DENNYS CORP
Form 10-Q
November 04, 2011

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 September 28, 2011

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 þ 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.

o Accelerated filer þ Non-accelerated filer o o

Large accelerated filer		Smaller reporting company
	(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

As of October 31, 2011, 96,362,731 shares of the registrant's common stock, par value $.01 per share, were outstanding.

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

	Quarter Ended		Three Quarters Ended	
	September 28, 2011	September 29, 2010	September 28, 2011	September 29, 2010
	(In thousands, except per share amounts)			
Revenue:				
Company restaurant sales	$ 104,659	$ 107,171	$ 313,235	$ 320,255
Franchise and license revenue	32,023	32,761	95,105	92,326
Total operating revenue	136,682	139,932	408,340	412,581
Costs of company restaurant sales:				
Product costs	25,847	25,405	77,095	75,597
Payroll and benefits	41,261	41,533	127,876	129,072
Occupancy	6,928	7,097	20,581	21,406
Other operating expenses	15,851	17,158	46,437	49,016
Total costs of company restaurant sales	89,887	91,193	271,989	275,091
Costs of franchise and license revenue	10,747	12,009	33,397	35,498
General and administrative expenses	13,335	14,375	41,566	40,560
Depreciation and amortization	6,955	7,320	21,377	21,984
Operating (gains), losses and other charges, net	1,791	(1,900)	843	(1,594)
Total operating costs and expenses	122,715	122,997	369,172	371,539
Operating income	13,967	16,935	39,168	41,042
Other expenses:				
Interest expense, net	4,796	6,394	15,390	19,306
Other nonoperating expense, net	780	188	2,526	746
Total other expenses, net	5,576	6,582	17,916	20,052
Net income before income taxes	8,391	10,353	21,252	20,990
Provision for income taxes	406	419	1,013	1,010
Net income	$ 7,985	$ 9,934	$ 20,239	$ 19,980
Net income per share:				
Basic	$ 0.08	$ 0.10	$ 0.21	$ 0.20
Diluted	$ 0.08	$ 0.10	$ 0.20	$ 0.20

Weighted average shares outstanding:				
Basic	96,997	99,579	98,132	98,646
Diluted	98,746	101,305	100,203	101,264

See accompanying notes

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

	September 28, 2011		December 29, 2010	
	(In thousands)			
Assets				
Current assets:				
Cash and cash equivalents	$	14,947	$	29,074
Receivables, less allowance for doubtful accounts of $5 and $207, respectively		13,523		17,280
Inventories		3,520		4,037
Assets held for sale		2,380		1,933
Prepaid and other current assets		9,979		10,162
Total current assets		44,349		62,486
Property, net of accumulated depreciation of $239,809 and $247,492, respectively		120,652		129,518
Other assets:				
Goodwill		31,023		31,308
Intangible assets, net		50,092		52,054
Deferred financing costs, net		6,457		5,286
Other noncurrent assets		28,063		30,554
Total assets	$	280,636	$	311,206
Liabilities				
Current liabilities:				
Current maturities of long-term debt	$	2,589	$	2,583
Current maturities of capital lease obligations		4,548		4,109
Accounts payable		20,280		25,957
Other current liabilities		57,040		57,685
Total current liabilities		84,457		90,334
Long-term liabilities:				
Long-term debt, less current maturities, net of discount of $2,509 and $3,455, respectively		205,023		234,143
Capital lease obligations, less current maturities		19,269		18,988
Liability for insurance claims, less current portion		18,190		18,810
Deferred income taxes		13,396		13,339
Other noncurrent liabilities and deferred credits		35,780		39,304
Total long-term liabilities		291,658		324,584
Total liabilities		376,115		414,918
Commitments and contingencies				
Shareholders' deficit				

Common stock $0.01 par value; authorized - 135,000; September 28, 2011: 102,546 shares issued and 96,484 shares outstanding; December 29, 2010: 100,073 shares issued and 99,036 shares outstanding		1,026		1,001
Paid-in capital		555,852		548,490
Deficit		(609,875)		(630,114)
Accumulated other comprehensive loss, net of tax		(19,199)		(19,199)
Shareholders' deficit before treasury stock		(72,196)		(99,822)
Treasury stock, at cost, 6,062 and 1,037 shares, respectively		(23,283)		(3,890)
Total Shareholders' Deficit		(95,479)		(103,712)
Total Liabilities and Shareholders' Deficit	$	280,636	$	311,206

See accompanying notes

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

	Common Stock		Treasury Stock				Accumulated Other Comprehensive	Total Shareholders’
	Shares	Amount	Shares	Amount	Paid-in Capital	(Deficit)	Loss, Net	Deficit
					(In thousands)			
Balance, December 29, 2010	100,073	$ 1,001	(1,037)	$ (3,890)	$ 548,490	$ (630,114)	$ (19,199)	$ (103,712)
Comprehensive income:								
Net income	—	—	—	—	—	20,239	—	20,239
Comprehensive income	—	—	—	—	—	20,239	—	20,239
Share-based compensation on equity classified awards	—	—	—	—	2,594	—	—	2,594
Purchase of treasury stock	—	—	(5,025)	(19,393)	—	—	—	(19,393)
Issuance of common stock for share-based compensation	391	4	—	—	(4)	—	—	—
Exercise of common stock options	2,082	21	—	—	4,772	—	—	4,793
Balance, September 28, 2011	102,546	$ 1,026	(6,062)	$ (23,283)	$ 555,852	$ (609,875)	$ (19,199)	$ (95,479)

See accompanying notes

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

	Three Quarters Ended	
	September 28, 2011	September 29, 2010
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 20,239	$ 19,980
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	21,377	21,984
Operating (gains), losses and other charges, net	843	(1,594)
Amortization of deferred financing costs	1,023	771
Amortization of debt discount	418	—
Loss on early extinguishment of debt	2,287	221
Loss on interest rate swap	—	167
Deferred income tax expense	57	105
Share-based compensation	3,180	2,010
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease (increase) in assets:		
Receivables	4,167	1,704
Inventories	517	422
Other current assets	182	(1,716)
Other assets	965	(2,117)
Increase (decrease) in liabilities:		
Accounts payable	(2,145)	(977)
Accrued salaries and vacations	2,003	(5,600)
Accrued taxes	1,520	1,932
Other accrued liabilities	(4,722)	(1,496)
Other noncurrent liabilities and deferred credits	(5,304)	(4,203)
Net cash flows provided by operating activities	46,607	31,593
Cash flows from investing activities:		
Purchase of property	(12,927)	(13,202)
Proceeds from disposition of property	4,986	9,917
Collections on notes receivable	756	3,151
Net cash flows used in investing activities	(7,185)	(134)
Cash flows from financing activities:		
Long-term debt payments	(33,212)	(17,747)
Proceeds from exercise of stock options	4,793	3,339
Tax withholding on share-based payments	(377)	(154)
Deferred financing costs	(3,414)	(58)
Debt transaction costs	(814)	(10)
Purchase of treasury stock	(19,170)	—

Net bank overdrafts		(1,355)		(2,716)
Net cash flows used in financing activities		(53,549)		(17,346)
(Decrease) increase in cash and cash equivalents		(14,127)		14,113
Cash and cash equivalents at:				
Beginning of period		29,074		26,525
End of period	$	14,947	$	40,638

See accompanying notes

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

Note 1. Introduction and Basis of Presentation

Denny's Corporation, or Denny's, is one of America's largest family-style restaurant chains. At September 28, 2011, the Denny's brand consisted of 1,677 restaurants, 1,454 (87%) of which were franchised/licensed restaurants and 223 (13%) of which were company-owned and operated.

The following table shows the unit activity for the quarter and three quarters ended September 28, 2011 and September 29, 2010:

	Quarter Ended		Three Quarters Ended	
	September 28, 2011	September 29, 2010	September 28, 2011	September 29, 2010
Company-owned restaurants, beginning of period	225	228	232	233
Units opened	2	6	8	10
Units sold to franchisees	(3)	(2)	(13)	(11)
Units closed	(1)	—	(4)	—
End of period	223	232	223	232
Franchised and licensed restaurants, beginning of period	1,452	1,328	1,426	1,318
Units opened	9	55	39	68
Units relocated	—	2	1	3
Units purchased from Company	3	2	13	11
Units closed (including units relocated)	(10)	(7)	(25)	(20)
End of period	1,454	1,380	1,454	1,380
Total restaurants, end of period	1,677	1,612	1,677	1,612

Of the 48 units opened and relocated during the three quarters ended September 28, 2011, eight company-owned and 15 franchise units represent conversions and openings of restaurants at Pilot Flying J Travel Centers. Of the 81 units opened and relocated during the three quarters ended September 29, 2010, ten company-owned and 43 franchise unit represent conversions and openings of restaurants at Pilot Flying J Travel Centers.

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 29, 2010 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 29, 2010. The results of operations for the interim periods presented are not necessarily indicative of the results for the entire fiscal year ending December 28, 2011.

Note 2. Summary of Significant Accounting Policies

Newly Adopted Accounting Standards

Fair Value

ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements"

Effective December 30, 2010, the first day of fiscal 2011, we adopted the disclosure requirements of ASU No. 2010-06 about purchases, sales, issuances and settlements relating to Level 3 measurements. The adoption did not have any impact on the disclosures included in our Condensed Consolidated Financial Statements.

Receivables

ASU No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"

Effective December 30, 2010, we adopted the disclosure provisions of ASU No. 2010-20 requiring a rollforward of the allowance for credit losses and new disclosures about modifications. The adoption resulted in increased notes receivable disclosure, but did not have any impact on our Condensed Consolidated Financial Statements.

Goodwill

ASU No. 2010-28, " Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the FASB Emerging Issues Task Force)"

Effective December 30, 2010, we adopted ASU No. 2010-28, which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The guidance requires an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

Accounting Standards to be Adopted

Fair Value

ASU No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs”

In May 2011, the FASB issued ASU 2011-04 to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. The amended guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. We are required to adopt the provisions of this ASU in the first quarter of 2012. We do not believe the adoption will have a material impact on our Condensed Consolidated Financial Statements.

Comprehensive Income

ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income"

In May 2011, the FASB issued ASU 2011-05, which amends existing guidance to allow only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive financial statements consisting of an income statement followed by a statement of other comprehensive income. ASU No. 2011-05 requires retrospective application. We are required to adopt the provisions of this ASU in the first quarter of 2012. We do not believe the adoption will have a material impact on our Condensed Consolidated Financial Statements.

Goodwill

ASU No. 2011-08, " Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment”

In September 2011, the FASB issued ASU 2011-08, which modifies the impairment test for goodwill. Under the new guidance, an entity is permitted to make a qualitative assessment of whether it is more likely than not that the reporting unit’s fair value is less than the carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. We are required to adopt the provision of this ASU in the first quarter of 2012. We do not believe the adoption will have a material impact on our Condensed Consolidated Financial Statements.

Note 3. Receivables

Receivables were comprised of the following:

	September 28, 2011	December 29, 2010
	(In thousands)	
Current assets:		
Receivables:		
Trade accounts receivable from franchisees	$ 9,377	$ 11,538
Notes receivable from franchisees and third parties	1,479	1,020

Vendor receivables		999		2,571
Credit card receivables		840		1,206
Other		833		1,152
Allowance for doubtful accounts		(5)		(207)
Total receivables	$	13,523	$	17,280
Direct financing lease receivables (included as a component of prepaid and other current assets)	$	74	$	74
Noncurrent assets (included as a component of other noncurrent assets):				
Notes receivable from franchisees and third parties	$	663	$	1,329
Direct financing lease receivables		5,522		5,119
Total noncurrent receivables	$	6,185	$	6,448

During the quarters ended September 28, 2011 and September 29, 2010, we reversed provisions for credit losses of $0.1 million and recorded provisions for credit losses of less than $0.1 million, respectively. During both the three quarters ended September 28, 2011 and September 29, 2010, we recorded provisions for credit losses of less than $0.1 million.

Note 4. Assets Held for Sale

Assets held for sale of $2.4 million and $1.9 million as of September 28, 2011 and December 29, 2010, respectively, include restaurants to be sold to franchisees. We expect to sell each of these assets within 12 months. Our credit facility (as described in Note 8) requires us to make mandatory prepayments to reduce outstanding indebtedness with the net cash proceeds from the sale of restaurant assets and restaurant operations to franchisees, net of a voluntary $25.0 million annual exclusion. As of September 28, 2011 and December 29, 2010, no reclassification of long-term debt to current liabilities was necessary pursuant to this requirement. As a result of classifying certain assets as held for sale, we recognized impairment charges of $0.8 million for the quarter and three quarters ended September 28, 2011 and $0.1 million for the quarter and three quarters ended September 29, 2010. This expense is included as a component of operating (gains), losses and other charges, net in our Condensed Consolidated Statements of Operations.

Note 5. Goodwill and Other Intangible Assets

The following table reflects the changes in carrying amounts of goodwill:

	September 28, 2011 (In thousands)
Balance, beginning of year	$ 31,308
Adjustments associated with sale of restaurants	(46)
Reclassification to assets held for sale	(239)
Balance, end of period	$ 31,023

Goodwill and intangible assets were comprised of the following:

	September 28, 2011		December 29, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Goodwill	$ 31,023	$ —	$ 31,308	$ —
Intangible assets with indefinite lives:				
Trade names	$ 42,500	$ —	$ 42,493	$ —
Liquor licenses	164	—	164	—
Intangible assets with definite lives:				
Franchise and license agreements	43,155	35,796	46,088	36,769
Foreign license agreements	241	172	241	163
Intangible assets	$ 86,060	$ 35,968	$ 88,986	$ 36,932
Other assets with definite lives:				
Software development costs	$ 33,817	$ 31,732	$ 33,673	$ 30,426

Note 6. Operating (Gains), Losses and Other Charges, Net

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

	Quarter Ended		Three Quarters Ended	
	September 28, 2011	September 29, 2010	September 28, 2011	September 29, 2010
	(In thousands)			
Gains on sales of assets and other, net	$ (867)	$ (3,757)	$ (2,742)	$ (5,233)
Restructuring charges and exit costs	490	1,778	1,359	3,560
Impairment charges	2,168	79	2,226	79
Operating (gains), losses	$ 1,791	$ (1,900)	$ 843	$ (1,594)

and
other charges,
net

Gains on Sales of Assets

During the quarter ended September 28, 2011, we recognized $0.6 million of gains on the sale of three restaurant operations to two franchisees for net proceeds of $0.9 million. During the quarter ended September 29, 2010, we recognized $0.1 million of gains on the sale of two restaurant operations to two franchisees for net proceeds of $0.8 million. In addition, during the quarter ended September 29, 2010, we recognized $3.7 million of gains on real estate sold to franchisees.

During the three quarters ended September 28, 2011, we recognized $1.4 million of gains on the sale of 13 restaurant operations to five franchisees for net proceeds of $4.1 million (which included a note receivable of $0.5 million). In addition, during the three quarters ended September 28, 2011, we recognized $0.9 million of gains on the sale of real estate and $0.4 million of deferred gains, primarily related to a restaurant sold to a franchisee during a prior period. During the three quarters ended September 29, 2010, we recognized $1.4 million of gains on the sale of 11 restaurant operations to six franchisees for net proceeds of $3.8 million (which included a note receivable of $0.2 million). In addition, during the three quarters ended September 29, 2010, we recognized $3.6 million of gains on real estate sold to franchisees.

Restructuring Charges and Exit Costs

Restructuring charges and exit costs were comprised of the following:

	Quarter Ended		Three Quarters Ended	
	September 28, 2011	September 29, 2010	September 28, 2011	September 29, 2010
	(In thousands)			
Exit costs	$ 465	$ (45)	$ 1,078	$ 818
Severance and other restructuring charges	25	1,823	281	2,742
Total restructuring and exit costs	$ 490	$ 1,778	$ 1,359	$ 3,560

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

		(In thousands)
Balance at December 29, 2010	$	4,948
Provisions for units closed during the year (1)		420
Changes in estimates of accrued exit costs, net (1)		658
Payments, net of sublease receipts		(1,712)
Reclassification of certain lease liabilities		(166)
Interest accretion		333
Balance at September 28, 2011		4,481
Less current portion included in other current liabilities		1,377
Long-term portion included in other noncurrent liabilities	$	3,104

(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 2011	$	531
2012		1,294
2013		873
2014		718
2015		457
Thereafter		1,125
Total		4,998
Less imputed interest		517
Present value of exit cost liabilities	$	4,481

As of both September 28, 2011 and December 29, 2010, we had accrued severance and other restructuring charges of $0.1 million or less. The balance as of September 28, 2011 is expected to be paid during the next 12 months.

Note 7. Fair Value of Financial Instruments

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 September 28, 2011				
	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	$ 4,602	$ 4,602	$ —	$ —	market approach
Total	$ 4,602	$ 4,602	$ —	$ —	

	Fair Value Measurements as of December 29, 2010				
	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	$ 5,926	$ 5,926	$ —	$ —	market approach
Total	$ 5,926	$ 5,926	$ —	$ —	

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

	Fair Value Measurements as of September 28, 2011				
	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)				
Assets held for sale (1)	$ 2,380	$ —	$ 2,380	$ —	market approach
Total	$ 2,380	$ —	$ 2,380	$ —	

(1) During the third quarter of 2011, assets held for sale with a carrying amount of $3.2 million were written down to their fair value of $2.4 million. Impairment charges of $0.8 million were recognized as a component of operating (gains), losses and other charges, net in our Condensed Consolidated Statements of Operations.

In addition to the assets measured at fair value on a nonrecurring basis shown above, as of September 28, 2011 and December 29, 2010, impaired assets related to underperforming units were written down to a fair value of $0 based on the income approach.

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:

	September 28, 2011		December 29, 2010	
	(In thousands)			
Book value:				
Fixed rate long-term debt	$	121	$	181
Variable rate long-term debt		210,000		240,000
Long-term debt excluding capital lease obligations	$	210,121	$	240,181
Estimate fair value:				
Fixed rate long-term debt	$	120	$	181
Variable rate long-term debt		209,475		243,000
Long-term debt excluding capital lease obligations	$	209,595	$	243,181

The difference between the estimated fair value of long-term debt compared with its historical cost reported in our Condensed Consolidated Balance Sheets at September 28, 2011 and December 29, 2010 relates to market quotations for our senior secured term loan.

Note 8. Long-Term Debt

Our subsidiaries, Denny's, Inc. and Denny's Realty, LLC, have a credit facility consisting of a $60 million senior secured revolver (with a $30 million letter of credit sublimit) and a senior secured term loan in an original principal amount of $240 million. As of September 28, 2011, we had an outstanding term loan of $207.5 million ($210.0 million less unamortized OID of $2.5 million) and outstanding letters of credit of $27.0 million under our revolving letter of credit facility. There were no revolving loans outstanding at September 28, 2011. These balances resulted in availability of $33.0 million under the revolving facility. The weighted-average interest rate under the term loan was 5.25% and 6.50%, as of September 28, 2011 and December 29, 2010, respectively.

During the first quarter of 2011, we amended our credit facility principally to take advantage of lower interest rates available in the senior secured debt market. Additionally, during the first quarter of 2011, we used the credit facility's accordion feature, which allows us to increase the size of the facility by up to $25 million subject to lender approval, to increase the amount available under the revolver from $50 million to $60 million.

A commitment fee of 0.625% is paid on the unused portion of the revolving credit facility. Interest on the credit facility 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 term loan was originally issued at 98.5% reflecting an original issue discount ("OID") of $3.8 million. The OID is being amortized into interest expense over the life of the term loan using the effective interest rate method. The maturity date for the revolver is September 30, 2015 and the maturity date for the term loan is September 30, 2016. The term loan amortizes in equal quarterly installments of $625,000 with all remaining amounts due on the maturity date. Mandatory prepayments will be required under certain circumstances and we have the option to make certain prepayments under the credit facility.

The credit facility is guaranteed by the Company and its material subsidiaries and is secured by substantially all of the assets of the Company and its subsidiaries, including the stock of the Company's subsidiaries. The credit facility includes certain financial covenants with respect to a maximum leverage ratio, a maximum lease-adjusted leverage ratio, a minimum fixed charged coverage ratio and limitations on capital expenditures.

As a result of the debt amendment, during the first quarter of 2011, we recorded $1.4 million of losses on early extinguishment of debt, consisting primarily of $0.8 million of transaction costs, $0.4 million from the write-off of deferred financing costs and $0.2 million from the write-off of OID. These losses are included as a component of other nonoperating expense in the condensed Consolidated Statements of Operations.

During the quarter and three quarters ended September 28, 2011, we paid $10.0 million (which included $9.4 million of prepayments and $0.6 million of scheduled payments) and $30.0 million (which included $28.1 million of prepayments and $1.9 million of scheduled payments), respectively on the term loan under the credit facility through a combination of cash generated from operations and proceeds on sales of restaurant operations to franchisees, real estate and other assets. As a result of these prepayments, during the quarter ended September 28, 2011, we recorded $0.3 million of losses on early extinguishment of debt resulting from the write-off of $0.2 million in deferred financing costs and $0.1 million in OID. As a result of these prepayments, during the three quarters ended September 28, 2011, we recorded $1.0 million of losses on early extinguishment of debt resulting from the write-off of $0.6 million in deferred financing costs and $0.4 million in OID. These losses are included as a component of other nonoperating expense in our condensed Consolidated Statements of Operations.

We believe that our estimated cash flows from operations for 2011, 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.

Note 9. Defined Benefit Plans

The components of net periodic benefit cost were as follows:

	Pension Plan Quarter Ended				Other Defined Benefit Plans Quarter Ended			
	September 28, 2011		September 29, 2010		September 28, 2011		September 29, 2010	
	(In thousands)							
Service cost	$	84	$	94	$	—	$	—
Interest cost		841		858		32		35
Expected return on plan assets		(1,046)		(982)		—		—
Amortization of net loss		251		229		8		5
Net periodic benefit cost	$	130	$	199	$	40	$	40

	Pension Plan Three Quarters Ended				Other Defined Benefit Plans Three Quarters Ended			
	September 28, 2011		September 29, 2010		September 28, 2011		September 29, 2010	
	(In thousands)							
Service cost	$	251	$	282	$	—	$	—
Interest cost		2,523		2,574		95		104
Expected return on plan assets		(3,137)		(2,946)		—		—
Amortization of net loss		753		686		24		16
Net periodic benefit cost	$	390	$	596	$	119	$	120

We made contributions of $1.5 million to our qualified pension plan during the three quarters ended September 28, 2011. We did not make any contributions to our qualified pension plan during the three quarters ended September 29, 2010. We made contributions of $0.1 million to our other defined benefit plans during both the three quarters ended September 28, 2011 and September 29, 2010. We expect to contribute an additional $0.3 million to our qualified pension plan and an additional $0.1 million to our other defined benefit plans over the remainder of fiscal 2011.

Additional minimum pension liability of $19.2 million is reported as a component of accumulated other comprehensive loss in the Condensed Consolidated Statement of Shareholders' Deficit and Comprehensive Loss as of September 28, 2011 and December 29, 2010.

Note 10. Share-Based Compensation

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

Quarter Ended		Three Quarters Ended	
September 28, 2011	September 29, 2010	September 28, 2011	September 29, 2010

	(In thousands)			
Share-based compensation related to liability classified restricted stock units	$ 326	$ 211	$ 586	$ 422
Share based compensation related to equity classified awards:				
Stock options	$ 266	$ 347	$ 788	$ 882
Restricted stock units	186	93	1,262	501
Board deferred stock units	253	110		