital, social, outdoor and print.

Product Development

Denny’s Product Development team works closely with consumer insights to create menu choices that are relevant to our consumers and align with current menu trends. Input and ideas from our franchisees, vendors and operators can also be integrated into this process. Before a new menu item can be brought to fruition, it is rigorously tested by standards of culinary discipline, food science and technology, nutritional analysis and operational execution. This testing process ensures that new menu items are not only appealing and marketable, but can be prepared and delivered with excellence in our restaurants.

Product Sources and Availability

Our purchasing department administers programs for the procurement of food and non-food products. Our franchisees also purchase food and non-food products directly from the vendors under these programs. Our centralized purchasing program is designed to ensure uniform product quality as well as to minimize food, beverage and supply costs. Our size provides significant purchasing power which often enables us to obtain products at favorable prices from nationally recognized manufacturers.

While nearly all products are contracted for by our purchasing department, the majority are purchased and distributed through Meadowbrook Meat Company, or MBM, under a long-term distribution contract. MBM distributes restaurant products and supplies to the Denny's system from nearly 230 vendors, representing approximately 89% of our restaurant product and supply purchases. We believe that satisfactory sources of supply are generally available for all the items regularly used by our restaurants. We have not experienced any material shortages of food, equipment, or other products which are necessary to our restaurant operations.

Brand Protection & Quality

Denny's will only serve our guests food that is safe, wholesome and that meets our quality standards. Our systems, from the supply chain through our restaurants, are based on Hazard Analysis and Critical Control Points (HACCP), whereby we prevent, eliminate, or reduce hazards to a safe level to protect the health of the employees and guests. To ensure this basic expectation to our guests, Denny's also has risk-based systems in place to validate only approved vendors and distributors which meet and follow our product specifications and food handling procedures. Vendors, distributors and restaurants employees follow regulatory requirements (federal, state & local), industry "best practices" and Denny's Brand Standards.

We use multiple approaches including third party unannounced restaurant inspections (utilizing Denny's Brand Protection Reviews), health department reviews, and employee/manager training in their respective roles. If operational brand standard expectations are not met, a remediation process is immediately initiated. Our HACCP system uses nationally recognized food safety training courses and American National Standards Institute accredited certification programs.

All Denny's restaurants are required to have a person certified in food protection on duty for all hours of operation. Our Food Safety/HACCP program has been recognized nationally by regulatory departments, industry, and our peers as one of the best. We have established a strong food safety culture within Denny's. We continue to be leading edge advocates for the advancement of food safety within the industry's organizations such as National Council of Chain Restaurants (NCCR), National Restaurant Association (NRA) and Quality Assurance Executive Study Groups.

Seasonality

Restaurant sales are generally higher in the second and third calendar quarters (April through September) than in the first and fourth calendar quarters (October through March). Additionally, severe weather, storms and similar conditions may impact sales volumes seasonally in some operating regions.

Trademarks and Service Marks

Through our wholly owned subsidiaries, we have certain trademarks and service marks registered with the United States Patent and Trademark Office and in international jurisdictions, including "Denny's" and "Grand Slam Breakfast". We consider our trademarks and service marks important to the identification of our restaurants and believe they are of material importance to the conduct of our business. Domestic trademark and service mark registrations are renewable at various intervals from 10 to 20 years. International trademark and service mark registrations have various durations from 5 to 20 years. We generally intend to renew trademarks and service marks which come up for renewal. We own or have rights to all trademarks we believe are material to our restaurant operations. In addition, we have registered various domain names on the internet that incorporate certain of our trademarks and service marks, and believe these domain name registrations are an integral part of our identity. From time to time, we may resort to legal measures to defend and protect the use of our intellectual property.

Competition

The restaurant industry is highly competitive. Restaurants compete on the basis of name recognition and advertising; the price, quality, variety, and perceived value of their food offerings; the quality and speed of their guest service; and the convenience and attractiveness of their facilities.

Denny’s direct competition in the family-style category includes a collection of national and regional chains, as well as thousands of independent operators. Denny’s also competes with quick service restaurants as they attempt to upgrade their menus with premium sandwiches, entree salads, new breakfast offerings and extended hours.

We believe that Denny’s has a number of competitive strengths, including strong brand name recognition, well-located restaurants and market penetration. We benefit from economies of scale in a variety of areas, including advertising, purchasing and distribution. Additionally, we believe that Denny’s has competitive strengths in the value, variety, and quality of our food products, and in the quality and training of our employees. See “Risk Factors” for certain additional factors relating to our competition in the restaurant industry.

Economic, Market and Other Conditions

The restaurant industry is affected by many factors, including changes in national, regional and local economic conditions affecting consumer spending, the political environment (including acts of war and terrorism), changes in customer travel patterns, changes in socio-demographic characteristics of areas where restaurants are located, changes in consumer tastes and preferences, increases in the number of restaurants, unfavorable trends affecting restaurant operations, such as rising wage rates, healthcare costs, utilities expenses and unfavorable weather. See "Risk Factors" for additional information.

Government Regulations

We and our franchisees are subject to local, state and federal laws and regulations governing various aspects of the restaurant business.

The operation of our franchise system is also subject to regulations enacted by a number of states and rules promulgated by the Federal Trade Commission. We believe we are in material compliance with applicable laws and regulations, but we cannot predict the effect on operations of the enactment of additional regulations in the future.

We are also subject to federal and state laws, including the Fair Labor Standards Act, governing matters such as minimum wage, tip reporting, overtime, exempt status classification and other working conditions. A substantial number of our employees are paid the minimum wage. Accordingly, increases in the minimum wage or decreases in the allowable tip credit (which reduces wages deemed to be paid to tipped employees in certain states) increase our labor costs. This is especially true for our operations in California, where there is no tip credit. Employers must pay the higher of the federal or state minimum wage. We have attempted to offset increases in the minimum wage through pricing and various cost control efforts; however, there can be no assurance that we will be successful in these efforts in the future.

Environmental Matters

Federal, state and local environmental laws and regulations have not historically had a material impact on our operations; however, we cannot predict the effect of possible future environmental legislation or regulations on our operations.

Executive Officers of the Registrant

The following table sets forth information with respect to each executive officer of Denny’s:

Name	Age	Current Principal Occupation or Employment and Five-Year Employment History
Frances L. Allen	48	Executive Vice President and Chief Marketing Officer of Denny's (July, 2010-present); Chief Marketing Officer of Dunkin' Donuts, USA (2007-2009); Vice President, Marketing of Sony Ericsson Mobile Communication (2004-2007).
John C. Miller	55	Chief Executive Officer and President of Denny’s (February, 2011-present); Chief Executive Officer and President of Taco Bueno Restaurants, Inc. (an operator and franchisor of quick service Mexican eateries) (2005 - February, 2011); President of Romano's Macaroni Grill (1997-2004).
Robert Rodriguez	58	Executive Vice President and Chief Operating Officer of Denny's (September, 2010-present); President and Chief Operating Officer of Pick Up Stix (a multi-divisional franchise company in the Asian quick casual segment) (2008-2010); President of Dunkin' Donuts (2004-2008).
F. Mark Wolfinger	55	Executive Vice President and Chief Administrative Officer of Denny’s (April, 2008-present); Executive Vice President, Growth Initiatives of Denny's (October, 2006-April, 2008); Chief Financial Officer of Denny’s (2005-present); Senior Vice President of Denny's (2005-October, 2006); Executive Vice President and Chief Financial Officer of Danka Business Systems (a document imaging company) (1998-2005).

Employees

At December 29, 2010, we had approximately 11,500 employees, none of whom are subject to collective bargaining agreements. Many of our restaurant employees work part-time, and many are paid at or slightly above minimum wage levels. As is characteristic of the restaurant industry, we experience a high level of turnover among our restaurant employees. We have experienced no significant work stoppages, and we consider relations with our employees to be satisfactory.

The staff for a typical restaurant consists of one general manager, two or three restaurant managers and approximately 45 hourly employees. In addition, we employ two Divisional Vice Presidents, Company Directors of Operations, Franchise Regional Directors of Operations, Company Regional Managers, Company District Managers and Franchise Business Leaders. The Directors of Operations', Regional Managers', District Managers' and Business Leaders' duties include regular restaurant visits and inspections, which ensure the ongoing maintenance of our standards of quality, service, cleanliness, value, and courtesy.

Available Information

We make available free of charge through our website at www.dennys.com (in the Investor Relations—SEC Filings section) copies of materials that we file with, or furnish to, the Securities and Exchange Commission ("SEC"), including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

Item 1A. Risk Factors

We caution you that our business and operations are subject to a number of risks and uncertainties. The factors listed below are important factors that could cause actual results to differ materially from our historical results and from projections in forward-looking statements contained in this Form 10-K, in our other filings with the SEC, in our news releases and in public statements made orally by our representatives.

Risks Related to Our Business

Our financial condition depends on our ability and the ability of our franchisees to operate restaurants profitably, to generate positive cash flows and to generate acceptable returns on invested capital. The returns and profitability of our restaurants may be negatively impacted by a number of factors, including those described below.

Food service businesses are often adversely affected by changes in:

- consumer tastes;
- consumer spending habits;
- global, national, regional and local economic conditions; and
- demographic trends.

The performance of our individual restaurants may be adversely affected by factors such as:

- traffic patterns;
- demographic considerations; and
- the type, number and location of competing restaurants.

Multi-unit food service chains such as ours can also be adversely affected by publicity resulting from:

- poor food quality;
- food-related illness;
- injury; and
- other health concerns or operating issues.

Dependence on frequent deliveries of fresh produce and groceries subjects food service businesses to the risk that shortages or interruptions in supply caused by adverse weather or other conditions could adversely affect the availability, quality and cost of ingredients. In addition, the food service industry in general, and our results of operations and financial condition in particular, may also be adversely affected by unfavorable trends or developments such as:

- inflation;
- increased food costs;
- increased energy costs;
- labor and employee benefits costs (including increases in minimum hourly wage and employment tax rates and health care and workers' compensation cost);
- regional weather conditions; and
- the availability of experienced management and hourly employees.

A comprehensive U.S. health care reform law was enacted in 2010. We are evaluating the impact the new law will have on us and our employees. Although we cannot predict with certainty the financial and operational impacts the new law will have on us and our franchisees, we expect that our expenses will increase over the long term as a result of the law, particularly in 2014, and any such increases could be large enough to materially impact our results of operations.

A decline in general economic conditions could adversely affect our financial results.

Consumer spending habits, including discretionary spending on dining out at restaurants such as ours, are affected by many factors, including:

- prevailing economic conditions;
- energy costs, especially gasoline prices;
- levels of employment;
- salaries and wage rates;
- consumer confidence; and
- consumer perception of economic conditions.

Continued weakness or uncertainty of the United States economy as a result of reactions to consumer credit availability, increasing energy prices, inflation, increasing interest rates, unemployment, war, terrorist activity or other unforeseen events could adversely affect consumer spending habits, which may result in lower restaurant sales.

The locations where we have restaurants may cease to be attractive as demographic patterns change.

The success of our owned and franchised restaurants is significantly influenced by location. Current locations may not continue to be attractive as demographic patterns change. It is possible that the neighborhood or economic conditions where our restaurants are located could decline in the future, potentially resulting in reduced sales in those locations.

A majority of Denny's restaurants are owned and operated by independent franchisees, and as a result the financial performance of franchisees can negatively impact our business.

As we are heavily franchised, our financial results are contingent upon the operational and financial success of our franchisees. We receive royalties and contributions to advertising and, in some cases, lease payments from our franchisees. We prescribe to our franchisees operational standards, guidelines and strategic plans; however, we have limited control over how our franchisees' businesses are run. While we are responsible for ensuring the success of our entire chain of restaurants and for taking a longer term view with respect to system improvements, our franchisees have individual business strategies and objectives, which might sometimes conflict with our interests. Our franchisees may not be able to secure adequate financing to open or continue operating their Denny's restaurants. If they incur too much debt or if economic or sales trends deteriorate such that they are unable to repay existing debt, it could result in financial distress or even bankruptcy. If a significant number of franchisees become financially distressed, it could harm our operating results through reduced royalties and lease income.

For 2010, our ten largest franchisees accounted for approximately 33% of our franchise revenue. The balance of our franchise revenue is derived from the remaining 256 franchisees. Although the loss of revenues from the closure of any one franchise restaurant may not be material, such revenues generate margins that may exceed those generated by other restaurants or offset fixed costs which we continue to incur.

Our growth strategy depends on our ability and that of our franchisees to open new restaurants. Delays or failures in opening new restaurants could adversely affect our planned growth.

The development of new restaurants may be adversely affected by risks such as:

- costs and availability of capital for the Company and/or franchisees;
- competition for restaurant sites;
- negotiation of favorable purchase or lease terms for restaurant sites;
- inability to obtain all required governmental approvals and permits;
- developed restaurants not achieving the expected revenue or cash flow; and
- general economic conditions.

The restaurant business is highly competitive, and if we are unable to compete effectively, our business will be adversely affected.

We expect competition to continue to increase. The following are important aspects of competition:

- restaurant location;
- number and location of competing restaurants;
- food quality and value;
- training, courtesy and hospitality standards;
- availability of and quality of staff;
- dietary trends, including nutritional content;
- quality and speed of service;
- attractiveness and repair and maintenance of facilities; and
- the effectiveness of marketing and advertising programs.

Each of our restaurants competes with a wide variety of restaurants ranging from national and regional restaurant chains to locally owned restaurants. There is also active competition for advantageous commercial real estate sites suitable for restaurants.

Many factors, including those over which we have no control, affect the trading price of our stock.

Factors such as reports on the economy or the price of commodities, as well as negative or positive announcements by competitors, regardless of whether the report directly relates to our business, could have an impact of the trading price of our stock. In addition to investor expectations about our prospects, trading activity in our stock can reflect the portfolio strategies and investment allocation changes of institutional holders, as well as non-operating initiatives such as a share repurchase program. Any failure to meet market expectations whether for sales growth rates, refranchising goals, earnings per share or other metrics could cause our share price to decline.

Our reputation and business could be materially harmed as a result of the failure to protect the integrity and security of guest information.

We receive and maintain certain personal information about our guests. Our use of this information is regulated at the federal and state levels, as well as by certain third party contracts. If our security and information systems are compromised or our business associates fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, as well as operations, results of operations and financial condition, and could result in litigation against us or the imposition of penalties. As privacy and information security laws and regulations change, we may incur additional costs to ensure we remain in compliance.

Numerous government regulations impact our business, and our failure to comply with them could adversely affect our business.

We and our franchisees are subject to federal, state and local laws and regulations governing, among other things:

- health;
- sanitation;
- land use, sign restrictions and environmental matters;
- safety;
- the sale of alcoholic beverages; and
- hiring and employment practices, including minimum wage laws and fair labor standards.

Our restaurant operations are also subject to federal and state laws that prohibit discrimination and laws regulating the design and operation of facilities, such as the Americans with Disabilities Act of 1990. The operation of our franchisee system is also subject to regulations enacted by a number of states and rules promulgated by the Federal Trade Commission. If we or our franchisees fail to comply with these laws and regulations, we or our franchisees could be subjected to restaurant closure, fines, penalties, and litigation, which may be costly and could adversely affect our results of operations and financial condition. In addition, the future enactment of additional legislation regulating the franchise relationship could adversely affect our operations.

Negative publicity generated by incidents at a few restaurants can adversely affect the operating results of our entire chain and the Denny’s brand.

Food safety concerns, criminal activity, alleged discrimination or other operating issues stemming from one restaurant or a limited number of restaurants do not just impact that particular restaurant or a limited number of restaurants. Rather, our entire chain of restaurants may be at risk from negative publicity generated by an incident at a single restaurant. This negative publicity can adversely affect the operating results of our entire chain and the Denny’s brand.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success significantly depends on the continued services and performance of our key management personnel. Our future performance will depend on our ability to motivate and retain these and other key officers and key team members, particularly regional and area managers and restaurant general managers. Competition for these employees is intense. The loss of the services of members of our senior management or key team members or the inability to attract additional qualified personnel as needed could harm our business.

If our internal controls are ineffective, we may not be able to accurately report our financial results or prevent fraud.

We maintain a documented system of internal controls which is reviewed and tested by the Company’s full time Internal Audit Department. The Internal Audit Department reports to the Audit Committee of the Board of Directors. We believe we have a well-designed system to maintain adequate internal controls on the business; however, we cannot be certain that our controls will be adequate in the future or that adequate controls will be effective in preventing errors or fraud. Any failures in the effectiveness of our internal controls could have an adverse effect on our operating results or cause us to fail to meet reporting obligations.

Risks Related to our Indebtedness

Our indebtedness could have an adverse effect on our financial condition and operations.

On September 30, 2010, in connection with a refinancing of our then existing indebtedness, we amended and restated our Old Credit Facility by entering into the New Credit Facility. The New Credit Facility consists of a $50 million five year senior secured revolver (with a $30 million letter of credit sublimit) and a $250 million six year senior secured term loan. A portion of the proceeds of the New Credit Facility were used to repurchase or redeem our previously outstanding $175 million aggregate principal amount of 10% Notes. As of December 29, 2010, we had total indebtedness of approximately $263.3 million.

Our level of indebtedness could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- require us to continue to dedicate a substantial portion of our cash flow from operations to pay interest and principal on our indebtedness, which would reduce the availability of our cash flow to fund future working capital, capital expenditures, acquisitions and other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from making strategic acquisitions or pursuing business opportunities;
- place us at a competitive disadvantage compared to our competitors that may have less indebtedness; and
- limit our ability to borrow additional funds.

Despite our current and anticipated debt levels, we may be able to incur substantial additional indebtedness in the future. The credit agreement governing our indebtedness limits, but does not fully prohibit, us from incurring additional indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify.

We continue to monitor our cash flow and liquidity needs. Although we believe that our existing cash balances, funds from operations and amounts available under our New Credit Facility will be adequate to cover those needs, we may seek additional sources of funds including additional financing sources and continued selected asset sales, to maintain sufficient cash flow to fund our ongoing operating needs, pay interest and scheduled debt amortization and fund anticipated capital expenditures over the next twelve months. There are no material debt maturities until September 2015. If we are unable to satisfy or refinance our current debt as it comes due, we may default on our debt obligations. If we default on payments under our debt obligations, virtually all of our other debt would become immediately due and payable.

For additional information concerning our indebtedness see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Our debt instruments include restrictive covenants. These covenants may restrict or prohibit our ability to engage in or enter a variety of transactions. A breach of these covenants could cause acceleration of a significant portion of our outstanding indebtedness.

The credit agreement governing our indebtedness contains various covenants that limit, among other things, our ability to:

- incur additional indebtedness;
- pay dividends or make distributions or certain other restricted payments;
- make certain investments;
- create dividend or other payment restrictions affecting restricted subsidiaries;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness;
- enter into transactions with stockholders or affiliates;
- create liens;
- sell assets and use the proceeds thereof;
- engage in sale-leaseback transactions; and
- enter into certain mergers and consolidations.

These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger, acquisition or other corporate opportunities and to fund our operations.

Our credit agreement contains additional restrictive covenants, including financial maintenance requirements. Our ability to comply with these covenants may be affected by events beyond our control (such as uncertainties related to the current economy), and we cannot be sure that we will be able to comply with these covenants

A breach of a covenant or other provision in any debt instrument governing our current or future indebtedness could result in a default under that instrument and, due to cross-default and cross-acceleration provisions, could result in a default under our other debt instruments. Upon the occurrence of an event of default under any of our debt instruments, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them, if any, to secure the indebtedness. If the lenders under our current or future indebtedness accelerate the payment of the indebtedness, we cannot be sure that our assets would be sufficient to repay in full our outstanding indebtedness.

As a holding company, Denny’s Corporation depends on upstream payments from its operating subsidiaries. Accordingly, its ability to pay its obligations and to make any distributions to its shareholders depends on the performance of those subsidiaries and their ability to make distributions to Denny’s Corporation.

A substantial portion of our assets are owned, and a substantial percentage of our total operating revenues are earned, by our subsidiaries. Accordingly, Denny’s Corporation depends upon dividends, loans and other intercompany transfers from these subsidiaries to meet its obligations. These transfers may be subject to contractual and other restrictions.

The subsidiaries are separate and distinct legal entities and they have no obligation to Denny's Corporation, contingent or otherwise (other than under the New Credit Facility with respect to which Denny’s Corporation is a guarantor and certain of its subsidiaries are borrowers), to make any funds available to meet its obligations, whether by dividend, distribution, loan or other payments. If the subsidiaries do not pay dividends or other distributions, Denny’s Corporation may not have sufficient cash to fulfill its obligations.

Our ability to make scheduled payments on our indebtedness will depend upon our subsidiaries’ operating performance, which will be affected by general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our historical financial results have been, and our future financial results are expected to be, subject to substantial fluctuations. We cannot be sure that our subsidiaries will generate sufficient cash flow from operations to enable us to service or reduce our indebtedness or to fund our other liquidity needs.

If we are unable to meet our debt service obligations or fund our other liquidity needs, our subsidiaries may need to refinance all or a portion of their indebtedness on or before maturity or seek additional equity capital. We cannot be sure that they will be able to pay or refinance our indebtedness or that we will be able to obtain additional equity capital on commercially reasonable terms, or at all, especially in a difficult economic environment.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Most Denny's restaurants are free-standing facilities, with property sizes averaging approximately one acre. The restaurant buildings average between 3,800 - 4,800 square feet, allowing them to accommodate an average of 130-150 guests. The number and location of our restaurants as of December 29, 2010 and December 30, 2009 are presented below:

	2010			2009		
State/Country	Company-Owned	Franchised / Licensed	Total	Company-Owned	Franchised / Licensed	Total
Alabama	—	4	4	—	3	3
Alaska	—	3	3	—	3	3
Arizona	10	68	78	18	58	76
Arkansas	—	9	9	—	9	9
California	74	346	420	80	328	408
Colorado	8	19	27	7	19	26
Connecticut	—	8	8	—	8	8
Delaware	1	—	1	1	—	1
District of Columbia	—	1	1	—	1	1
Florida	22	136	158	22	132	154
Georgia	1	15	16	—	14	14
Hawaii	6	3	9	5	3	8
Idaho	—	9	9	—	7	7
Illinois	19	38	57	17	35	52
Indiana	1	36	37	1	32	33
Iowa	—	3	3	—	1	1
Kansas	—	8	8	—	8	8
Kentucky	8	7	15	6	6	12
Louisiana	1	2	3	1	1	2
Maine	—	6	6	—	6	6
Maryland	3	21	24	3	20	23
Massachusetts	—	6	6	—	6	6
Michigan	6	16	22	9	13	22
Minnesota	—	13	13	—	14	14
Mississippi	—	2	2	—	1	1
Missouri	7	32	39	4	30	34
Montana	—	5	5	—	4	4
Nebraska	—	3	3	—	1	1
Nevada	8	24	32	8	22	30
New Hampshire	—	3	3	—	3	3
New Jersey	3	5	8	2	8	10
New Mexico	—	26	26	—	24	24
New York	1	48	49	1	42	43
North Carolina	—	20	20	—	19	19
North Dakota	—	4	4	—	4	4
Ohio	3	35	38	4	28	32
Oklahoma	—	16	16	—	13	13

Oregon	—	24	24	—	24	24
Pennsylvania	18	22	40	17	19	36
Rhode Island	—	2	2	—	2	2
South Carolina	—	16	16	—	14	14
South Dakota	—	3	3	—	2	2
Tennessee	2	4	6	1	3	4
Texas	19	157	176	20	140	160
Utah	—	23	23	—	21	21
Vermont	—	2	2	—	2	2
Virginia	10	20	30	6	19	25
Washington	—	46	46	—	50	50
West Virginia	—	2	2	—	2	2
Wisconsin	—	18	18	—	17	17
Wyoming	1	—	1	—	—	—
Guam	—	2	2	—	2	2
Puerto Rico	—	11	11	—	11	11
Canada	—	58	58	—	49	49
Other International	—	16	16	—	15	15
Total	232	1,426	1,658	233	1,318	1,551

Of the total 1,658 units in the Denny's brand, our interest in restaurant properties consists of the following:

	Company-Owned Units	Franchised Units	Total
Own land and building	51	41	92
Lease land and own building	16	—	16
Lease both land and building	165	374	539
	232	415	647

We have generally been able to renew our restaurant leases as they expire at then-current market rates. The remaining terms of leases range from less than one to approximately 22 years, including optional renewal periods. In addition to the restaurants, we own an 18-story, 187,000 square foot office building in Spartanburg, South Carolina, which serves as our corporate headquarters. Our corporate offices currently occupy approximately 16 floors of the building, with a portion of the building leased to others.

See Note 11 to our Consolidated Financial Statements for information concerning encumbrances on substantially all of our properties.

Item 3. Legal Proceedings

On July 23, 2010, the Company received notice that our former Chief Executive Officer had elected to arbitrate issues with respect to the settlement of any outstanding obligations related to his departure. As a result, we recorded $2.3 million of severance and other restructuring charges. On November 2, 2010, we settled all outstanding obligations related to this matter.

There are various other claims and pending legal actions against or indirectly involving us, including actions concerned with civil rights and safety of employees and guests, other employment related matters, taxes, sales of franchise rights and businesses and other matters. Based on our examination of these matters and our experience to date, we have recorded liabilities reflecting our best estimate of loss, if any, with respect to these matters. However, the ultimate disposition of these matters cannot be determined with certainty.

Item 4. Reserved

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed under the symbol “DENN” and trades on the NASDAQ Capital Market. The following table lists the high and low sales prices of the common stock for each quarter of fiscal years 2010 and 2009, according to NASDAQ.

	High	Low
2010		
First quarter	$ 3.99	$ 2.16
Second quarter	3.99	2.45
Third quarter	2.98	2.29
Fourth quarter	3.84	2.93

2009		
First quarter	$ 2.23	$ 1.15
Second quarter	3.10	1.60
Third quarter	2.87	2.07
Fourth quarter	3.02	2.14

Stockholders

As of March 1, 2011, 99,168,293 shares of common stock were outstanding, and there were approximately 12,740 record and beneficial holders of common stock.

Dividends and Share Repurchases

Historically, we have not paid dividends on our common equity securities and our Old Credit Facility contained restrictions that prohibited us from doing so. Our New Credit Facility allows for the payment of cash dividends and/or the purchase of Common Stock subject to certain limitations and continued maintenance of all relevant covenants before and after any such payment of any dividend or stock purchase. The determination of the aggregate amount available for such dividends or stock purchases is based on the following:

- a $10 million amount that can be used immediately or from time to time during the term of the facility subject to a reduction for the use of such amount for certain investments and capital expenditures;
- starting in 2011, an annual aggregate amount equal to $0.05 times the number of outstanding shares of Common Stock, that may not be carried forward to a future year if unused; and
- starting in 2011, an annual amount based on Excess Cash Flow, as defined by the Credit Agreement, with the percentage available for any dividend or stock repurchase either set at 50% or 75% of said Excess Cash Flow based on achievement of certain financial ratios with the amount carried forward to future years if unused.

As of December 29, 2010, as more fully described in the table below, we had repurchased 1,036,800 shares of Common Stock for approximately $3.9 million under the share repurchase program that was approved by the Board of Directors in November 2010.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)(2)	Maximum Number of Shares that May Yet be Purchased Under the Program (2)
	(In thousands, except per share amounts)			
December 2010	1,037	$ 3.72	1,037	1,963
Total 2010	1,037	$ 3.72	1,037	1,963

(1) On November 9, 2010, we announced that our Board of Directors had approved the repurchase of 3 million shares of Common Stock, which may take place from time to time on the open market (including in pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Securities Exchange Act of 1934) or through negotiated transactions, subject to market and business conditions.
(2) As of December 29, 2010, we had purchased 1,036,800 share of Common Stock, for aggregate consideration of approximately $3.9 million, pursuant to the share repurchase program, leaving an additional 1,963,200 shares remaining authorized for purchase under the program. Our share repurchase program expires December 31, 2011.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 29, 2010 with respect to our compensation plans under which equity securities of Denny's Corporation are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans	
Equity compensation plans approved by security holders	7,190,216	(1)	$ 2.74	2,390,014	(2)
Equity compensation plans not approved by security holders	650,000	(3)	3.20	850,000	(4)
Total	7,840,216		$ 2.76	3,240,014	

(1) Includes shares issuable pursuant to the grant or exercise of awards under the Denny's Corporation 2008 Omnibus Incentive Plan (the "2008 Omnibus Plan"), the Denny's Corporation Amended and Restated 2004 Omnibus Incentive Plan (the "2004 Omnibus Plan"), the Denny's Inc. Omnibus Incentive Compensation Plan for Executives, the

Advantica Stock Option Plan and the Advantica Restaurant Group Director Stock Option Plan (collectively, the "Denny's Incentive Plans").

(2) Includes shares of Common Stock available for issuance as awards of stock options, restricted stock, restricted stock units, deferred stock units and performance awards, under the 2008 Omnibus Plan and the 2004 Omnibus Plan.

(3) Includes shares issuable pursuant to the grant or exercise of employment inducement awards of stock options and restricted stock units granted outside of the Denny's Incentive Plans in accordance with NASDAQ Listing Rule 5635(c)(4).

(4) Includes shares of Common Stock available for issuance as awards of stock options and restricted stock units outside of the Denny's Incentive Plans in accordance with NASDAQ Listing Rule 5635(c)(4).

Performance Graph

The following graph compares the cumulative total stockholders' return on our Common Stock for the five fiscal years ended December 29, 2010 (December 28, 2005 to December 29, 2010) against the cumulative total return of the Russell 2000® Index and a peer group. The graph and table assume that $100 was invested on December 28, 2005 (the last day of fiscal year 2005) in each of the Company's Common Stock, the Russell 2000® Index and the peer group and that all dividends were reinvested.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN AMONG
DENNY'S CORPORATION, RUSSELL 2000® INDEX AND PEER GROUP

ASSUMES $100 INVESTED ON DECEMBER 28, 2005
ASSUMES DIVIDENDS REINVESTED
FISCAL YEAR ENDED DECEMBER 29, 2010

	Russell 2000® Index (1)	Peer Group (2)	Denny's Corporation
December 28, 2005	$ 100.00	$ 100.00	$ 100.00
December 27, 2006	$ 118.35	$ 113.12	$ 116.88
December 26, 2007	$ 116.52	$ 81.07	$ 93.05
December 31, 2008	$ 77.14	$ 62.23	$ 49.38
December 30, 2009	$ 98.11	$ 78.99	$ 54.34
December 29, 2010	$ 124.45	$ 105.40	$ 88.82

(1) The Russell 2000 Index is a broad equity market index of 2,000 companies that measures the performance of the small-cap segment of the U.S. equity universe. As of December 31, 2010, the average market capitalization of companies within the index was approximately $1.3 billion with the median market capitalization being approximately $0.5 billion.

(2) The peer group consists of 17 public companies that operate in the restaurant industry. The peer group includes the following companies: Bob Evans Farms, Inc. (BOBE), Buffalo Wild Wings, Inc. (BWLD), Cracker Barrel Old Country Store, Inc. (CBRL), O'Charleys Inc. (CHUX), California Pizza Kitchen, Inc. (CPKI), Domino's Pizza, Inc. (DPZ), Darden Restaurants, Inc. (DRI), Brinker International, Inc. (EAT), DineEquity, Inc. (DIN), Jack In The Box Inc. (JACK), Panera Bread Company (PNRA), Papa John's International, Inc. (PZZA), Red Robin Gourmet Burgers, Inc. (RRGB), Ruby Tuesday, Inc. (RT), Sonic Corp. (SONC), Texas Roadhouse, Inc. (TXRH) and Wendy's/Arby's Group, Inc. (WEN).

Item 6. Selected Financial Data

The following table provides selected financial data that was extracted or derived from our audited financial statements. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes included elsewhere in this report.

	Fiscal Year Ended				
	December 29, 2010	December 30, 2009	December 31, 2008 (a)	December 26, 2007	December 27, 2006
	(In millions, except ratios and per share amounts)				
Statement of Operations Data:					
Operating revenue	$ 548.5	$ 608.1	$ 760.3	$ 939.4	$ 994.0
Operating income	55.2	72.4	60.9	79.8	110.5
Income from continuing operations before cumulative effect of change in accounting principle	22.7	41.6	12.7	29.5	28.5
Cumulative effect of change in accounting principle, net of tax	—	—	—	—	0.2
Income from continuing operations	22.7	41.6	12.7	29.5	28.7
Basic net income per share:					
Basic net income before cumulative effect of change in accounting principle, net of tax	$ 0.23	$ 0.43	$ 0.13	$ 0.31	$ 0.31
Cumulative effect of change in accounting principle, net of tax	—	—	—	—	0.00
Basic net income per share from continuing operations	$ 0.23	$ 0.43	$ 0.13	$ 0.31	$ 0.31
Diluted net income per share:					
Diluted net income before cumulative effect of change in accounting principle, net of tax	$ 0.22	$ 0.42	$ 0.13	$ 0.30	$ 0.29
Cumulative of effect of change in accounting principle, net of tax	—	—	—	—	0.00
Diluted net income per share from continuing operations	$ 0.22	$ 0.42	$ 0.13	$ 0.30	$ 0.30
Cash dividends per common share (b)	—	—	—	—	—

Balance Sheet Data (at end of period):					
Current assets	$ 62.5	$ 58.3	$ 53.5	$ 57.9	$ 63.2
Working capital deficit (c)	(27.8)	(33.8)	(53.7)	(73.6)	(72.6)
Net property and equipment	129.5	131.5	160.0	184.6	236.3
Total assets	311.2	312.6	341.8	373.9	442.7
Long-term debt, excluding current portion	253.1	274.0	322.7	346.8	440.7

(a) The fiscal year ended December 31, 2008 includes 53 weeks of operations as compared with 52 weeks for all other years presented. We estimate that the additional, or 53rd, week added approximately $14.3 million of operating revenue in 2008.

(b) Our previous bank facilities have prohibited, our current bank facility significantly limits and our previous public debt indentures significantly limited, distributions and dividends on Denny’s Corporation’s common equity securities. See Part II Item 5.

(c) A negative working capital position is not unusual for a restaurant operating company. The decrease in working capital deficit from December 26, 2007 to December 29, 2010 is primarily due to the sale of company-owned restaurants to franchisees during 2007, 2008, 2009 and 2010.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with “Selected Financial Data,” and our Consolidated Financial Statements and the notes thereto.

Overview

Denny’s Corporation (Denny’s) is one of America’s largest family-style restaurant chains. Our fiscal year ends on the Wednesday in December closest to December 31 of each year. As a result, a fifty-third week is added to a fiscal year every five or six years. Fiscal 2008 included 53 weeks of operations, whereas 2010 and 2009 each included 52 weeks of operations. Our revenues are derived primarily from two sources: the sale of food and beverages at our company-owned restaurants and the collection of royalties and fees from restaurants operated by our franchisees under the Denny’s name. Sales and customer traffic at both company-operated and franchised restaurants are affected by the success of our marketing campaigns, new product introductions and customer service, as well as external factors including competition, economic conditions affecting consumer spending and changes in guest tastes and preferences.

Our operating costs are exposed to volatility in two main areas: product costs and payroll and benefit costs. Many of the products sold in our restaurants are affected by commodity pricing and are, therefore, subject to price volatility. This volatility is caused by factors that are fundamentally outside of our control and are often unpredictable. In general, we purchase food products based on market prices or we set firm prices in purchase agreements with our vendors. Our ability to lock in prices on certain key commodities is imperative to control food costs in an environment in which many commodity prices are on the rise. In addition, our continued success with menu management helps us to maintain favorable product costs. Our new $2-$4-$6-$8 Everyday Value Menu along with other promotional activities are generally focused on menu items with lower food costs that still provide a compelling value to our customers. The volatility of payroll and benefit costs results primarily from changes in wage rates and increases in labor related expenses such as medical benefit costs and workers’ compensation costs. A number of our employees are paid the minimum wage. Accordingly, substantial increases in the minimum wage increase our labor costs. Additionally, changes in guest counts and investments in store-level labor impact payroll and benefit costs as a percentage of sales.

Our focus on the following initiatives has had a significant impact on our financial performance during 2010 and over the past several years:

Franchise Growth Initiative

During 2010, we continued our Franchise Growth Initiative, a strategic initiative to increase franchise restaurant development through the sale of certain geographic clusters of company restaurants to both current and new franchisees. In 2010, as a result of our FGI, we sold 24 restaurant operations and certain related real estate to 14 franchisees for net proceeds of $9.8 million. As of December 29, 2010, we have sold 314 company restaurants since our FGI program began in early 2007.

Fulfilling the unit growth expectations of this program, certain franchisees that purchased company restaurants over the past several years have also signed development agreements to build additional new franchise restaurants. In addition to franchise development agreements signed under our FGI, we have been negotiating development agreements outside of our FGI program under our Market Growth Incentive Plan. The positive impact of these development programs is evident in the increasing number of franchise restaurant openings over the past several years.

Conversion of Flying J Travel Center Restaurants

During 2010, Denny's was selected as the full-service restaurant operator of choice for Pilot Travel Centers LLC. Also, during the year, Pilot merged with Flying J Travel Centers. Now named Pilot Flying J, the company is North America’s largest retail operator of travel centers. We began converting former Flying J restaurant operations in July 2010, and as of December 29, 2010, had converted 100 sites, 21 of which operate as company restaurants and 79 of which operate as franchise restaurants.

Specifically, our focus on these growth initiatives has impacted our financial performance as follows:

- Company restaurant sales have decreased from $648.3 million in 2008 to $423.9 million in 2010 primarily as a result of the sale of restaurants to franchisees.
- The decline in company restaurant revenues is partially offset by increased royalty income derived from the growth in the franchise restaurant base resulting from both traditional development and the conversion of restaurants. As a result, royalty income, which is included as a component of franchise and license revenue, has increased from $70.1 million in 2008 to $73.0 million in 2010.
- The resulting net reduction in total revenue related to our FGI is generally recovered by the benefits of a lower cost structure related to franchise and license revenues, a decrease in depreciation and amortization from the sale of restaurant related assets to franchisees (from $39.8 million in 2008 to $29.6 million in 2010) and a reduction in interest expense resulting from the use of proceeds to reduce debt (from $35.5 million in 2008 to $25.8 million in 2010).
- Initial franchise fees, included as a component of franchise and license revenue, are generally recognized in the period in which a restaurant is sold to a franchisee or when a new unit is opened. These initial fees are completely dependent on the number of restaurants sold to or opened by franchisees during a particular period, and as a result, can cause fluctuations in our total franchise and license revenue from year to year.
- Occupancy revenues, also included as a component of franchise and license revenue, result from leasing or subleasing restaurants to franchisees. As a result of our FGI, occupancy revenues have increased from $37.0 million in 2008 to $44.8 million in 2010. Additionally, when a restaurant is sold and leased or subleased to a franchisee, the occupancy costs related to these restaurants moves from costs of company restaurant sales to costs of franchise and license revenue to match the related occupancy revenue. Occupancy costs related to franchise units has increased from $28.5 million in 2008 to $34.4 million in 2010.
- Gains on sales of assets are primarily dependent on the number of restaurants sold to franchisees during a particular period, and as a result, can cause fluctuations in net income from year to year. As we near the completion of our FGI, gains on sales of assets will continue to decrease.

As a result of the development efforts described above, over the past five years we have transitioned from a portfolio mix of 66% franchised and 34% company-operated to a portfolio mix of 86% franchised and 14% company-operated. Our targeted portfolio mix is 90% franchised and 10% company-operated. We anticipate achieving this goal through a combination of new franchise unit growth and the sale of restaurants to franchisees over the next couple of years. We expect that the future growth of the brand will come primarily from the development of franchise restaurants.

Debt Refinancing

Interest expense has a significant impact on our net income as a result of our indebtedness. However, during 2009 and 2010, we continued to reduce interest expense through a series of debt repayments using the proceeds generated from our FGI transactions, sales of real estate and cash flow from operations. These repayments resulted in an overall debt reduction of approximately $46.7 million during 2009 and $15.0 million during 2010.

On September 30, 2010, we refinanced our then existing credit facility and entered into an amended and restated senior secured credit agreement in an aggregate principal of $300 million. The New Credit Facility consists of a $50 million five year senior secured revolver and a $250 million six year senior secured term loan. Interest on the New Credit Facility was initially payable at per annum rates equal to LIBOR plus 475 basis points with a LIBOR floor of 1.75% for both the revolver and the term loan. Proceeds from the New Credit Facility were used principally to repurchase or redeem the then outstanding $175 million aggregate principal amount of the 10% Notes and to repay the $65 million term loan under the Old Credit Facility. Interest on the term loan under the Old Credit Facility was payable at per annum rates equal to LIBOR plus 200 basis points.

On March 1, 2011, subsequent to fiscal year 2010, we completed a re-pricing of the New Credit Facility to reduce the interest rate under the facility. Interest on the New Credit Facility, as amended, is payable at per annum rates equal to LIBOR plus 375 basis points, with a LIBOR floor of 1.50% for the term loan and no LIBOR floor for the revolver.

The combination of lower debt balances and lower overall interest rates on our debt will continue to positively benefit our financial performance on an ongoing basis.

Share Repurchase

The New Credit Facility permits the payment of cash dividends and/or the purchase of Denny’s stock subject to certain limitations. In November 2010, the Board of Directors approved a share repurchase program authorizing us to repurchase up to 3.0 million shares of our Common Stock. As of December 29, 2010, we had repurchased 1,036,800 shares of Common Stock for approximately $3.9 million under the share repurchase program.

Statements of Operations

	Fiscal Year Ended					
	December 29, 2010		December 30, 2009		December 31, 2008	
	(Dollars in thousands)					
Revenue:						
Company restaurant sales (a)	$ 423,936	77.3%	$ 488,948	80.4%	$ 648,264	85.3%
Franchise and license revenue (b)	124,530	22.7%	119,155	19.6%	112,007	14.7%
Total operating revenue	548,466	100.0%	608,103	100.0%	760,271	100.0%
Costs of company restaurant sales (c):						
Product costs	101,470	23.9%	114,861	23.5%	157,545	24.3%
Payroll and benefits	172,533	40.7%	197,612	40.4%	271,933	41.9%
Occupancy	27,967	6.6%	31,937	6.5%	40,415	6.2%
Other operating expenses	64,029	15.1%	73,496	15.0%	100,182	15.5%
Total costs of company restaurant sales	365,999	86.3%	417,906	85.5%	570,075	87.9%
Costs of franchise and license revenue (c)	46,987	37.7%	42,626	35.8%	34,933	31.2%
General and administrative expenses	55,619	10.1%	57,282	9.4%	60,970	8.0%
Depreciation and amortization	29,637	5.4%	32,343	5.3%	39,766	5.2%
Operating (gains), losses and other charges, net	(4,944)	(0.9%)	(14,483)	(2.4%)	(6,384)	(0.8%)
Total operating costs and expenses	493,298	89.9%	535,674	88.1%	699,360	92.0%
Operating income	55,168	10.1%	72,429	11.9%	60,911	8.0%
Other expenses:						
Interest expense, net	25,792	4.7%	32,600	5.4%	35,457	4.7%
Other nonoperating expense (income), net	5,282	1.0%	(3,125)	(0.5%)	9,190	1.2%
Total other expenses, net	31,074	5.7%	29,475	4.8%	44,647	5.9%
Net income before income taxes	24,094	4.4%	42,954	7.1%	16,264	2.1%
Provision for income taxes	1,381	0.3%	1,400	0.2%	3,522	0.5%
Net income	$ 22,713	4.1%	$ 41,554	6.8%	$ 12,742	1.7%
Other Data:						
Company-owned average unit sales	$ 1,813		$ 1,810		$ 1,813	
Franchise average unit sales	$ 1,361		$ 1,396		$ 1,490	
Company-owned equivalent units (d)	234		270		357	
Franchise equivalent units (d)	1,349		1,274		1,186	
Same-store sales decrease (company-owned) (e)(f)	(3.6%)		(3.7%)		(1.4%)	
Guest check average (decrease) increase (f)	(1.7%)		1.0%		5.9%	
Guest count decrease (f)	(1.9%)		(4.6%)		(6.9%)	

Same-store sales decrease (franchised and licensed units) (e)(f)	(3.7%)	(5.2%)	(4.6%)

(a) We estimate that the additional, or 53rd, week added approximately $12.1 million of company restaurant sales in 2008.

(b) We estimate that the additional, or 53rd, week added approximately $2.2 million of franchise and license revenue in 2008, consisting of $1.5 million of royalties and $0.7 million of occupancy revenue.

(c) Costs of company restaurant sales percentages are as a percentage of company restaurant sales. Costs of franchise and license revenue percentages are as a percentage of franchise and license revenue. All other percentages are as a percentage of total operating revenue.

(d) Equivalent units are calculated as the weighted-average number of units outstanding during the defined time period.

(e) Same-store sales include sales from restaurants that were open the same period in the prior year. For purposes of calculating same-store sales, the 53rd week of 2008 was compared to the 1st week of 2008.

(f) Prior year amounts have not been restated for 2010 comparable units.

2010 Compared with 2009

Unit Activity

	Fiscal Year Ended	
	December 29, 2010	December 30, 2009
Company-owned restaurants, beginning of period	233	315
Units opened	24	1
Units relocated	1	—
Units sold to franchisees	(24)	(81)
Units closed (including units relocated)	(2)	(2)
End of period	232	233
Franchised and licensed restaurants, beginning of period	1,318	1,226
Units opened	112	39
Units relocated	4	3
Units purchased from Company	24	81
Units closed (including units relocated)	(32)	(31)
End of period	1,426	1,318
Total restaurants, end of period	1,658	1,551

Of the 136 units opened during the year ended December 29, 2010, 21 company-owned and 79 franchise units represent conversions of restaurants at Pilot Flying J Travel Centers.

Company Restaurant Operations

During the year ended December 29, 2010, we incurred a 3.6% decrease in same-store sales, comprised of a 1.7% decrease in guest check average and a 1.9% decrease in guest counts. Company restaurant sales decreased $65.0 million, or 13.3%, primarily resulting from a 36 equivalent unit decrease in company-owned restaurants. The decrease in equivalent units primarily resulted from the sale of company-owned restaurants to franchisees.

Total costs of company restaurant sales as a percentage of company restaurant sales increased to 86.3% from 85.5%. Product costs increased to 23.9% from 23.5% due to the impact of increased commodity costs and a higher mix of value priced items. Payroll and benefits costs increased to 40.7% from 40.4% primarily as a result of a $4.6 million reduction in workers' compensation claims development benefit (0.8%), partially offset by a decrease in incentive compensation (0.7%). Occupancy costs increased to 6.6% from 6.5%. Other operating expenses were comprised of the following amounts and percentages of company restaurant sales:

	Fiscal Year Ended			
	December 29, 2010		December 30, 2009	
	(Dollars in thousands)			
Utilities	$ 18,221	4.3%	$ 23,083	4.7%
Repairs and maintenance	7,428	1.8%	9,909	2.0%
Marketing	17,376	4.1%	20,082	4.1%
Legal settlement costs	446	0.1%	412	0.1%
Other direct costs	20,558	4.8%	20,010	4.1%

Other operating expenses	$ 64,029	15.1%	$ 73,496	15.0%

Utilities decreased 0.4 percentage points primarily due to the recognition of $1.5 million in losses on natural gas contracts during the prior year. Other direct costs increased 0.7 percentage points primarily as a result of expenses related to new store openings and a reduction in credit card settlement receipts.

Franchise Operations

Franchise and license revenue and costs of franchise and license revenue were comprised of the following amounts and percentages of franchise and license revenue for the periods indicated:

	Fiscal Year Ended			
	December 29, 2010		December 30, 2009	
	(Dollars in thousands)			
Royalties	$ 73,034	58.6%	$ 70,743	59.4%
Initial and other fees	6,721	5.4%	4,910	4.1%
Occupancy revenue	44,775	36.0%	43,502	36.5%
Franchise and license revenue	124,530	100.0%	119,155	100.0%
Occupancy costs	34,373	27.6%	33,658	28.3%
Other direct costs	12,614	10.1%	8,968	7.5%
Costs of franchise and license revenue	$ 46,987	37.7%	$ 42,626	35.8%

Royalties increased by $2.3 million, or 3.2%, primarily resulting from a 75 equivalent-unit increase in franchised and licensed units, partially offset by the effects of a 3.7% decrease in same-store sales. The increase in equivalent-units primarily resulted from the conversion of 79 restaurants at Pilot Flying J Travel Centers during 2010. Initial fees increased by $1.8 million, or 36.9%. The increase in initial fees resulted from the higher number of restaurants opened by franchisees, partially offset by the lower number of restaurants sold to franchisees during 2010. The increase in occupancy revenue of $1.3 million, or 2.9%, is also primarily the result of the sale of restaurants to franchisees over the last 12 months.

Costs of franchise and license revenue increased by $4.4 million, or 10.2%. The increase in occupancy costs of $0.7 million, or 2.1%, is primarily the result of the sale of company-owned restaurants to franchisees. Other direct costs increased by $3.6 million, or 40.7%, primarily as a result of expenses associated with Pilot Flying J restaurant openings. As a result, costs of franchise and license revenue as a percentage of franchise and license revenue increased to 37.7% for the year ended December 29, 2010 from 35.8% for the year ended December 30, 2009.

Other Operating Costs and Expenses

Other operating costs and expenses such as general and administrative expenses and depreciation and amortization expense relate to both company and franchise operations.

General and administrative expenses were comprised of the following:

	Fiscal Year Ended			
	December 29, 2010		December 30, 2009	
	(In thousands)			
Share-based compensation	$	2,840	$	4,671
General and administrative expenses		52,779		52,611
Total general and administrative expenses	$	55,619	$	57,282

The $1.8 million decrease in share-based compensation expense was primarily due to the departure of certain employees during the fourth quarter of 2009 and during 2010 and the adoption of lower cost share-based compensation plans during recent years. The $0.2 million increase in other general and administrative expenses was primarily the result of a $2.0 million increase in costs related to our 2010 proxy contest and a $1.0 million increase in relocation and recruiting costs related to our new executive team, partially offset by a $2.6 million decrease in incentive and deferred compensation.

Depreciation and amortization was comprised of the following:

	Fiscal Year Ended			
	December 29, 2010		December 30, 2009	
	(In thousands)			
Depreciation of property and equipment	$	21,716	$	24,240
Amortization of capital lease assets		2,814		2,723
Amortization of intangible assets		5,107		5,380
Total depreciation and amortization	$	29,637	$	32,343

The overall decrease in depreciation and amortization expense was due to the sale of company-owned restaurants to franchisees during 2009 and 2010.

Operating (gains), losses and other charges, net were comprised of the following:

	Fiscal Year Ended			
	December 29, 2010		December 30, 2009	
	(In thousands)			
Gains on sales of assets and other, net	$	(9,481)	$	(19,429)
Restructuring charges and exit costs		4,162		3,960
Impairment charges		375		986
Operating (gains), losses and other charges, net	$	(4,944)	$	(14,483)

During the year ended December 29, 2010, we recognized $3.8 million of gains on the sale of 24 restaurant operations to 14 franchisees for net proceeds of $9.8 million (which included a note receivable of $0.2 million). In addition, during the year ended December 29, 2010, we recognized $5.5 million of gains on real estate sold to franchisees. During the year ended December 30, 2009, we recognized $12.5 million of gains on the sale of 81 restaurant operations to 18 franchisees for net proceeds of $30.3 million (which included notes receivable of $3.5 million). In addition, during the year ended December 30, 2009, we recognized $4.6 million of gains on real estate sold to franchisees. The remaining gains for the two periods resulted from the recognition of gains on the sale of other real estate assets and deferred gains.

Restructuring charges and exit costs were comprised of the following:

	Fiscal Year Ended December 29, 2010	Fiscal Year Ended December 30, 2009
	(In thousands)	
Exit costs	$ 1,247	$ 698
Severance and other restructuring charges	2,915	3,262
Total restructuring and exist costs	$ 4,162	$ 3,960

Severance and other restructuring charges for the year ended December 29, 2010 included $2.3 million related to the departure of the Company's former Chief Executive Officer. The $3.3 million of severance and other restructuring charges for the year ended December 30, 2009 primarily resulted from the departure of our Chief Operating Officer and Chief Marketing Officer.

Impairment charges for the years ended December 29, 2010 and December 30, 2009 generally related to underperforming or closed restaurants as well as restaurants and real estate identified as held for sale during the period.

Operating income was $55.2 million during 2010 compared with $72.4 million during 2009.

Interest expense, net was comprised of the following:

	Fiscal Year Ended December 29, 2010	Fiscal Year Ended December 30, 2009
	(In thousands)	
Interest on senior notes	$ 13,565	$ 17,452
Interest on credit facilities	5,406	8,101
Interest on capital lease liabilities	3,911	3,785
Letters of credit and other fees	1,703	1,695
Interest income	(1,480)	(1,721)
Total cash interest	23,105	29,312
Amortization of deferred financing costs	1,045	1,077
Amortization of debt discount	160	—
Interest accretion on other liabilities	1,482	2,211
Total interest expense, net	$ 25,792	$ 32,600

The decrease in interest expense resulted from a decrease in interest rates under our New Credit Facility and debt reductions during the years ended December 29, 2010 and December 30, 2009, of $15.0 million and $46.7 million, respectively.

Other nonoperating expense (income), net was $5.3 million of expense for the year ended December 29, 2010 compared with nonoperating income of $3.1 million for the year ended December 30, 2009. The $8.4 million change was primarily the result of a $4.5 million loss related to our debt refinancing and a $3.2 million decrease in gains related to the prior year interest rate swap and natural gas hedge activity.

The provision for income taxes was $1.4 million for each of the years ended December 29, 2010 and December 30, 2009, respectively. We have provided valuation allowances related to any benefits from income taxes resulting from the application of a statutory tax rate to our NOL's generated in previous periods. In conjunction with our ongoing review of our actual results and anticipated future earnings, we have reassessed the possibility of releasing a portion or all of the valuation allowance currently in place on our deferred tax assets. Based upon this assessment, the release of the valuation allowance is not appropriate as of December 29, 2010, but may occur during 2011 or 2012. The required accounting for a release will involve significant tax amounts and will impact earnings in the quarter in which it is deemed appropriate to release the reserve. At December 29, 2010, the valuation allowance was approximately $126.6 million.

Net income was $22.7 million for the year ended December 29, 2010 compared with $41.6 million for the year ended December 30, 2009 due to the factors noted above.

2009 Compared with 2008

Unit Activity

	Fiscal Year Ended	
	December 30, 2009	December 31, 2008
Company-owned restaurants, beginning of period	315	394
Units opened	1	3
Units sold to franchisees	(81)	(79)
Units closed	(2)	(3)
End of period	233	315
Franchised and licensed restaurants, beginning of period	1,226	1,152
Units opened	39	31
Units relocated	3	1
Units purchased from Company	81	79
Units closed (including units relocated)	(31)	(37)
End of period	1,318	1,226
Total restaurants, end of period	1,551	1,541

Company Restaurant Operations

During the year ended December 30, 2009, we incurred a 3.7% decrease in same-store sales, comprised of a 1.0% increase in guest check average and a 4.6% decrease in guest counts. Company restaurant sales decreased $159.3 million, or 24.6%, primarily resulting from an 87 equivalent unit decrease in company-owned restaurants and the 53rd week in 2008. The decrease in equivalent units primarily resulted from the sale of company-owned restaurants to franchisees.

Total costs of company restaurant sales as a percentage of company restaurant sales decreased to 85.5% from 87.9%. Product costs decreased to 23.5% from 24.3% due to price increases taken to help offset commodity inflation. Payroll and benefits costs decreased to 40.4% from 41.9% primarily as a result of $5.2 million in favorable workers' compensation claims development over the prior year (1.2%). Payroll and benefit costs also benefited from improved scheduling of restaurant staff (0.7%), partially offset by higher incentive compensation (0.4%). Occupancy costs increased to 6.5% from 6.2% as a result of changes in the portfolio of company-owned restaurants and the decrease in same-store sales. Other operating expenses were comprised of the following amounts and percentages of company restaurant sales:

	Fiscal Year Ended			
	December 30, 2009		December 31, 2008	
	(Dollars in thousands)			
Utilities	$ 23,083	4.7%	$ 33,160	5.1%
Repairs and maintenance	9,909	2.0%	14,592	2.3%
Marketing	20,082	4.1%		