DENNYS CORP
Form 10-Q
August 04, 2009

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

FORM 10-Q

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

For the Quarterly Period Ended July 1, 2009

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 No.)

203 East Main Street
Spartanburg, South Carolina 29319-0001
(Address of principal executive offices)
(Zip Code)

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

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

Yes 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 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 ¨ Accelerated filer þ
Non-accelerated filer ¨ (Do not check if a smaller reporting company) 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

As of July 30, 2009, 96,541,829 shares of the registrant’s common stock, par value $.01 per share, were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Denny's Corporation and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended		Two Quarters Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands, except per share amounts)			
Revenue:				
Company restaurant sales	$ 125,500	$ 163,233	$ 261,076	$ 332,826
Franchise and license revenue	30,313	27,039	60,497	53,442
Total operating revenue	155,813	190,272	321,573	386,268
Costs of company restaurant sales:				
Product costs	29,306	39,032	61,589	80,979
Payroll and benefits	52,151	69,021	109,911	142,749
Occupancy	8,056	9,976	17,100	20,528
Other operating expenses	17,994	24,730	38,592	49,938
Total costs of company restaurant sales	107,507	142,759	227,192	294,194
Costs of franchise and license revenue	10,689	8,520	21,987	16,691
General and administrative expenses	15,907	15,537	29,754	31,152
Depreciation and amortization	8,015	9,892	16,727	20,133
Operating gains, losses and other charges, net	(3,751)	3,027	(3,453)	(5,686)
Total operating costs and expenses	138,367	179,735	292,207	356,484
Operating income	17,446	10,537	29,366	29,784
Other expenses:				
Interest expense, net	8,239	8,883	16,730	18,084
Other nonoperating expense (income), net	(745)	(1,617)	(1,231)	3,759
Total other expenses, net	7,494	7,266	15,499	21,843
Net income before income taxes	9,952	3,271	13,867	7,941
Provision for income taxes	616	120	224	666
Net income	$ 9,336	$ 3,151	$ 13,643	$ 7,275
Net income per share:				
Basic	$ 0.10	$ 0.03	$ 0.14	$ 0.08
Diluted	$ 0.09	$ 0.03	$ 0.14	$ 0.07
Weighted average shares outstanding:				
Basic	96,113	95,017	96,079	94,922
Diluted	98,457	98,911	97,893	98,659

See accompanying notes to unaudited condensed consolidated financial statements

Denny’s Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

		July 1, 2009		December 31, 2008
		(In thousands)		
Assets				
Current Assets:				
Cash and cash equivalents	$	19,865	$	21,042
Receivables, less allowance for doubtful accounts of $831 and $475, respectively		14,185		15,146
Inventories		4,383		5,455
Assets held for sale		3,100		2,285
Prepaid and other current assets		14,582		9,531
Total Current Assets		56,115		53,459
Property, net of accumulated depreciation of $264,174 and $284,933, respectively		140,513		159,978
Other Assets:				
Goodwill		38,804		40,006
Intangible assets, net		57,091		58,832
Deferred financing costs, net		3,307		3,879
Other noncurrent assets		33,649		31,041
Total Assets	$	329,479	$	347,195
Liabilities				
Current Liabilities:				
Current maturities of notes and debentures	$	3,388	$	1,403
Current maturities of capital lease obligations		3,506		3,535
Accounts payable		19,435		25,255
Other current liabilities		69,039		76,924
Total Current Liabilities		95,368		107,117
Long-Term Liabilities:				
Notes and debentures, less current maturities		288,563		300,617
Capital lease obligations, less current maturities		19,912		22,084
Liability for insurance claims, less current portion		24,663		25,832
Deferred income taxes		12,624		12,345
Other noncurrent liabilities and deferred credits		46,076		53,237
Total Long-Term Liabilities		391,838		414,115
Total Liabilities		487,206		521,232
Commitments and contingencies				
Total Shareholders' Deficit		(157,727)		(174,037)
Total Liabilities and Shareholders' Deficit	$	329,479	$	347,195

See accompanying notes to unaudited condensed consolidated financial statements

Denny's Corporation and Subsidiaries
Condensed Consolidated Statement of Shareholders' Deficit and Comprehensive Loss
(Unaudited)

	Common Stock				Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Paid-in Capital	Deficit	Loss, Net	Deficit
			(In thousands)			
Balance, December 31, 2008	95,713	$ 957	$ 538,911	$ (688,984)	$ (24,921)	$ (174,037)
Comprehensive income:						
Net income	—	—	—	13,643	—	13,643
Amortization of unrealized loss on hedged transactions, net of tax	—	—	—	—	537	537
Comprehensive income	—	—	—	13,643	537	14,180
Share-based compensation on equity classified awards	—	—	2,106	—	—	2,106
Issuance of common stock for share-based compensation	437	4	(4)	—	—	—
Exercise of common stock options	23	—	24	—	—	24
Balance, July 1, 2009	96,173	$ 961	$ 541,037	$ (675,341)	$ (24,384)	$ (157,727)

See accompanying notes to unaudited condensed consolidated financial statements

Denny's Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Two Quarters Ended	
	July 1, 2009	June 25, 2008
	(In thousands)	
Cash Flows from Operating Activities:		
Net income	$ 13,643	$ 7,275
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	16,727	20,133
Operating gains, losses and other charges, net	(3,453)	(5,686)
Amortization of deferred financing costs	542	553
(Gain) loss on early extinguishment of debt	12	(30)
(Gain) loss on interest rate swap	(875)	3,048
Deferred income tax expense	278	295
Share-based compensation	2,702	1,662
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease (increase) in assets:		
Receivables	1,242	2,072
Inventories	1,072	675
Other current assets	(5,051)	2,273
Other assets	(1,100)	(3,045)
Increase (decrease) in liabilities:		
Accounts payable	(3,112)	(6,827)
Accrued salaries and vacations	(3,067)	(3,756)
Accrued taxes	(342)	(1,207)
Other accrued liabilities	(9,230)	(4,080)
Other noncurrent liabilities and deferred credits	(2,561)	(6,224)
Net cash flows provided by operating activities	7,427	7,131
Cash Flows from Investing Activities:		
Purchase of property	(7,936)	(14,829)
Proceeds from disposition of property	13,030	18,008
Net cash flows provided by investing activities	5,094	3,179
Cash Flows from Financing Activities:		
Long-term debt payments	(12,025)	(17,837)
Proceeds from exercise of stock options	24	512
Net bank overdrafts	(1,697)	(2,504)
Net cash flows used in financing activities	(13,698)	(19,829)
Decrease in cash and cash equivalents	(1,177)	(9,519)
Cash and Cash Equivalents at:		
Beginning of period	21,042	21,565
End of period	$ 19,865	$ 12,046

See accompanying notes to unaudited condensed consolidated financial statements

Denny’s Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Introduction and Basis of Presentation

Denny’s Corporation, through its wholly owned subsidiaries, Denny’s Holdings, Inc. and Denny’s, Inc., owns and operates the Denny’s restaurant brand, or Denny’s.

Our unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Therefore, certain information and notes normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. In our opinion, all adjustments considered necessary for a fair presentation of the interim periods presented have been included. Such adjustments are of a normal and recurring nature. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

These interim condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2008 and the related Management’s Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. The results of operations for the interim periods presented are not necessarily indicative of the results for the entire fiscal year ending December 30, 2009.

Note 2. Summary of Significant Accounting Policies

Effective July 1, 2009, we adopted Statement of Financial Accounting Standards No. 165 (“SFAS 165”), “Subsequent Events,” which was issued by the Financial Accounting Standards Board ("FASB") in May 2009. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. The adoption of SFAS 165 did not have a material impact on our Condensed Consolidated Financial Statements as of July 1, 2009. See Note 18.

Effective July 1, 2009, we adopted FASB Staff Position No. FAS 107-1 and APB 28-1 ("FSP FAS 107-1 and APB 28-1"), "Interim Disclosures about Fair Value of Financial Instruments." The FSP amends Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments," and Accounting Principles Board Opinion No. 28, "Interim Financial Reporting," to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The adoption of FSP FAS 107-1 and APB 28-1did not have a material impact on our Condensed Consolidated Financial Statements.

Effective July 1, 2009, we adopted FASB Staff Position No. FSP FAS 115-2 and FAS 124-2 ("FSP FAS 115-2 and FAS 124-2"), "Recognition and Presentation of Other-Than-Temporary Impairments." The FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The adoption of FSP FAS 115-2 and FAS 124-2 did not have a material impact on our Condensed Consolidated Financial Statements.

Effective July 1, 2009, we adopted FASB Staff Position No. FAS 157-4 ("FSP FAS 157-4"), "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." The FSP provides additional guidance for estimating fair value in accordance with FASB Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of FSP FAS 157-4 did not have a material impact on our Condensed Consolidated Financial Statements.

Effective January 1, 2009, the first day of fiscal 2009, we adopted FASB Staff Position No. FSP FAS 142-3 (“FSP FAS 142-3”), “Determination of the Useful Life of Intangible Assets.” FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards No. 142 ("SFAS 142"), “Goodwill and Other Intangible Assets.” We will apply FSP FAS 142-3 prospectively to intangible assets acquired subsequent to the adoption date. The adoption of FSP FAS 142-3 had no impact on our Condensed Consolidated Financial Statements.

Effective January 1, 2009, we adopted Statement of Financial Accounting Standards No. 161 (“SFAS 161”), “Disclosures about Derivative Instruments and Hedging Activities,” which amends and expands Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 161 requires tabular disclosure of the fair value of derivative instruments and their gains and losses. This Statement also requires disclosure regarding the credit-risk related contingent features in derivative agreements, counterparty credit risk, and strategies and objectives for using derivative instruments. The adoption of SFAS 161 did not have a material impact on our Condensed Consolidated Financial Statements. See Note 8.

During 2008, we adopted FASB Staff Position No. 157-2 ("FSP FAS 157-2"), "Effective Date of FASB Statement 157,"which deferred the provisions of SFAS 157 for nonfinancial assets and liabilities to the first fiscal period beginning after November 15, 2008. Deferred nonfinancial assets and liabilities include items such as goodwill and other nonamortizable intangibles. Effective January 1, 2009, we adopted the provisions of SFAS 157 for nonfinancial assets and liabilities. The adoption of FSP FAS 157-2 did not have a material impact on our Condensed Consolidated Financial Statements. See Note 6.

Effective January 1, 2009, we adopted Statement of Financial Accounting Standards No. 160 ("SFAS 160"), "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51." SFAS 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity in our Consolidated Financial Statements. Among other requirements, this Statement requires that the consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated income statement. The adoption of SFAS 160 did not have a material impact on our Condensed Consolidated Financial Statements.

Effective January 1, 2009, we adopted Statement of Financial Accounting Standards No. 141 (revised 2007) ("SFAS 141R"), "Business Combinations." SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in an acquiree and the goodwill acquired. We will apply SFAS 141R to any business combinations subsequent to adoption. In addition, this Statement requires that any additional reversal of deferred tax asset valuation allowance established in connection with our fresh start reporting on January 7, 1998 be recorded as a component of income tax expense rather than as a reduction to the goodwill established in connection with the fresh start reporting. See Note 12.

Effective January 1, 2009, we adopted FASB Staff Position Financial Accounting Standard 141R-1 ("FSP FAS 141R-1"), "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies." FSP FAS 141R-1 amends SFAS 141R to require that an acquirer recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value of such an asset acquired or liability assumed cannot be determined, the acquirer should apply the provisions of SFAS 5, "Accounting for Contingencies", to determine whether the contingency should be recognized at the acquisition date or after such date. The adoption of FSP FAS 141R-1 did not have a material impact on our Condensed Consolidated Financial Statements.

There have been no other material changes to our significant accounting policies and estimates from the information provided in Note 2 of our Consolidated Financial Statements included in our Form 10-K for the fiscal year ended December 31, 2008.

Note 3. Assets Held for Sale

Assets held for sale of $3.1 million and $2.3 million as of July 1, 2009 and December 31, 2008, respectively, include restaurants to be sold to franchisees and real estate to be sold to third parties. We expect to sell each of these assets within 12 months. Our Credit Facility (defined in Note 7) requires us to make mandatory prepayments to reduce outstanding indebtedness with the net cash proceeds from the sale of specified real estate properties and restaurant operations to franchisees, net of a voluntary $10.0 million annual exclusion related to proceeds from the sale of restaurant operations to franchisees. As of July 1, 2009, as a result of the mandatory prepayment requirements, we classified $2.1 million of our long-term debt as a current liability in our Condensed Consolidated Balance Sheet. This amount represents the required prepayment based on the net book value of the specified properties as of the balance sheet date less the remaining balance of the annual exclusion. As of December 31, 2008, no reclassification of long-term debt to current liabilities was required. As a result of classifying certain assets as held for sale, we recognized impairment charges of $0.1 million and $0.4 million for the quarter and two quarters ended July 1, 2009. This expense is included as a component of operating gains, losses and other charges, net in our Condensed Consolidated Statements of Operations. There were no impairment charges recognized related to assets held for sale for the quarter or two quarters ended June 25, 2008.

Note 4. Goodwill and Other Intangible Assets

The changes in carrying amounts of goodwill for the quarter ended July 1, 2009 are as follows:

	(In thousands)
Balance at December 31, 2008	$ 40,006
Write-offs associated with sale of restaurants	(1,202)
Balance at July 1, 2009	$ 38,804

The following table reflects goodwill and intangible assets as of July 1, 2009 and December 31, 2008:

	July 1, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Goodwill	$ 38,804	$ —	$ 40,006	$ —
Intangible assets with indefinite lives:				
Trade names	$ 42,445	$ —	$ 42,438	$ —
Liquor licenses	262	—	262	—
Intangible assets with definite lives:				
Franchise and license agreements	51,344	37,057	55,332	39,303
Foreign license agreements	241	144	241	138
Intangible assets	$ 94,292	$ 37,201	$ 98,273	$ 39,441
Other assets with definite lives:				
Software development costs	$ 32,476	$ 27,425	$ 31,979	$ 26,446

Note 5. Operating Gains, Losses and Other Charges, Net

Operating gains, losses and other charges, net are comprised of the following:

	Quarter Ended		Two Quarters Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands)			
Gains on sales of assets and other, net	$ (3,508)	$ (3,176)	$ (4,032)	$ (12,924)
Restructuring charges and exit costs	(673)	5,719	(244)	6,754
Impairment charges	430	484	823	484
Operating gains, losses and other charges, net	$ (3,751)	$ 3,027	$ (3,453)	$ (5,686)

Gains on Sales of Assets

Proceeds and gains on sales of assets were comprised of the following:

	Quarter Ended July 1, 2009		Quarter Ended June 25, 2008	
	Net Proceeds	Gains	Net Proceeds	Gains
	(In thousands)			
Sales of restaurant operations and related real estate to franchisees	$ 6,960	$ 2,343	$ 5,544	$ 2,201
Sales of other real estate assets	2,754	1,134	1,647	944
Recognition of deferred gains	—	31	—	31
Total	$ 9,714	$ 3,508	$ 7,191	$ 3,176

During the quarter ended July 1, 2009, as part of our Franchise Growth Initiative ("FGI"), we recognized $2.3 million of gains on the sale of 22 restaurant operations to eight franchisees for net proceeds of $7.0 million, which included a note receivable of $0.1 million. During the quarter ended June 25, 2008, we recognized $2.2 million of gains on the sale of 20 restaurant operations to seven franchisees for net proceeds of $5.5 million, which included a note receivable of $0.3 million and a $3.2 million receivable related to proceeds of a transaction that were collected immediately after the end of the period.

	Two Quarters Ended July 1, 2009		Two Quarters Ended June 25, 2008	
	Net Proceeds	Gains	Net Proceeds	Gains
	(In thousands)			
Sales of restaurant operations and related real estate to franchisees	$ 11,751	$ 2,803	$ 21,999	$ 11,943
Sales of other real estate assets	2,754	1,134	1,622	919
Recognition of deferred gains	—	95	—	62
Total	$ 14,505	$ 4,032	$ 23,621	$ 12,924

During the two quarters ended July 1, 2009, as part of our FGI, we recognized $2.8 million of gains on the sale of 52 restaurant operations to ten franchisees for net proceeds of $11.8 million, which included a note receivable of $1.5 million. During the two quarters ended June 25, 2008, we recognized $11.9 million of gains on the sale of 41 restaurant operations to eleven franchisees for net proceeds of $22.0 million, which included notes receivable of $2.4 million and a $3.2 million receivable related to proceeds of a transaction that were collected immediately after the end of the period.

Restructuring Charges and Exit Costs

Restructuring charges and exit costs were comprised of the following:

	Quarter Ended		Two Quarters Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands)			
Exit costs	$ (795)	$ 815	$ (745)	$ 1,655
Severance and other restructuring charges	122	4,904	501	5,099

Total restructuring and exit costs	$ (673)	$ 5,719	$ (244)	$ 6,754

The components of the change in accrued exit cost liabilities are as follows:

	(In thousands)
Balance at December 31, 2008	$ 9,239
Provisions for units closed during the year (1)	—
Changes in estimates of accrued exit costs, net (1)	(745)
Payments, net of sublease receipts	(2,265)
Interest accretion	408
Balance at July 1, 2009	6,637
Less current portion included in other current liabilities	1,692
Long-term portion included in other noncurrent liabilities	$ 4,945

(1) Included as a component of operating gains, losses and other charges, net.

Estimated net cash payments related to exit cost liabilities in the next five years are as follows:

	(In thousands)
Remainder of 2009	$ 1,074
2010	1,592
2011	1,273
2012	1,018
2013	743
Thereafter	2,025
Total	7,725
Less imputed interest	1,088
Present value of exit cost liabilities	$ 6,637

As of July 1, 2009 and December 31, 2008, we had accrued severance and other restructuring charges of $0.4 million and $1.2 million, respectively. The balance as of July 1, 2009 is expected to be paid during the next 12 months.

Note 6. Fair Value of Financial Instruments

Effective December 27, 2007, the first day of fiscal 2008, we adopted the provisions of SFAS 157, "Fair Value Measurements," for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. Effective January 1, 2009, the first day of fiscal 2009, we applied the provisions of FSP FAS 157-2, "Effective Date of FASB Statement 157," which deferred the adoption of SFAS 157 for nonfinancial assets and liabilities.

Fair Value of Assets and Liabilities Measured on a Recurring and Nonrecurring Basis

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements as of July 1, 2009				
	Total	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
	(In thousands)				
Deferred compensation plan investments	$ 6,056	$ 6,056	$ —	$ —	market approach
Natural gas contract liability	(540)	—	(540)	—	market approach
Interest rate swap liability	(3,133)	—	(3,133)	—	income approach
Total	$ 2,383	$ 6,056	$ (3,673)	$ —	

Assets and liabilities measured at fair value on a nonrecurring basis are summarized below:

	Fair Value Measurements as of July 1, 2009
Total	

		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
			(In thousands)		
Impaired assets (1)	$ —	$ —	$ —	$ —	income approach
Assets held for sale (2)	563	—	563	—	market approach
Total	$ 563	$ —	$ 563	$ —	

(1) The assets measured for impairment were written down to a fair value of $0.

(2) In addition to the $0.6 million in assets held for sale recorded at fair value, we classified an additional $2.5 million as assets held for sale, which are recorded at their carrying amount. See Note 3.

Fair Value of Long-Term Debt

The book value and estimated fair value of our long-term debt, excluding capital lease obligations, was as follows:

	July 1, 2009	December 31, 2008
	(In thousands)	
Book value:		
Fixed rate long-term debt	$ 175,299	$ 175,368
Variable rate long-term debt	116,652	126,652
Long term debt excluding capital lease obligations	$ 291,951	$ 302,020
Estimate fair value:		
Fixed rate long-term debt	$ 172,673	$ 122,868
Variable rate long-term debt	116,652	126,652
Long term debt excluding capital lease obligations	$ 289,325	$ 249,520

The difference between the estimated fair value of long-term debt compared with its historical cost reported in our Condensed Consolidated Balance Sheets at July 1, 2009 and December 31, 2008 relates primarily to market quotations for our Denny's Holdings, Inc. 10% Senior Notes due 2012 (the "10% Notes").

Note 7. Long-Term Debt

Credit Facility

Our subsidiaries, Denny's, Inc. and Denny's Realty, LLC (the "Borrowers"), have a senior secured credit agreement consisting of a $50 million revolving credit facility (including up to $10 million for a revolving letter of credit facility), a $116.7 million term loan and an additional $37 million letter of credit facility (together, the "Credit Facility"). At July 1, 2009, we had outstanding letters of credit of $33.3 million under our letter of credit facility. There were no outstanding letters of credit under our revolving facility and no revolving loans outstanding at July 1, 2009. These balances result in availability of $3.7 million under our letter of credit facility and $50.0 million under the revolving facility.

The revolving facility matures on December 15, 2011. The term loan and the $37 million letter of credit facility mature on March 31, 2012. The term loan amortizes in equal quarterly installments at a rate equal to approximately 1% per annum with all remaining amounts due on the maturity date. The Credit Facility is available for working capital, capital expenditures and other general corporate purposes. We will be required to make mandatory prepayments under certain circumstances (such as required payments related to asset sales) typical for this type of credit facility and may make certain optional prepayments under the Credit Facility. We believe that our estimated cash flows from operations for 2009, combined with our capacity for additional borrowings under our Credit Facility, will enable us to meet our anticipated cash requirements and fund capital expenditures over the next twelve months.

The Credit Facility is guaranteed by Denny's and its other subsidiaries and is secured by substantially all of the assets of Denny's and its subsidiaries. In addition, the Credit Facility is secured by first-priority mortgages on 114 company-owned real estate assets. The Credit Facility contains certain financial covenants (i.e., maximum total debt to EBITDA (as defined under the Credit Facility) ratio requirements, maximum senior secured debt to EBITDA ratio requirements, minimum fixed charge coverage ratio requirements and limitations on capital expenditures), negative covenants, conditions precedent, material adverse change provisions, events of default and other terms, conditions and provisions customarily found in credit agreements for facilities and transactions of this type. We were in compliance with the terms of the Credit Facility as of July 1, 2009.

A commitment fee of 0.5% is paid on the unused portion of the revolving credit facility. Interest on loans under the revolving facility is payable at per annum rates equal to LIBOR plus 250 basis points and will adjust over time based on our leverage ratio. Interest on the term loan and letter of credit facility is payable at per annum rates equal to LIBOR plus 200 basis points. Prior to considering the impact of our interest rate swap described below, the weighted-average interest rate under the term loan was 3.6% and 4.5% as of July 1, 2009 and June 25, 2008, respectively. Taking into consideration our interest rate swap the weighted-average interest rate under the term loan was 6.4% and 6.3% as of July 1, 2009 and June 25, 2008, respectively.

Note 8. Derivative Financial Instruments

We utilize derivative financial instruments to manage our exposure to interest rate risk and commodity risk in relation to natural gas costs. We do not enter into derivative instruments for trading or speculative purposes.

Interest Rate Swap

We manage our exposure to fluctuations in interest rates on our variable rate debt by entering into interest rate swaps. The fair value of the swaps is estimated based on quoted market prices and is subject to market risk as the instruments may become less valuable in case of changes in market conditions or interest rates. We manage our exposure to counterparty credit risk by entering into derivative financial instruments with high-quality financial institutions that can be expected to fully perform under the terms of such agreements. We monitor the credit rating of these institutions on a quarterly basis. We do not require collateral or other security to support derivative financial instruments, if any, with credit risk. The interest rate swap is considered an obligation under the Credit Facility, as it was entered into with counterparties that are also lenders under the Credit Facility. The security interest and collateral provided by the Credit Facility is also available to the swap counterparties. Our counterparty credit exposure is limited to the positive fair value of contracts at the reporting date. Notional amounts of derivative financial instruments do not represent exposure to credit loss.

In 2007, we entered into an interest rate swap with a notional amount of $150 million and designated it as a cash flow hedge of our interest rate exposure on the first $150 million of floating rate debt. Under the terms of the swap, we pay a fixed rate of 4.8925% on the $150 million notional amount and receive payments from the counterparties based on the 3-month LIBOR rate for a term ending on March 30, 2010, effectively resulting in a fixed rate of 6.8925% on the $150 million notional amount at the inception of the swap. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense.

In accordance with hedge accounting, to the extent the swap was effective in offsetting the variability of the hedged cash flows, changes in the fair value of the swap were reported as adjustments to other comprehensive income. At December 26, 2007, we determined that a portion of the underlying cash flows related to the swap (i.e., interest payments on $150 million of floating rate debt) were no longer probable of occurring over the term of the swap as a result of the probability of paying the debt down below $150 million. As a result, we discontinued hedge accounting treatment. The losses included in accumulated other comprehensive income as of December 26, 2007 are amortized to other nonoperating expense over the remaining term of the interest rate swap. See Note 11. Additionally, changes in the fair value of the swap are recorded in other nonoperating expense.

On March 26, 2008, we terminated $50 million notional amount of the interest rate swap. The termination resulted in a $2.4 million cash payment, which was made during the second quarter of 2008.

Natural Gas Hedge Contracts

We enter into natural gas hedge contracts in order to limit our exposure to price increases for natural gas. These pay fixed/receive floating agreements are based on NYMEX prices. As of July 1, 2009, the outstanding contracts represent approximately 86% of our anticipated natural gas purchases through October 2009. Realized gains (losses) on the contracts are recorded as utility cost which is a component of other operating expenses. The contracts are not accounted for under hedge accounting, therefore, changes in the contracts' fair value are recorded in other nonoperating expense. Under the terms of the natural gas hedge contracts, both parties may be required to provide collateral related to any liability positions held. As of July 1, 2009, collateral of $1.7 million was held by the counterparty in an interest-bearing cash account.

The fair value of derivative instruments not designated as hedging instruments is included in the Condensed Consolidated Balance Sheets as follows:

	Interest Rate Swap	Natural Gas Contracts
	(In thousands)	
July 1, 2009:		
Other current liabilities	$ (3,133)	$ (540)
Other noncurrent liabilities and deferred credits	—	—
Fair value of derivative instrument	$ (3,133)	$ (540)
December 31, 2008:		
Other current liabilities	$ —	$ (933)
Other noncurrent liabilities and deferred credits	(4,545)	—
Fair value of derivative instrument	$ (4,545)	$ (933)

Both the interest rate swap and the natural gas hedge contracts are currently in liability positions, therefore there is no significant risk of loss related to counterparty credit risk.

The gains (losses) recognized in our Condensed Consolidated Statements of Operations as a result of the interest rate swap and natural gas hedge contracts are as follows:

	Quarter Ended		Two Quarters Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands)			

Realized gains (losses):								
Interest rate swap - included as a component of interest expense	$	(927)	$	(526)	$	(1,794)	$	(542)
Natural gas contracts - included as a component of utility expense, which is included in other operating expenses	$	(438)	$	—	$	(1,020)	$	—
Unrealized gains (losses) included as a component of nonoperating expense:								
Interest rate swap	$	312	$	1,583	$	875	$	(3,048)
Natural gas contracts	$	400	$	—	$	406	$	—

The unrealized gains (losses) related to the interest rate swap include both the changes in the fair value of the swap and the amortization of losses previously recorded in accumulated other comprehensive income.

Note 9. Defined Benefit Plans

The components of net pension cost of our pension plan and other defined benefit plans are as follows:

	Pension Plan Quarter Ended		Other Defined Benefit Plans Quarter Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands)			
Service cost	$ 107	$ 87	$ —	$ —
Interest cost	862	851	38	48
Expected return on plan assets	(864)	(966)	—	—
Amortization of net loss	313	150	3	5
Net periodic benefit cost	$ 418	$ 122	$ 41	$ 53

	Pension Plan Two Quarters Ended		Other Defined Benefit Plans Two Quarters Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands)			
Service cost	$ 195	$ 175	$ —	$ —
Interest cost	1,726	1,694	76	97
Expected return on plan assets	(1,732)	(1,939)	—	—
Amortization of net loss	653	300	7	10
Net periodic benefit cost	$ 842	$ 230	$ 83	$ 107

We made contributions of $0.6 million and $0.9 million to our qualified pension plan in the two quarters ended July 1, 2009 and June 25, 2008, respectively. We made contributions of $0.1 million and $0.1 million to our other defined benefit plans during the two quarters ended July 1, 2009 and June 25, 2008, respectively. We expect to contribute an additional $0.8 million to our qualified pension plan and an additional $0.1 million to our other defined benefit plans over the remainder of fiscal 2009.

Additional minimum pension liability of $23.7 million is reported as a component of accumulated other comprehensive loss in the Condensed Consolidated Statement of Shareholders' Deficit and Comprehensive Income (Loss) as of July 1, 2009 and December 31, 2008.

Note 10. Share-Based Compensation

Total share-based compensation included as a component of net income was as follows:

	Quarter Ended		Two Quarters Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands)			
Share-based compensation related to liability classified restricted stock units	$ 523	$ 168	$ 596	$ 39

Share based compensation related to equity classified awards:				
Stock options	$ 364	$ 686	$ 506	$ 925
Restricted stock units	781	111	1,443	575
Board deferred stock units	149	67	157	123
Total share-based compensation related to equity classified awards	1,294	864	2,106	1,623
Total share-based compensation	$ 1,817	$ 1,032	$ 2,702	$ 1,662

Stock Options

During the two quarters ended July 1, 2009, we granted approximately 1.4 million stock options to certain employees. These stock options vest evenly over 3 years and have a 10-year contractual life.

The weighted average fair value per option for options granted during the two quarters ended July 1, 2009 was $0.81. The fair value of these stock options was estimated at the date of grant using the Black-Scholes option pricing model. Use of this option pricing model requires the input of subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (“expected term”), the estimated volatility of our common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements (“forfeitures”). Changes in the subjective assumptions can materially affect the estimate of the fair value of share-based compensation and, consequently, the related amount recognized in the Condensed Consolidated Statements of Operations.

We used the following weighted average assumptions for the stock option grants for the two quarters ended July 1, 2009:

Dividend yield	0.0%
Expected volatility	57.5%
Risk-free interest rate	1.82%
Weighted-average expected term	4.6 years

The dividend yield assumption was based on our dividend payment history and expectations of future dividend payments. The expected volatility was based on the historical volatility of our stock for a period approximating the expected life. The risk-free interest rate was based on published U.S. Treasury spot rates in effect at the time of grant with terms approximating the expected life of the option. The weighted average expected term of the options represents the period of time the options are expected to be outstanding based on historical trends.

As of July 1, 2009, we had approximately $2.2 million of unrecognized compensation cost related to unvested stock option awards outstanding, which is expected to be recognized over a weighted average of 2.2 years.

Restricted Stock Units

In March 2009, we granted approximately 0.3 million performance shares (which are equity classified) and 0.3 million cash-based performance units (which are liability classified) to certain employees. The performance shares have a grant date fair value of $1.84 per share. The performance units were valued at $2.00 per unit. The performance period is the three year fiscal period beginning January 1, 2009 and ending December 28, 2011. The performance shares and units will vest and be earned (from 0% to 200% of the target award for each such increment) at the end of the performance period based on the Total Shareholder Return of our stock compared to the Total Shareholder Returns of a group of peer companies. Subsequent to the vesting period, the earned performance shares will be paid to the holder in shares of common stock and the performance units will be paid to the holder in cash, provided the holder is then still employed with Denny’s or an affiliate. As these performance shares contain a market condition, the compensation expense is based on the Monte Carlo valuation method, which utilizes multiple input variables to determine the probability of the Company achieving the market condition and the fair value of the award.

During the two quarters ended July 1, 2009, we made payments of $1.6 million (before taxes) in cash and issued 0.4 million shares of common stock related to restricted stock unit awards that vested as of December 31, 2008.

Accrued compensation expense included as a component of the Condensed Consolidated Balance Sheet was as follows:

	July 1, 2009	December 31, 2008
	(In thousands)	
Liability classified restricted stock units:		
Other current liabilities	$ 1,429	$ 2,028
Other noncurrent liabilities	$ 553	$ 1,110
Equity classified restricted stock units:		
Additional paid-in capital	$ 5,794	$ 5,073

As of July 1, 2009, we had approximately $3.3 million of unrecognized compensation cost (approximately $0.8 million for liability classified units and approximately $2.5 million for equity classified units) related to all unvested restricted stock unit awards outstanding, which is expected to be recognized over a weighted average of 1.3 years.

Board Deferred Stock Units

During the two quarters ended July 1, 2009, we granted 0.1 million deferred stock units (which are equity classified) with a weighted-average grant date fair value of $2.25 per unit to non-employee members of our Board of Directors. These awards are restricted in that they may not be converted to shares until the recipient has ceased serving as a member of the Board of Directors for Denny's Corporation, at which time the awards automatically convert to shares of our common stock. During the quarter ended July 1, 2009, two board members did not stand for reelection. As a result, their deferred stock units were converted into shares of common stock.

Note 11. Comprehensive Income and Accumulated Other Comprehensive Loss

Total comprehensive income was $14.2 million and $7.8 million for the quarters ended July 1, 2009 and June 25, 2008, respectively.

The components of Accumulated Other Comprehensive Loss, Net in the Condensed Consolidated Statement of Shareholder's Deficit and Comprehensive Loss are as follows:

	July 1, 2009	December 31, 2008
	(In thousands)	
Additional minimum pension liability	$ (23,734)	$ (23,734)
Unrealized loss on interest rate swap	(650)	(1,187)
Accumulated other comprehensive loss	$ (24,384)	$ (24,921)

Note 12. Income Taxes

The provision for income taxes was $0.6 million and $0.2 million for the quarter and two quarters ended July 1, 2009 compared with $0.1 million and $0.7 million for the quarter and two quarters ended June 25, 2008. The provision for income taxes for the first two quarters of 2009 and 2008 were determined using our effective rate estimated for the entire fiscal year. The reduction in our effective tax rate for the two quarters ended July 1, 2009 results primarily from the recognition of $0.7 million of current tax benefits related to the enactment of certain federal laws during the first quarter of 2009.

We have provided valuation allowances related to any benefits from income taxes resulting from the application of a statutory tax rate to our net operating losses ("NOL") generated in previous periods. In addition, during 2008, we utilized certain state NOL carryforwards whose valuation allowance was established in connection with fresh start reporting on January 7, 1998. For the quarter and two quarters ended June 25, 2008, we recognized less than $0.1 million and approximately $0.1 million of federal and state deferred tax expense with a corresponding reduction to goodwill in connection with fresh start reporting. The adoption of SFAS 141R during the first quarter of 2009 requires that any additional reversal of deferred tax asset valuation allowance established in connection with fresh start reporting be recorded as a component of income tax expense rather than as a reduction to the goodwill established in connection with the fresh start reporting.

Note 13. Net Income (Loss) Per Share

	Quarter Ended		Two Quarters Ended	
	July 1, 2009	June 25, 2008	July 1, 2009	June 25, 2008
	(In thousands, except for per share amounts)			
Numerator:				
Numerator for basic and diluted net income per share - net income	$ 9,336	$ 3,151	$ 13,643	$ 7,275
Denominator:				
Denominator for basic net income per share – weighted average shares	96,113	95,017	96,079	94,922
Effect of dilutive securities:				
Options	1,311	2,797	1,132	2,724
Restricted stock units and awards	1,033	1,097	682	1,013
Denominator for diluted net income per share – adjusted weighted average shares and assumed conversions of dilutive securities	98,457	98,911	97,893	98,659
Basic net income per share	$ 0.10	$ 0.03	$ 0.14	$ 0.08
Diluted net income per share	$ 0.09	$ 0.03	$ 0.14	$ 0.07
Stock options excluded (1)	6,147	3,814	5,583	3,182
Restricted stock units and awards excluded (1)	420	—	420	—

(1) Excluded from diluted weighted-average shares outstanding as the impact would have been antidilutive.

Note 14. Supplemental Cash Flow Information

	Two Quarters Ended	
	July 1, 2009	June 25, 2008
	(In thousands)	
Income taxes paid, net	$ 791	$ 668
Interest paid	$ 15,750	$ 17,540
Noncash investing activities:		

Notes received in connection with disposition of property	$	1,475	$	2,390
Execution of direct financing leases	$	2,275	$	823
Net proceeds receivable from disposition of property	$	—	$	3,223
Noncash financing activities:				
Issuance of common stock, pursuant to share-based compensation plans	$	1,021	$	771
Execution of capital leases	$	35	$	2,613

Note 15. Related Party Transactions:

During the quarter and two quarters ended July 1, 2009 and the respective periods ended June 25, 2008, we sold company-owned restaurants to franchisees that are former employees, including a former executive. We received cash proceeds of $1.1 million and recognized losses of $0.1 million from these related party sales during the quarter and two quarters ended July 1, 2009. We received cash proceeds of $0.7 million and $1.9 million and recognized losses of $0.4 million and $0.4 million from these related party sales during the quarter and two quarters ended June 25, 2008, respectively. In relation to these sales, we may enter into leases or subleases with the franchisees. These leases and subleases are entered into at fair market value.

Note 16. Implementation of New Accounting Standards

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168 (“SFAS 168”), “The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement 162.” SFAS 168 provides for the FASB Accounting Standards CodificationTM (the “Codification”) to become the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles ("U.S. GAAP"). The Codification is not expected to change U.S. GAAP, but will combine all authoritative standards into a comprehensive, topically organized online database. The Company expects to adopt the use of the Codification for the quarter ended September 30, 2009. This will have an impact to the Company's financial statement disclosures, as all future references to authoritative accounting literature will be references in accordance with the Codification.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167 ("SFAS 167"), "Amendments to FASB Interpretation No. 46(R)." SFAS 167 amends the guidance in FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. In addition, this Statement requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and enhanced disclosures related to an enterprise’s involvement in a variable interest entity. We are required to adopt SFAS 167 in the first quarter of 2010. We are currently in the process of assessing the impact that the Statement may have on our Condensed Consolidated Financial Statements.

In December 2008, the FASB issued FASB Staff Position FAS 132(R)-1 (“FSP FAS 132(R)-1”), “Employers’ Disclosures about Postretirement Benefit Plan Assets.” The FSP expands the disclosure requirements about plan assets for defined benefit pension plans and postretirement plans. We are required to adopt FSP FAS 132(R)-1 in the fourth quarter of 2009. We are currently in the process of assessing the impact that the FSP may have on the disclosures in our Condensed Consolidated Financial Statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our Condensed Consolidated Financial Statements upon adoption.

Note 17. Commitments and Contingencies

There are various claims and pending legal actions against or indirectly involving us, including actions involving 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 reserves reflecting our best estimate of liability, if any, with respect to these matters. However, the ultimate disposition of these matters cannot be determined with certainty. We record legal expenses and other litigation costs as those costs are incurred.

Note 18. Subsequent Events

Subsequent events have been evaluated through August 4, 2009, the date these financial statements were issued. No events required disclosure.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion is intended to highlight significant changes in our financial position as of July 1, 2009 and results of operations for the quarter and two quarters ended July 1, 2009 compared to the quarter and two quarters

ended June 25, 2008. The forward-looking statements included in Management’s Discussion and Analysis of Financial Condition and Results of Operations, which reflect our best judgment based on factors currently known, involve risks, uncertainties, and other factors which may cause our actual performance to be materially different from the performance indicated or implied by such statements. Such factors include, among others: competitive pressures from within the restaurant industry; the level of success of our operating initiatives and advertising and promotional efforts; adverse publicity; changes in business strategy or development plans; terms and availability of capital; regional weather conditions; overall changes in the general economy (including with regard to energy costs), particularly at the retail level; political environment (including acts of war and terrorism); and other factors included in the discussion below, or in Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Part I. Item 1A. Risk Factors, contained in our Annual Report on Form 10-K for the year ended December 31, 2008.

Statements of Operations

The following table contains information derived from our Condensed Consolidated Statements of Operations expressed as a percentage of total operating revenues, except as noted below. Percentages may not add due to rounding.

	Quarter Ended				Two Quarters Ended			
	July 1, 2009		June 25, 2008		July 1, 2009		June 25, 2008	
	(Dollars in thousands)							
Revenue:								
Company restaurant sales	$ 125,500	80.5%	$ 163,233	85.8%	$ 261,076	81.2%	$ 332,826	86.2%
Franchise and license revenue	30,313	19.5%	27,039	14.2%	60,497	18.8%	53,442	13.8%
Total operating revenue	155,813	100.0%	190,272	100.0%	321,573	100.0%	386,268	100.0%
Costs of company restaurant sales (a):								
Product costs	29,306	23.4%	39,032	23.9%	61,589	23.6%	80,979	24.3%
Payroll and benefits	52,151	41.6%	69,021	42.3%	109,911	42.1%	142,749	42.9%
Occupancy	8,056	6.4%	9,976	6.1%	17,100	6.5%	20,528	6.2%
Other operating expenses	17,994	14.3%	24,730	15.1%	38,592	14.8%	49,938	15.0%
Total costs of company restaurant sales	107,507	85.7%	142,759	87.5%	227,192	87.0%	294,194	88.4%
Costs of franchise and license revenue (a)	10,689	35.3%	8,520	31.5%	21,987	36.3%	16,691	31.2%
General and administrative expenses	15,907	10.2%	15,537	8.2%	29,754	9.3%	31,152	8.1%
Depreciation and amortization	8,015	5.1%	9,892	5.2%	16,727	5.2%	20,133	5.2%
Operating gains, losses and other charges	(3,751)	(2.4%)	3,027	1.6%	(3,453)	(1.1%)	(5,686)	(1.5%)
Total operating costs and expenses	138,367	88.8%	179,735	94.5%	292,207	90.9%	356,484	92.3%
Operating income	17,446	11.2%	10,537	5.5%	29,366	9.1%	29,784	7.7%
Other expenses:								
Interest expense, net	8,239	5.3%	8,883	4.7%	16,730	5.2%	18,084	4.7%
Other nonoperating expense (income),	(745)	(0.5%)	(1,617)	(0.8%)	(1,231)	(0.4%)	3,759	1.0%

net											
Total other expenses, net		7,494	4.8%		7,266	3.8%		15,499	4.8%		21,843	5.7%
Net income before income taxes		9,952	6.4%		3,271	1.7%		13,867	4.3%		7,941	2.1%
Provision for income taxes		616	0.4%		120	0.1%		224	0.1%		666	0.2%
Net income	$	9,336	6.0%	$	3,151	1.7%	$	13,643	4.2%	$	7,275	1.9%