Ashford Inc.
Form DEF 14A
May 30, 2018

Use these links to rapidly review the document
TABLE OF CONTENTS
TABLE OF CONTENTS

Table of Contents

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Ashford Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

2018 Proxy Statement

Annual Meeting of Stockholders

Friday, June 15, 2018
9:00 a.m., Central Time

Dallas/Fort Worth Airport Marriott
8440 Freeport Pkwy
Irving, Texas 75063

Table of Contents

May 30, 2018

Dear Stockholders:

On behalf of the Board of Directors of Ashford Inc., I cordially invite you to attend our 2018 Annual Meeting of Stockholders, which will be held at 9:00 a.m. Central time on Friday, June 15, 2018.

2017 was a year of considerable achievement for Ashford Inc. as we delivered solid financial results, successfully executed our high-growth, fee-based business model and continued to leverage our hospitality and investment experience to identify and invest in hospitality-related opportunities where we can leverage our management expertise and the size and diversity of the hotel portfolios at our managed REITs to accelerate substantial growth. We are confident in our long-term strategy and believe we have significant opportunities to continue to accelerate Ashford's growth and create meaningful value for our stockholders.

In 2017, as measured by our Adjusted EBITDA and Adjusted EPS we delivered solid financial and operating performance with significant growth in revenue and adjusted earnings and we are very pleased with the groundwork we are laying for the continued success of our platform. We entered 2018 well positioned for further growth and we expect that a lower effective tax rate will have a significant positive impact on our earnings in 2018 and future years.

Within our managed platforms, we can grow through the expansion of the asset bases of the companies we currently advise both organically as well as through accretive acquisitions. Looking ahead, we are well positioned to grow Ashford Inc., not only through the internal or external growth of Ashford Hospitality Trust, Inc. and Braemar Hotels & Resorts Inc. (formerly Ashford Hospitality Prime, Inc.), but also by adding additional investment platforms or by acquiring, managing or incubating additional hospitality or real estate related businesses, continuing a trend we displayed in 2017 and through the beginning of 2018.

We have accomplished a great deal over the last year, and we are excited about our progress and our plans for 2018. We believe the structure of the Ashford group of companies will continue to benefit investors as our managed companies provide the flexibility to choose the investment strategies that best fit their needs and objectives. Our team's main goal has always been and will remain building stockholder value.

We encourage you to read this proxy statement carefully and to vote your proxy as soon as possible so that your shares will be represented at the meeting.

Sincerely,

Monty J. Bennett
Founder, Chief Executive Officer and Chairman of the Board

Table of Contents

NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

Meeting Date: Friday, June 15, 2018

Meeting Time: 9:00 a.m., Central time

Location: Dallas/Fort Worth Airport Marriott
8440 Freeport Pkwy
Irving, Texas 75063

Agenda:

1. Election of seven directors;

2. Extension of the term of our stockholder rights plan for an additional three years;

3. Ratification of the appointment of BDO USA, LLP as our independent auditors for 2018;

4. Adjournment or postponement of the annual meeting, if necessary or appropriate, to solicit additional proxies to approve any other proposal; and

5. Transaction of any other business that may properly come before the annual meeting.

Record Date:

You may vote at the 2018 Annual Meeting of Stockholders the shares of common stock of which you were the holder of record at the close of business on May 4, 2018.

Review this proxy statement and vote in one of the four ways:

In person: Attend the annual meeting and vote by ballot.

By telephone: Call the telephone number and follow the instructions on your proxy card.

Via the internet: Go to the website address shown on your proxy card and follow the instructions on the website.

By mail: Mark, sign, date and return the enclosed proxy card in the postage-paid envelop.

By order of the Board of Directors,

Deric S. Eubanks,
Chief Financial Officer

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
May 30, 2018

Table of Contents

TABLE OF CONTENTS

SUMMARY	3
The Annual Meeting of Stockholders	4
Voting Matters at the Annual Meeting	4
Board Nominees	4
Summary of Director Diversity and Experience	5
Corporate Governance Highlights	6
PROPOSAL ONE ELECTION OF DIRECTORS	8
Nominees for Election as Director	8
Summary of Director Qualifications, Skills, Attributes and Experience	14
CORPORATE GOVERNANCE	15
Code of Business Conduct and Ethics	15
Board Leadership Structure	15
Board Role	16
Strategy	16
Risk Oversight	17
Succession Planning	17
Board Refreshment	17
Director Nomination Procedures by the Company	17
Stockholder Nominations and Recommendations	18
Stockholder and Interested Party Communication with the Board of Directors	19
Director Orientation and Continuing Education	19
Director Retirement Policy	19
BOARD OF DIRECTORS AND COMMITTEES	20
Board Member Independence	20
Board Committee and Meetings	21
Director Compensation	24
Compensation Committee Interlocks and Insider Participation	25
Attendance at Annual Meeting of Stockholders	25
EXECUTIVE OFFICERS AND COMPENSATION	26
Executive Officers	26
Executive Compensation	28
Compensation Approach	28
Summary Compensation Table	29
Outstanding Equity Awards at Fiscal Year End Table	29
Employment Agreements	30
2014 Incentive Plan	30
Material Terms of Our 2014 Incentive Plan	31
Tax Considerations	33
Deferred Compensation Plan	33
Compensation Risk Assessment	34
Potential Payments Upon Termination of Employment or Change of Control	34
Compensation Committee Report	36
PROPOSAL TWO EXTENSION OF OUR STOCKHOLDER RIGHTS PLAN	37
Summary Description of the Rights Agreement	37
Additional Information	38
The Proposed Extension	38
PROPOSAL THREE RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS OUR INDEPENDENT AUDITORS	40
Audit Committee Report	40

Table of Contents

Auditor Fees	41
Additional Information	42
PROPOSAL FOUR ADJOURNMENT OR POSTPONEMENT OF ANNUAL MEETING	43
SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS	44
Section 16(a) Beneficial Ownership Reporting Compliance	45
CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS	46
Conflict of Interest Policies	46
Advisory Agreements and Relationships with Ashford Trust and Braemar	46
Advisory Agreement with Ashford Trust	47
Advisory Agreement with Braemar	47
Service Providers	48
Our Relationship and Agreements with Remington	50
OTHER PROPOSALS	52
GENERAL INFORMATION ABOUT VOTING	53
Solicitation of Proxies	53
Electronic Availability of Proxy Materials	53
Voting Securities	53
Voting	53
Counting of Votes	53
Right To Revoke Proxy	54
Multiple Stockholders Sharing the Same Address	55
Annual Report	55
Other Matters	55
ADDITIONAL INFORMATION	56
ANNEX A-1 AMENDED AND RESTATED RIGHTS AGREEMENT	A-1-1
ANNEX A-2 AMENDMENT NO. 1 TO THE AMENDED AND RESTATED RIGHTS AGREEMENT	A-2-1
ANNEX A-3 AMENDMENT NO. 2 TO THE AMENDED AND RESTATED RIGHTS AGREEMENT	A-3-1

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 15, 2018.

The Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, the Annual Report to Stockholders for the fiscal year ended December 31, 2017, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as amended, are available at www.ashfordinc.com by clicking "INVESTORS," then "Financial Reports & SEC Filings," and then "Annual Meeting Material." The information contained on our website is expressly not incorporated by reference into this proxy statement.

Table of Contents

SUMMARY

This summary highlights selected information contained in this proxy statement, but it does not contain all the information you should consider in determining how to vote your shares of our common stock at the 2018 annual meeting of stockholders of the Company. We urge you to read the entire proxy statement before you vote. This proxy statement was first mailed to stockholders on or about May 30, 2018.

We are providing these proxy materials in connection with the solicitation by the board of directors of Ashford Inc. of proxies to be voted at our 2018 annual meeting of stockholders.

In this proxy statement, unless otherwise indicated or as the context otherwise requires:

"***we***," "***our***," "***us***," "***Ashford***," and the "***Company***" each refers to Ashford Inc. (NYSE American LLC: AINC), a Maryland corporation;

"***Annual Meeting***" refers to the 2018 annual meeting of stockholders of the Company;

"***Ashford LLC***" refers to Ashford Hospitality Advisors LLC, a Delaware limited liability company and our subsidiary;

"***Ashford Trust***" refers to Ashford Hospitality Trust, Inc. (NYSE: AHT), a Maryland corporation and real estate investment trust ("***REIT***") from which we were spun off in November 2014;

"***Board of Directors***," "***board of directors***" or "***Board***" means the board of directors of Ashford Inc. unless the context otherwise requires;

"***Braemar***" refers to Braemar Hotels & Resorts Inc. (NYSE: BHR), a Maryland corporation and REIT that was spun off from Ashford Trust in November 2013 (formerly known as "Ashford Hospitality Prime, Inc.");

"***Code***" refers to the Internal Revenue Code of 1986, as amended;

"***Exchange Act***" refers to the Securities Exchange Act of 1934, as amended;

"***NYSE American***" refers to NYSE American LLC, the stock exchange formerly known as "NYSE MKT" on which shares of our common stock are listed for trading;

"***Remington***" refers to Remington Holdings, L.P., a Delaware limited partnership, which owns Remington Lodging & Hospitality, LLC, a Delaware limited liability company and property management and project management company. Monty J. Bennett, our Chief Executive Officer and Chairman of the Board, and his father, Archie Bennett, Jr., Chairman Emeritus of Ashford Trust, beneficially own, directly or indirectly, 100% of Remington. Monty J. Bennett also serves as the Chief Executive Officer of Remington, Chairman of Ashford Trust and Chairman of Braemar;

"***SEC***" refers to the U.S. Securities and Exchange Commission; and

"***Securities Act***" refers to the Securities Act of 1933, as amended.

We, together with Ashford LLC, serve as external advisor to each of Ashford Trust and Braemar. In this proxy statement, we refer to Ashford Inc. and Ashford LLC collectively as "***advisor***."

Table of Contents

The Annual Meeting of Stockholders

Time and Date	Record Date
9:00 a.m., Central time, June 15, 2018	May 4, 2018

Place	Number of Common Shares Eligible to Vote at the Annual Meeting as of the Record Date
Dallas/Fort Worth Airport Marriott 8440 Freeport Pkwy Irving, Texas 75063	2,103,353

Voting Matters at the Annual Meeting

Matter	Board Recommendation	Page Reference (for more detail)
Election of Directors	For each director nominee	8
Extension of the Term of Our Stockholder Rights Plan	For	37
Ratification of Appointment of BDO USA, LLP	For	40
Adjournment or Postponement of the Annual Meeting	For	43

We are an "emerging growth company" under the rules of the SEC and as such are not required to include certain information in this proxy statement that companies that are not "emerging growth companies" must include, including a compensation discussion and analysis, certain compensation tables and related narrative information and pay-ratio disclosure. We have elected to take advantage of such lesser disclosure requirements in presenting information in this proxy statement.

Board Nominees

The following table provides summary information about each director nominee. All directors of the Company are elected annually by a plurality of all of the votes cast for and against each nominee.

Name, Age	Director Since	Principal Occupation	Committee Memberships* A	NCG	C	Other U.S. Public Company Boards
Monty J. Bennett, 53	2014	Chairman and Chief Executive Officer of the Company; Chairman of Ashford Trust; Chairman of Braemar; Chief Executive Officer of Remington				Ashford Trust; Braemar
Dinesh P. Chandiramani, 50	2014	Regional Vice President, Franchise Sales and Development, Americas of Radisson Hotel Group	F			
Darrell T. Hail, 52	2014	President, Women's A.R.C., LLC				

Table of Contents

Name, Age	Director Since	Principal Occupation	Committee Memberships* A	NCG	C	Other U.S. Public Company Boards
J. Robison Hays, III, 40	2014	Co-President and Chief Strategy Officer of Ashford Inc.; Chief Strategy Officer of Ashford Trust and Braemar				
Uno Immanivong, 40	2017	Chef and owner of Chino Chinatown and Red Stix				
John Mauldin, 68	2014	Owner and Chairman of Mauldin Economics; owner and President of Millennium Wave Advisors; President and registered principal of Millennium Wave Securities				
Brian Wheeler, 49 (L)	2014	Chief Technology Officer at Nieman Printing; Principal at Evolution				

* Reflects current committee membership of current directors standing for re-election only and is not intended to imply any future committee membership after the election of our directors at the Annual Meeting. The Board, in consultation with the Nominating and Corporate Governance Committee, will determine the appropriate committee membership for the forthcoming year shortly after the completion of the Annual Meeting.

A: Audit Committee

NCG: Nominating and Corporate Governance Committee

C: Compensation Committee

L: Lead Director

F: Audit Committee Financial Expert

Summary of Director Diversity and Experience

The Board embodies a broad and diverse set of experiences, qualifications, attributes and skills. Below is a brief summary of some of the attributes, skills and experiences of our director nominees. For a more complete description of each director nominee's qualifications, please see their biographies.

Table of Contents

Corporate Governance Highlights

We are committed to the values of effective corporate governance and high ethical standards. Our Board believes that these values are conducive to the strong performance of the Company and creating long-term stockholder value. Our governance framework gives our independent directors the structure necessary to provide oversight, direction, advice and counsel to the management of the Company. This framework is described in more detail in our Corporate Governance Guidelines and our Code of Business Conduct and Ethics, which can be found in the governance documents section of our website at www.ashfordinc.com. The information contained on our website is expressly not incorporated by reference into this proxy statement. As reflected below, in recent years, we have made improvements to our corporate governance framework.

Recent Developments in 2016 and 2017

- Declassified the Board so that we elect every director annually
- Redesigned proxy statement to be more readable and useful for stockholders

Board Independence

- All directors, except our Chairman and Mr. J. Robison Hays, III, our Co-President and Chief Strategy Officer, are independent

Board Committees

- Three standing Board committees:
  - Audit Committee
  - Compensation Committee
  - Nominating and Corporate Governance Committee
- All committees composed entirely of independent directors
- One Audit Committee member is a "financial expert"

Leadership Structure

- Fully independent and empowered Lead Director with broadly defined authority and responsibilities

Risk Oversight

- Regular Board review of enterprise risk management and related policies, processes and controls
- Board committees exercise oversight of risk for matters under their purview

Open Communication

- We encourage open communication and strong working relationships among the Lead Director, Chairman and Chief Executive Officer and other directors and officers
- Our directors have full access to management and employees

Stock Ownership

Mandatory stock ownership guidelines for directors and executives

our directors are required to own our common stock in an amount in excess of 3x the annual board retainer fee

our Chief Executive Officer is required to own our common stock in an amount in excess of 6x his annual base salary

each of our Co-Presidents (if not also the Chief Executive Officer) is required to own our common stock in an amount in excess of 4x his annual base salary

Table of Contents

	our other executive officers are required to own our common stock in an amount in excess of 3x his or her annual base salary
	Comprehensive insider trading policy
Accountability to Stockholders	Prohibitions on hedging and pledging transactions
	We have a non-classified Board and elect every director annually
	We have not elected to be subject to the provisions of the Maryland Unsolicited Takeover Act which, among other matters, would have permitted the Board to classify itself without a stockholder vote
	Stockholders holding at least a majority of the voting power of our outstanding voting shares may call special meetings of stockholders
	Stockholders have the power to amend the bylaws by the vote of a majority of the voting power of our outstanding capital stock
Board Practices	Board receives regular updates from management interaction with stockholders and prospective investors
	Robust annual Board and committee self-evaluation process
	Mandatory director retirement at age 70 unless waived by the Board
	Balanced and diverse Board composition
Conflicts of Interest	Limits on outside public company Board service
	Matters relating to Ashford Trust, Braemar or any other related party are subject to the approval of a majority of our disinterested directors

Table of Contents

PROPOSAL ONE ELECTION OF DIRECTORS

All of our directors are elected annually by our stockholders. Our Nominating and Corporate Governance Committee has recommended, and the Board of Directors has nominated, for re-election all seven persons currently serving as directors of the Company. If elected by the required vote, each of the persons nominated as director will serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualified.

Set forth below are the names, principal occupations, committee memberships, ages, directorships held with other companies, and other biographical data for each of the seven nominees for director, as well as the month and year each nominee first began his or her service on the Board of Directors.

If any nominee becomes unable to stand for election as a director, an event that the Board of Directors does not presently expect, the Board of Directors reserves the right to nominate substitute nominees prior to the Annual Meeting. In such a case, the Company will file an amended proxy statement that will identify the substitute nominees, disclose whether such nominees have consented to being named in such revised proxy statement and to serve, if elected, and include such other disclosure relating to such nominees as may be required under the Exchange Act.

The affirmative vote of a plurality of all of the votes cast for and against each nominee at the Annual Meeting will be required to elect each nominee to the Board of Directors.

The Board of Directors unanimously recommends a vote FOR all nominees.

Nominees for Election as Director

MONTY J. BENNETT

Age 53
Chairman and Chief Executive Officer since 2014

Monty J. Bennett has served as our Chief Executive Officer and Chairman of the Board of Directors since November 2014. He has served as Chairman of the Board of Braemar since April 2013. Mr. Monty J. Bennett has also served on Ashford Trust's Board since May 2003 and served as its Chief Executive Officer from that time until February 2017. Effective in January 2013, Mr. Bennett was appointed as the Chairman of the Board of Ashford Trust. Prior to January 2009, Mr. Bennett also served as Ashford Trust's President. Mr. Bennett currently serves as the chairman of Ashford Trust's acquisitions committee. Mr. Bennett also serves as the Chairman of Ashford Investment Management, LLC ("***AIM***"), an investment fund platform and an indirect subsidiary of Ashford Inc., and as Chief Executive Officer of Remington. Mr. Bennett joined Remington Hotel Corporation in 1992 and has served in several key positions, such as President, Executive Vice President, Director of Information Systems, General Manager and Operations Director.

Mr. Bennett holds a Master's degree in Business Administration from the S.C. Johnson Graduate School of Management at Cornell University and a Bachelor of Science degree with distinction from the Cornell School of Hotel Administration.

Table of Contents

He is a life member of the Cornell Hotel Society. He has over 20 years of experience in the hotel industry and has experience in virtually all aspects of the hospitality industry, including hotel ownership, finance, operations, development, asset management and project management. He is a member of the American Hotel & Lodging Association's Industry Real Estate Finance Advisory Council, and is on the Advisory Editorial Board for GlobalHotelNetwork.com. He is also a member of the CEO Fiscal Leadership Council for Fix the Debt, a non-partisan group dedicated to reducing the nation's federal debt level and on the advisory Board of Texans for Education Reform. Formerly, Mr. Bennett was a member of Marriott's Owner Advisory Council and Hilton's Embassy Suites Franchise Advisory Council.

Mr. Bennett is a frequent speaker and panelist for various hotel development and industry conferences, including the NYU Lodging Conference and the Americas Lodging Investment Summit conferences. Mr. Bennett received the Top-Performing CEO Award from HVS for 2011. This award is presented each year to the CEO in the hospitality industry who offers the best value to stockholders based on HVS's pay-for-performance model. The model compares financial results relative to CEO compensation, as well as stock appreciation, company growth and increases in EBITDA.

Experience, Qualifications, Attributes and Skills: Mr. Bennett's extensive industry experience as well as the strong and consistent leadership qualities he has displayed in his current role as the Chief Executive Officer and Chairman of the Company, and his experience with, and knowledge of, the Company and its operations gained in those roles and in his prior role as the Chief Executive Office and currently as Chairman of each of Ashford Trust and Braemar are vital qualifications and skills that make him uniquely qualified to serve as a director of the Company and as the Chairman of the Board.

Table of Contents

DINESH P. CHANDIRAMANI

Age 50
Director since 2014
Independent
Committees:

Audit (chair)

Compensation

Dinesh P. Chandiramani has served on the Board since November 2014 and currently serves as chairman of our Audit Committee and as a member of our Compensation Committee. Mr. Chandiramani is the Regional Vice President, Franchise Sales and Development, Americas for Radisson Hotel Group and a Partner at America TMC. Mr. Chandiramani has served since 2008 as the Chief Executive Officer and President of Hyphen Construction Group, a national general contracting firm specializing in the hospitality industry. Prior to joining Hyphen Construction Group Mr. Chandiramani worked at Response Remediation Service Company, a remediation and restoration contracting company from 2002 to 2008.

Experience, Qualifications, Attributes and Skills: He has demonstrated his commitment to Boardroom excellence by completing NACD's comprehensive program of study for corporate directors. Mr. Chandiramani attended Texas Tech University. He supplements his skill sets through ongoing engagement with the director community and access to leading practices, which are beneficial to his service on the Board. In addition, Mr. Chandiramani brings his experience with, and knowledge of, the Company and its operations gained as a director of the Company since November 2014 to his role as a director of the Company.

DARRELL T. HAIL

Age 52
Director since 2014
Independent
Committees:

Audit

Compensation (chair)

Nominating and corporate governance

Darrell T. Hail has served on the Board since November 2014 and currently serves as chairman of our Compensation Committee and a member of our Audit Committee and our Nominating and Corporate Governance Committee. Mr. Hail is the President of Womens A.R.C., LLC and served as a producer at Hotchkiss Insurance Agency, a Texas-based insurance agency, from 2011 through 2018. Prior to joining Hotchkiss Insurance Agency, Mr. Hail served as a producer at USI, an insurance brokering and consulting agency, from 2005 to 2011 and at Summit Global Partners, a Dallas-based insurance agency from 2002 to 2005. From 1995 through 2002, Mr. Hail served as the manager and owner of Westlake Golf in The Hills, a retail golf operation in Austin, Texas. Mr. Hail earned his Bachelor of Arts in History from the University of Texas at Austin in 1988.

Experience, Qualifications, Attributes and Skills: Mr. Hail brings significant business experience, including the design and implementation of complex insurance programs for clients in various industries, to the Board of Directors. In addition, Mr. Hail brings his experience with, and knowledge of, the Company and its operations gained as a director of the Company since November 2014 to his role as a director of the Company.

Table of Contents

J. ROBISON HAYS, III

Age 40
Director since 2014
Co-President and Chief Strategy Officer

J. Robison Hays, III has served on the Board since November 2014. He became our Co-President in March 2018. He has served as our Chief Strategy Officer since November 2014 and has served in that capacity for Ashford Trust and Braemar since May 2015. Mr. Hays served as the Senior Vice-President of Corporate Finance and Strategy for us, Braemar and Ashford Trust until May 2015. Mr. Hays also serves as Chief Investment Officer of AIM. Mr. Hays has been with Ashford Trust since April 2005. Mr. Hays is responsible for the formation and execution of our strategic initiatives, working closely with our Chief Executive Officer. He also oversees all financial analysis as it relates to the corporate model, including acquisitions, divestitures, refinancings, hedging, capital market transactions and major capital outlays.

Prior to 2013, in addition to his other responsibilities, Mr. Hays was in charge of Ashford Trust's investor relations group. Mr. Hays is a frequent speaker at industry and Wall Street investor conferences. Prior to joining Ashford Trust, Mr. Hays worked in the Corporate Development office of Dresser, Inc., a Dallas-based oil field service and manufacturing company, where he focused on mergers, acquisitions and strategic direction. Before working at Dresser, Mr. Hays was a member of the Merrill Lynch Global Power & Energy Investment Banking Group based in Texas.

Mr. Hays has been a frequent speaker at various lodging, real estate and alternative investment conferences around the globe. He earned his A.B. degree in Politics with a certificate in Political Economy from Princeton University and later studied philosophy at the Pontifical University of the Holy Cross in Rome, Italy.

Experience, Qualifications, Attributes and Skills: Mr. Hays brings extensive business and finance experience gained while serving as Chief Strategy Officer for Ashford Trust, Braemar and Ashford LLC, as well as his experience with the formation and execution of our strategic initiatives, to the Board of Directors. In addition, Mr. Hays brings his experience with, and knowledge of, the Company and its operations gained as a director of the Company since November 2014 to his role as a director of the Company.

Table of Contents

UNO IMMANIVONG

Age 40
Director since 2017
Independent
Committees:

Audit

Nominating and corporate governance

Ms. Immanivong has served on the Board since May 2017 and currently serves as a member of our Audit Committee and our Nominating and Corporate Governance Committee. Ms. Immanivong has been the Chef and Owner of Chino Chinatown and Red Stix since September 13, 2013 and April 1, 2017, respectively. Her role as a chef and owner of restaurants include day-to-day management, training, budgeting, sales forecasting, creation and promotion special events, review inventory, complete payroll and compensation incentive for managers, coordinate and tape television appearances, and confer with partners on financials and growth planning.

From March 2005 to September 2013, Ms. Immanivong was a Regional Sales and Support Consultant for Wells Fargo Home Mortgage where she was responsible for working with the Regional Manager and regional sales management staff in the implementation and consistent execution of sales strategy and sales support functions. She was also the primary support resource for the region and liaison with the division management team, division implementation team, Compliance, Audit, Academy and other home office functional groups. Further, she assisted in the preparation of regional forecasting and budgeting, ensured the communication of and adherence to sales policies, compiled and reviewed audit report and reports findings, developed plans to address audit deficiencies, and developed reporting mechanisms and trend analysis to identify business needs and opportunities.

From 1998 until 2005, Ms. Immanivong held various positions at Citibank, including mortgage loan underwriter and mortgage cross-sell product manager.

Experience, Qualifications, Attributes and Skills: Ms. Immanivong brings her familiarity with the restaurant industry and business management to the Board.

Table of Contents

JOHN MAULDIN

Age 68
Director since 2014
Independent

Mr. Mauldin has served on the Board since November 2014. Mr. Mauldin is an owner of Mauldin Economics, a publisher of investing resources, and has served as its Chairman since February 2012. Mr. Mauldin also owns Millennium Wave Advisors, a state-registered investment advisory firm, and has served as its President since its inception in 1999. Mr. Mauldin is also the President and registered principal of Millennium Wave Securities, a FINRA & SIPC registered broker-dealer. He is also a public speaker on topics relating to finance and the economy, a published author on such topics and a frequent contributor for various publications and television shows on such topics.

Mr. Mauldin has an undergraduate degree in Political Science/Economics from Rice University, as well as a Masters in Divinity from Southwestern Baptist Theological Seminary.

Experience, Qualifications, Attributes and Skills: Mr. Mauldin brings extensive experience as an investment advisor, as well as extensive knowledge of finance and economics, to the Board of Directors. In addition, Mr. Mauldin brings his experience with, and knowledge of, the Company and its operations gained as a director of the Company since November 2014 to his role as a director of the Company.

BRIAN WHEELER

Age 49
Lead Director
Director since 2014
Independent
Committees:

Compensation

Nominating and corporate governance (chair)

Brian Wheeler has served on the Board of Directors since November 2014 and currently serves as our lead director and as chairman of our Nominating and Corporate Governance Committee and as a member of our Compensation Committee. Mr. Wheeler is the Chief Technology Officer, Director-Print Management and Director-Digital Operations of Nieman Printing, Inc., one of the largest wholesale printing facilities in the Southwest United States, and a Principal of Evolution, a coaching and mentoring program for executives, since July 2012. Mr. Wheeler previously served as a marketing and communications strategist at Visible Dialogue, a boutique marketing and communications consultancy firm, and as a member of the Board of Directors of Visible Dialogue since May 2011.

Experience, Qualifications, Attributes and Skills: Mr. Wheeler brings more than 15 years of experience delivering print management and marketing and communication solutions, as well as over 10 years of experience driving brand development and growth strategies, to the Board of Directors. In addition, Mr. Wheeler brings his experience with, and knowledge of, the Company and its operations gained as a director of the Company since November 2014 to his role as a director of the Company.

13

Table of Contents

Summary of Director Qualifications, Skills, Attributes and Experience

Our Nominating and Corporate Governance Committee and the full Board believe a complementary mix of diverse qualifications, skills, attributes, and experiences will best serve the Company and its stockholders. The summary of our directors' qualifications, skills, attributes and experiences that appears below, and the related narrative for each director nominee appearing in the directors' biographies above, note some of the specific experience, qualifications, attributes and skills for each director that the Board considers important in determining that each nominee should serve on the Board in light of the Company's business, structure and strategic direction. The absence of a checkmark for a particular skill does not mean the director in question is unable to contribute to the decision making process in that area.

Skills/Qualification	Bennett	Chandiramani	Hail	Hays	Immanivong	Mauldin	Wheeler
Academia/Education brings perspective regarding organizational, management or academic research relevant to our business and strategy							
Accounting/Financial Literacy assists our directors in understanding and overseeing our financial reporting and internal controls, ensuring transparency and accuracy							
Business Leader role as company executive officer or head of a government organization							
Gender/ Racial Diversity supports our goal of ensuring consideration of a wide range of perspectives							
Financial/Capital Markets experience is important to raising the capital needed to fund our business							
Management experience provides directors a practical understanding of developing, implementing and assessing our operating plan and business strategy							
Real Estate Investment expertise is important in understanding our business and strategy							
REIT/Lodging experience brings knowledge of the industry and issues facing real estate investment trusts							
Risk Management experience is critical to the Board's role in overseeing the risks facing the Company							
Independence							

Table of Contents

CORPORATE GOVERNANCE

The Board is committed to corporate governance practices that promote the long-term interest of our stockholders. The Board regularly reviews developments in corporate governance and updates the Company's corporate governance framework, including its corporate governance policies and guidelines, as it deems necessary and appropriate. Our policies and practices reflect corporate governance initiatives that comply with the listing requirements of the NYSE American and the corporate governance requirements of the Sarbanes-Oxley Act of 2002. We maintain a corporate governance section on our website, which includes key information about our corporate governance initiatives including our Corporate Governance Guidelines, charters for the committees of the Board, our Code of Business Conduct and Ethics and our Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The corporate governance section can be found on our website at *www.ashfordinc.com* by clicking "INVESTORS" and then "Corporate Governance." The information contained on our website is expressly not incorporated by reference into this proxy statement.

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics applies to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as well as our other officers and our directors and to each employee of the Company or Ashford LLC. Among other matters, our Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code.

Any waiver of the Code of Business Conduct and ethics for our officers or directors may be made only by the Board or one of the Board committees and will be promptly disclosed if and to the extent required by law or stock exchange regulations.

Board Leadership Structure

The Board regularly considers the optimal leadership structure for the Company and its stockholders. In making decisions related to our leadership structure, specifically when determining whether to have a joint chief executive officer and chairman or to separate these offices, the Board considers many factors, including the specific needs of the Company in light of its current strategic initiatives and the best interest of our stockholders.

Upon the completion of our spin-off from Ashford Trust in November 2014, the Board determined that Mr. Monty J. Bennett was the best candidate to fill the role of Chairman of the Board as well as to serve as our Chief Executive Officer. In making this determination, the Board took into consideration the Company's strategic initiatives, Mr. Bennett's expertise in the hospitality industry, which he has developed over the last 20 years, and his superior performance, as evidenced by the total stockholder return during Mr. Bennett's tenure as Chief Executive Officer of Ashford Trust. The Board continues to believe that combining the roles of chairman and chief executive officer at this time is in the best interest of our stockholders and that our current leadership structure provides a very

Table of Contents

well-functioning and effective balance between strong company leadership and appropriate safeguards and oversight by independent directors.

The combined role of chairman and chief executive officer is both counterbalanced and enhanced by an independent director serving as the lead director. Pursuant to our Corporate Governance Guidelines, in 2017 the Board re-appointed Mr. Brian Wheeler to serve as the lead independent director for a one-year term. The lead director has the following duties and responsibilities:

- preside at all meetings of the Board at which the Chairman is not present and all executive sessions of the independent or non-employee directors;
- advise the Chairman and Chief Executive Officer of decisions reached and suggestions made at meetings of independent directors or non-employee directors;
- serve as liaison between the Chairman and the independent directors;
- approve information sent to the Board;
- approve meeting agendas for the Board;
- approve meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- authorize the calling of meetings of the independent directors; and
- if requested by major stockholders, be available for consultation and direct communication.

In 2017, our independent directors held 2 independent executive sessions.

In addition, pursuant to our bylaws and our Corporate Governance Guidelines, the Board must maintain a majority of independent directors at all times, and if the Chairman of the Board is not an independent director, at least two-thirds of the directors must be independent. The Board must also comply with each of the conflict of interest policies discussed in "Certain Relationships and Related Person Transactions Conflicts of Interest Policies." Our corporate governance policies prohibit hedging or pledging of any stock held by our directors, officers or employees. Our bylaw provisions, corporate governance policies and conflicts of interest policies are designed to provide a strong and independent board that provides balance to the chief executive officer and chairman positions and ensure independent director input and control over matters involving potential conflicts of interest.

Board Role

The business and affairs of the Company are managed by or under the direction of the Board in accordance with Maryland law. The Board provides direction to, and oversight of, management of the Company. In addition, the Board establishes the strategic direction of the Company and oversees the performance of the Company's business, management and the employees. The management of the Company is responsible for presenting business objectives, opportunities and/or strategic plans to our Board for review and approval and for implementing the Company's strategic direction and the Board's directives.

Strategy

The Board recognizes the importance of ensuring that our overall business strategy is designed to create long-term value for our stockholders and maintains an active oversight role in formulating, planning and implementing the Company's strategy. The Board regularly considers the progress of and challenges to the Company's strategy and related risks throughout the year. At each regularly-scheduled board meeting, the management and the Board discuss strategic and other significant business

16

Table of Contents

developments since the last meeting and the Board considers, recommends and approves any changes in strategies for the Company.

Risk Oversight

Our full Board has ultimate responsibility for risk oversight, but the committees of the Board help oversee risk in areas over which they have responsibility. The Board does not view risk in isolation. Risks are considered in virtually every business decision and as part of the Company's business strategy. The Board and the Board committees receive regular updates related to various risks for both our Company and our industry. The Audit Committee regularly receives and discusses reports from members of management who are involved in the risk assessment and risk management functions of the Company. The Compensation Committee annually reviews the overall structure of our equity compensation programs to ensure that those programs do not encourage executives to take unnecessary or excessive risks.

Succession Planning

The Board, acting through the Nominating and Corporate Governance Committee, has reviewed and concurred in a management succession plan, developed by our Chairman, to ensure continuity in senior management. This plan, on which our Chief Executive Officer is to report from time to time, addresses:

- emergency Chief Executive Officer succession;
- Chief Executive Officer succession in the ordinary course of business; and
- succession for the other members of senior management.

The plan also includes an assessment of senior management experience, performance, skills and planned career paths.

Board Refreshment

In addition to ensuring the Board reflects an appropriate mix of experiences, qualifications, attributes and skills, the Nominating and Corporate Governance Committee also focuses on director succession and tenure. For example, our bylaws provide that individuals who would be 70 years of age at the time of their election may not serve on the Board unless the Board waives such limitation. Upon attaining age 70 while serving as a director of the Company and annually thereafter, an individual must tender a letter of proposed retirement from the Board effective at the expiration of such individual's current term, and the Board may accept the retirement of the director or request such director to continue to serve as a director. In 2017, our Nominating and Corporate Governance Committee recommended, and our full board nominated, Ms. Uno Immanivong to serve as a director. Ms. Immanivong was elected by our stockholders in our 2017 annual meeting of stockholders, resulting in lower average tenure, younger average age, and broadened gender and racial diversity of background for the Board.

Director Nomination Procedures by the Company

The Nominating and Corporate Governance Committee recommends qualified candidates for Board membership based on the following criteria:

- integrity, experience, achievements, judgment, intelligence, competence, personal character, expertise, skills, knowledge useful to the oversight of the Company's business, ability to make independent analytical inquiries, willingness to devote adequate time to Board duties and likelihood of a sustained period of service on the Board;

business or other relevant experience; and

the extent to which the interplay of the candidate's expertise, skills, knowledge and experience with that of other Board members will build a Board that is effective, collegial and responsive to the needs of the Company.

In connection with the selection of nominees for director, consideration will also be given to the Board's desire for an overall balance of diversity, including diversity in background, experience, perspective, sex, race, ethnicity, color, age, geography, viewpoint, education and skills. The Board, taking into consideration the recommendations of the Nominating and Corporate Governance Committee, is responsible for selecting the director nominees for election by the stockholders and for appointing directors to the Board between annual meetings to fill vacancies, with primary emphasis on the criteria set forth above. The Board and the Nominating and Corporate Governance Committee assess the effectiveness of the Board's diversity efforts as part of the annual Board evaluation process.

Stockholder Nominations and Recommendations

Our bylaws permit stockholders to nominate candidates for election as directors of the Company at an annual meeting of stockholders. Stockholders wishing to nominate director candidates can do so by providing a written notice to the Corporate Secretary, Ashford Inc., 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. Stockholder nomination notices and the accompanying certificate, as described below, must be received by the Corporate Secretary not earlier than January 30, 2019 and not later than 5:00 p.m., Eastern time, on March 1, 2019 for the nominated individuals to be considered for candidacy at the 2019 annual meeting of stockholders. Such nomination notices must include all information regarding the proposed nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the proposed nominee as a director in an election contest pursuant to the SEC's proxy rules under Exchange Act as well as certain other information regarding the proposed nominee, the stockholder nominating such proposed nominee and certain persons associated with such stockholder, and must be accompanied by a certificate of the nominating stockholder as to certain matters, all as prescribed in the Company's bylaws. A detailed description of the information required to be included in such notice and the accompanying certificate is included in the Company's bylaws. You may contact the Corporate Secretary at the address above to obtain a copy of the relevant bylaw provisions regarding the requirements for making stockholder nominations.

Failure of the notice and certificate to comply fully with the requirements of the Company's bylaws in such regard will result in the stockholder nomination being invalid and the election of the proposed nominee as a director of the Company not being voted on at the pertinent annual meeting of stockholders.

Stockholders may recommend director candidates for consideration by the Nominating and Corporate Governance Committee. Any such recommendation must include verification of the stockholder status of the person submitting the recommendation and the nominee's name and qualifications, attributes, skills and experiences for Board membership. Stockholder recommendations may be submitted by writing to the Corporate Secretary, Ashford, Inc., 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254 and must be received not earlier than January 30, 2019 and not later than 5:00 p.m., Eastern time, on March 1, 2019 for the recommended individual to be considered for nomination for election as a director of the Company at the 2019 annual meeting of stockholders. The Nominating and Corporate Governance Committee expects to use a similar process to evaluate candidates recommended by stockholders as the one it uses to evaluate candidates otherwise identified by the Nominating and Corporate Governance Committee.

On December 15, 2016, the board adopted and approved an amendment to our bylaws that modified the advance notice procedures to require that only stockholders that have owned at least 1% of our outstanding common stock continuously for at least one year may nominate director candidates

Table of Contents

and propose other business to be considered at an annual meeting of stockholders. The amendment was previously approved by our stockholders at our annual meeting held on May 13, 2015.

Stockholder and Interested Party Communication with the Board of Directors

Stockholders and other interested parties who wish to contact any of our directors either individually or as a group may do so by writing to them c/o the Corporate Secretary, Ashford Inc., 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254. Stockholders' and other interested parties' letters are screened by company personnel based on criteria established and maintained by our Nominating and Corporate Governance Committee, which includes filtering out improper or irrelevant topics such as solicitations.

Director Orientation and Continuing Education

The Board and senior management conduct a comprehensive orientation process for new directors to become familiar with our vision, strategic direction, core values, including ethics, financial matters, corporate governance policies and practices and other key policies and practices through a review of background material and meetings with senior management. The Board also recognizes the importance of continuing education for directors and is committed to providing education opportunities in order to improve both the Board's and its committees' performance. Senior management will assist in identifying and advising our directors about opportunities for continuing education, including conferences provided by independent third parties.

Director Retirement Policy

Upon attaining the age of 70 and annually thereafter, as well as when a director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board, a director will tender a letter of proposed retirement or resignation, as applicable, from the Board to the chairperson of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will review the director's continuation on the Board, and recommend to the board whether, in light of all the circumstances, the Board should accept such proposed resignation or request that the director continue to serve.

Table of Contents

BOARD OF DIRECTORS AND COMMITTEES

Our business is managed through the oversight and direction of the Board. Members of the Board are kept informed of our business through discussions with the Chairman of the Board, Chief Executive Officer, Lead Director and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees.

During the year ended December 31, 2017, the Board held four regular meetings, five special meetings and two executive sessions of our non-employee directors, each of whom is an independent director. Our Board must hold at least two regularly scheduled meetings per year of the non-employee directors without management present. All of our incumbent directors standing for re-election attended, in person or by telephone, at least 75 percent of all meetings of the Board and committees on which such director served, held during the period for which such person was a director or was a member of such committees, as applicable.

Mr. Monty J. Bennett serves as Chairman of the Board of Directors as well as Chief Executive Officer of the Company. He also serves as Chief Executive Officer of Remington and as the Chairman of the Board of Directors of each of Braemar and Ashford Trust. Because of the conflicts of interest created by the relationships among us, Ashford Trust, Braemar, Remington and each of their affiliates, many of the responsibilities of the Board have been delegated to our independent directors, as discussed below and under "Certain Relationships and Related Person Transactions Conflict of Interest Policies."

Board Member Independence

The Board determines the independence of our directors in accordance with Section 803A of the NYSE American LLC Company Guide and in accordance with our Corporate Governance Guidelines. The full text of Corporate Governance Guidelines can be found in the Investor Relations section of our website at www.ashfordinc.com by clicking "INVESTORS," then "Corporate Governance," then "Governance Documents," and then "Corporate Governance Guidelines." The NYSE American LLC Company Guide requires an affirmative determination by the Board that the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In determining whether any director has a relationship with us that would impair independence, the Board reviewed both the NYSE American LLC Company Guide and our own Corporate Governance Guidelines. The information contained on our website is expressly not incorporated by reference into this proxy statement.

Following deliberations, the Board has affirmatively determined that, with the exception of Mr. Monty J. Bennett, our Chief Executive Officer and Chairman, and Mr. J. Robison Hays, III, our Co-President and Chief Strategy Officer, each director of the Company is independent of the Company and its management under the standards set forth in our Corporate Governance Guidelines and the NYSE American LLC Company Guide.

In making the independence determinations with respect to our current directors, the Board examined all relationships between each of our directors or their affiliates and the Company or its affiliates, including those reported below under the heading "Certain Relationships and Related Person Transactions" in this proxy statement and one additional relationship that did not rise to the level of a reportable related person transaction but were taken into consideration by the Board in making independence determinations. Mr. Wheeler's wife owns a commercial printing company that is occasionally utilized by Ashford Inc., Ashford Trust and Braemar for printing needs. Total fees paid to this company by Ashford Inc., Ashford Trust and Braemar were $64,397, $95,614 and $83,319 in 2017, 2016 and 2015, respectively. The Board determined that these transactions did not impair the independence of the director involved. As a result of such analysis and independence determinations, the Board is comprised of a majority of independent directors, as required by Section 803A of the

Table of Contents

NYSE American LLC Company Guide. Any reference to an independent director herein means such director satisfies the independence criteria set forth in the NYSE American LLC Company Guide.

Board Committee and Meetings

The standing committees of the Board have been the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each of these committees is composed exclusively of independent directors. The independence of the members of the Audit Committee and the Compensation Committee is determined in accordance with the heightened independence standards for membership on such committees of the rules of the NYSE American and applicable rules of the SEC. Each of the Committees is governed by a written charter that has been approved by the Board. A copy of each charter can be found in the Investor section of our website at www.ashfordinc.com by clicking "INVESTORS," then "Corporate Governance," and then "Governance Documents." The information contained on our website is expressly not incorporated by reference into this proxy statement. The committee members who currently serve on each active committee and a description of the principal responsibilities of each such committee follows:

Current Committee Membership

	Audit	**Compensation**	**Nominating and Corporate Governance**
Dinesh P. Chandiramani	Chair	X	
Darrell T. Hail	X	Chair	X
Uno Immanivong	X		X
Brian Wheeler		X	Chair

Table of Contents

Audit Committee

Current Members:	Dinesh P. Chandiramani (chair), Darrell T. Hail, Uno Immanivong
Independence	All of the members of the Audit Committee have been determined by the Board to be independent at all pertinent times.
Number of Meetings in 2017:	5
Key Responsibilities	

- Assist the Board in overseeing (i) our accounting and financial reporting processes; (ii) the integrity and audits of our financial statements; (iii) our compliance with legal and regulatory requirements; (iv) adequacy of our internal control over financial reporting; (v) the qualifications and independence of our independent auditors; (vi) the performance of our internal and independent auditors; and (viii) our processes to manage business, financial and cybersecurity risk;
- has sole authority to appoint or replace our independent auditors;
- has sole authority to approve in advance all audit and non-audit engagement fees, scope of the audit and terms with our independent auditors;
- monitor compliance of our employees with our standards of business conduct and conflict of interest policies;
- meet at least quarterly with our senior executive officers, internal audit staff and our independent auditors in separate executive sessions;
- recommend to the board whether the financial statements should be included in the Annual Report on Form 10-K; and
- prepare the audit committee report that the SEC rules and regulations require to be included in the Company's annual proxy statement.

The Board has determined that Dinesh P. Chandiramani qualifies as an "Audit Committee financial expert," as defined by the applicable rules and regulations of the Exchange Act. All of the members of our Audit Committee on and after January 1, 2017 are "financially sophisticated" under the rules of the NYSE American LLC Company Guide.

Table of Contents

Compensation Committee

Current Members:	Dinesh P. Chandiramani, Darrell T. Hail (chair), Brian Wheeler
Independence	All of the members of the Compensation Committee have been determined by our board to be independent at all pertinent times.
Number of Meetings in 2017:	12
Key Responsibilities	

- Evaluate the performance of our officers;
- review and approve the officer compensation plans, policies and programs;
- annually review the compensation paid to non-employee directors for service on the board of directors and make recommendations to the board regarding any proposed adjustments;
- prepare Compensation Committee reports; and
- administer our incentive plan.

The Compensation Committee has the authority to retain and terminate any compensation consultant to assist it in the evaluation of officer compensation, or to delegate its duties and responsibilities to one or more subcommittees as it deems appropriate. In 2017, the Compensation Committee retained Gressle & McGinley LLC as its independent compensation consultant. Gressle & McGinley LLC provided competitive market data to support the Compensation Committee's decisions on the value of equity to be awarded to our named executive officers. Gressle & McGinley LLC has not performed any other services for the Company and performed its services only on behalf of, and at the direction of, the Compensation Committee. Our Compensation Committee reviewed the independence of Gressle & McGinley LLC in light of SEC rules and NYSE American LLC Company Guide regarding compensation consultant independence and has affirmatively concluded that Gressle & McGinley LLC is independent from management of the Company and has no conflicts of interest relating to its engagement by our Compensation Committee. Messrs. Dinesh P. Chandiramani, Darrell T. Hail and Brian Wheeler served as members of the Compensation Committee at all times during 2017.

Table of Contents

Nominating and Corporate Governance Committee

Current Members:	Darrell T. Hail, Uno Immanivong, Brian Wheeler (chair)
Independence	All of the members of the Nominating and Corporate Governance Committee have been determined by our board to be independent at all pertinent times.
Number of Meetings in 2017:	4
Key Responsibilities	

Identify individuals qualified to become members of the Board;

recommend to the Board the director nominees for election at the next annual meeting of stockholders;

identify and recommend candidates to fill vacancies on the Board occurring between annual stockholder meetings;

recommend to the Board director nominees for each committee of the Board;

develop and recommend to the Board our Corporate Governance Guidelines and periodically review and update such Corporate Governance Guidelines as well as the charters of each committee of the Board;

perform a leadership role in shaping in our corporate governance; and

oversee an evaluation of the Board and executive management.

The Nominating and Corporate Governance Committee has the authority to retain and terminate any search firm to be used to identify director candidate.

Director Compensation

Each of our non-employee directors is paid an annual base retainer of $150,000, payable 50% in cash and 50% in common stock of the Company. The Lead Director is paid an additional annual cash retainer of $25,000; the chairman of each of the Audit Committee and Compensation Committee are paid an additional annual cash retainer of $10,000; the chairman of the Nominating and Corporate Governance Committee is paid an additional annual cash retainer of $5,000; and each member of the Audit Committee other than the chairman are paid an additional annual cash retainer of $2,500. There are no additional fees paid for attending meetings. Our non-employee directors may also be eligible for additional cash retainers from time to time for their service on special committees. Officers receive no additional cash compensation for serving on the Board. All directors are also reimbursed for reasonable out-of-pocket expenses incurred in connection with their services on the Board.

Our 2014 Incentive Plan provides for grants of stock to non-employee directors. On the date of the first meeting of the Board following each annual meeting of stockholders at which a non-employee director is initially elected or re-elected to the Board, each non-employee director receives a grant of shares of our common stock valued at $50,000 as of the date of grant. These stock grants are fully vested immediately. In accordance with this policy, we granted 946 shares of fully vested common stock to each of our non-employee directors on May 16, 2017. Our Co-President and Chief Executive Officer and our Chief Strategy Officer, who are both members of the Board, did not receive additional compensation for their services as directors.

Total
Alabama

—

6

6

Alaska

—

3

3

Arizona

9

74

83

Arkansas

—

9

9

California

63

337

400

Colorado

—

27

27

Connecticut

—

12

12

Delaware

—

1

1

District of Columbia

—

2

2

Florida

19

117

136

Georgia

1

21

22

Hawaii

2

4

6

Idaho

—

10

10

Illinois

7

48

55

Indiana

—

38

38

Iowa

1

2

3

Kansas

—

8

8

Kentucky

1

14

15

Louisiana

1

3

4

Maine

—

6

6

Maryland

4

20

24

Massachusetts

—

6

6

Michigan

4

17

21

Minnesota

—

17

17

Mississippi

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5

5

Missouri

5

35

40

Montana

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4

4

Nebraska

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5

5

Nevada

6

28

34

New Hampshire

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3

3

New Jersey

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9

9

New Mexico

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27

27

New York

1

52

53

North Carolina

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28

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North Dakota

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4

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Ohio

4

39

43

Oklahoma

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15

15

Oregon

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23

23

Pennsylvania

12

27

39

Rhode Island

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5

5

South Carolina

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17

17

South Dakota

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3

3

Tennessee

—

7

7

Texas

17

178

195

Utah

—

30

30

Vermont

—

2

2

Virginia

9

20

29

Washington

—

45

45

West Virginia

—

3

3

Wisconsin

3

21

				24
Wyoming	—	4	4	
Total Domestic	169	1,441	1,610	14

International	Company	Franchised / Licensed	Total
Canada	—	73	73
Costa Rica	—	3	3
Curacao N.V.	—	1	1
Dominican Republic	—	3	3
El Salvador	—	1	1
Guam	—	2	2
Honduras	—	5	5
Mexico	—	9	9
New Zealand	—	7	7
Philippines	—	2	2
Puerto Rico	—	13	13
Trinidad	—	1	1
United Arab Emirates	—	3	3
Total International	—	123	123
Total Domestic	169	1,441	1,610
Total	169	1,564	1,733

Of the total 1,733 restaurants in the Denny's brand, our interest in restaurant properties consists of the following:

	Company Restaurants	Franchised Restaurants	Total
Owned properties	36	57	93
Leased properties	133	237	370
	169	294	463

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 46 years, including optional renewal periods. In addition to the restaurant properties, 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 17 floors of the building, with a portion of the building leased to others.

See Note 10 to our Consolidated Financial Statements for information concerning encumbrances on substantially all of our properties.

Item 3. Legal Proceedings

There are various claims and pending legal actions against or indirectly involving us, incidental to and arising out of the ordinary course of the business. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position. We record legal settlement costs as other operating expenses in our Consolidated Statements of Income as those costs are incurred.

Item 4. Mine Safety Disclosures

Not applicable.

15

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 (“NASDAQ”). The following table lists the high and low sales prices of our common stock for each quarter of fiscal years 2016 and 2015, according to NASDAQ.

	High	Low
2016		
First quarter	$10.59	$8.71
Second quarter	11.36	9.84
Third quarter	11.89	10.28
Fourth quarter	13.16	10.02
2015		
First quarter	$12.08	$9.61
Second quarter	12.10	10.20
Third quarter	12.80	10.86
Fourth quarter	11.54	9.18

Stockholders

As of February 22, 2017, there were 70,737,307 shares of our common stock outstanding and approximately 10,200 record and beneficial holders of our common stock.

Dividends and Share Repurchases

Our credit facility allows for the payment of cash dividends and/or the repurchase of our 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. An aggregate amount is available for such dividends or stock repurchases as follows:

- not to exceed $50.0 million if the Consolidated Leverage Ratio (as defined in the Credit Agreement, as amended) is 3.0x or greater and unlimited if the Consolidated Leverage Ratio is below 3.0x, provided that, in each case, at least $20.0 million of availability is maintained under the revolving credit facility after such payment; and
- an additional annual aggregate amount equal to $0.05 times the number of outstanding shares of our common stock, as of December 31, 2014, plus each additional share of our common stock that is issued after such date.

Though we have not historically paid cash dividends, we have in recent years undertaken share repurchases. The table below provides information concerning repurchases of shares of our common stock during the quarter ended December 28, 2016.

Period	Total Number of Shares Purchased	Average Price Paid Per Share [1]	Total Number of Shares Purchased as Part of Publicly Announced Programs [2][3]	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs [2][3]
	(In thousands, except per share amounts)			
September 29, 2016 - October 26, 2016	550	$ 10.40	550	$ 112,443
October 27, 2016 – November 23, 2016	1,897 [4]	12.12 [4]	1,897 [4]	$ 82,564 [5]
November 24, 2016 – December 28, 2016	267	12.67	267	$ 79,171
Total	2,714	$ 11.83	2,714	

(1) Average price paid per share excludes commissions.

(2) On April 1, 2015, we announced that our Board of Directors approved a new share repurchase program, authorizing us to repurchase up to an additional $100 million of our common stock (in addition to prior authorizations). Such repurchases may take place from time to time on the open market (including pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Exchange Act) or in privately negotiated transactions, subject to market and business conditions. During the quarter ended December 28, 2016, we purchased 1,418,402 shares of our common stock for an aggregate consideration of approximately $18.2 million, pursuant to this share repurchase program, thus completing the program.

(3) On May 26, 2016, we announced that our Board of Directors approved a new share repurchase program, authorizing us to repurchase up to an additional $100 million of our common stock (in addition to prior authorizations). Such repurchases are to be made in a manner similar to, and will be in addition to, authorizations under the April 1, 2015 repurchase program. During the quarter ended December 28, 2016, we purchased 1,295,995 shares of our common stock for an aggregate consideration of approximately $13.9 million, pursuant to this share repurchase program.

(4) Includes the initial delivery of approximately 1.5 million shares of our common stock received under the variable term, capped accelerated share repurchase (the “ASR”) agreement we entered into in November 2016 to repurchase an aggregate of $25 million of our common stock. These shares were recorded at the Hedge Period Reference Price, as defined by the ASR agreement, and represent the minimum shares to be delivered based on the cap price. The total aggregate number of shares of our common stock repurchased pursuant to the ASR agreement will be based generally on the average of the daily volume-weighted average prices of our common stock, less a fixed discount, over the term of the ASR agreement, subject to a minimum number of shares.

(5) Includes the full $25 million payment related to the ASR agreement, consisting of $18.1 million for the initial delivery of approximately 1.5 million shares of our common stock and $6.9 million for the equity forward contract related to the settlement of the ASR agreement.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 28, 2016 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 (2)	Number of securities remaining available for future issuance under equity compensation plans	
Equity compensation plans approved by security holders	3,897,053	(1)	$ 2.82	1,538,384	(3)
Equity compensation plans not approved by security holders	200,000	(4)	3.89	827,589	(5)
Total	4,097,053		$ 3.01	2,365,973	

(1) Includes shares issuable in connection with our outstanding stock options, performance share awards and restricted stock units awards.

(2) Includes the weighted-average exercise price of stock options only.

(3) Includes shares of our common stock available for issuance as awards of stock options, restricted stock, restricted stock units, deferred stock units and performance awards under the 2012 Omnibus Plan.

(4) Includes shares of our common stock 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).

(5) Includes shares of our 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 shareholders' return on our common stock for the five fiscal years ended December 28, 2016 (December 28, 2011 to December 28, 2016) 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, 2011 (the last day of fiscal year 2011) 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
ASSUMES $100 INVESTED ON DECEMBER 28, 2011
ASSUMES DIVIDENDS REINVESTED
FISCAL YEAR ENDED DECEMBER 28, 2016

	Russell 2000® Index (1)	Peer Group (2)	Denny's Corporation
December 28, 2011	$100.00	$100.00	$ 100.00
December 26, 2012	$115.74	$117.82	$ 125.92
December 25, 2013	$162.44	$177.21	$ 193.72
December 31, 2014	$170.75	$215.05	$ 269.90
December 30, 2015	$165.19	$205.14	$ 261.52
December 28, 2016	$198.52	$234.86	$ 336.91

(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 28, 2016, the weighted average market capitalization of companies within the index was approximately $2.1 billion with the median market capitalization being approximately $0.8 billion.

(2) The peer group consists of 15 public companies that operate in the restaurant industry. The peer group includes the following companies: BJ's Restaurants, Inc. (BJRI), Bob Evans Farms, Inc. (BOBE), Buffalo Wild Wings, Inc. (BWLD), The Cheesecake Factory Incorporated (CAKE), Cracker Barrel Old Country Store, Inc. (CBRL), DineEquity, Inc. (DIN), Brinker International, Inc. (EAT), Fiesta Restaurant Group, Inc. (FRGI), Jack In The Box Inc. (JACK), Popeye's Louisana Kitchen (PLKI), Panera Bread Company (PNRA), Red Robin Gourmet Burgers, Inc. (RRGB), Ruby Tuesday, Inc. (RT), Sonic Corp. (SONC) and Texas Roadhouse, Inc. (TXRH).

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 28, 2016 (a)	December 30, 2015	December 31, 2014 (b)	December 25, 2013	December 26, 2012
	(In millions, except ratios and per share amounts)				
Statement of Income Data:					
Operating revenue	$506.9	$ 491.3	$ 472.3	$ 462.6	$ 488.4
Operating income	$47.0	$ 63.2	$ 57.3	$ 47.5	$ 56.4
Income from continuing operations	$19.4	$ 36.0	$ 32.7	$ 24.6	$ 22.3
Basic net income per share:	$0.26	$ 0.44	$ 0.38	$ 0.27	$ 0.23
Diluted net income per share:	$0.25	$ 0.42	$ 0.37	$ 0.26	$ 0.23
Cash dividends per common share (c)	—	—	—	—	—
Balance Sheet Data (at end of period):					
Current assets (d)	$35.9	$ 36.4	$ 56.1	$ 53.8	$ 64.6
Working capital deficit (e)	$(57.5)	$ (65.1)	$ (24.3)	$ (20.3)	$ (27.2)
Net property and equipment	$133.1	$ 124.8	$ 109.8	$ 105.6	$ 107.0
Total assets	$306.2	$ 297.0	$ 289.9	$ 295.8	$ 324.9
Long-term debt and capital lease obligations, excluding current portion	$242.3	$ 212.5	$ 151.1	$ 165.9	$ 177.5

(a) During 2016, we completed the liquidation of the Advantica Pension Plan (the "Pension Plan"). Accordingly, we made a final contribution of $9.5 million to the Pension Plan and recognized a settlement loss of $24.3 million, reflecting the recognition of unamortized actuarial losses that were recorded in accumulated other comprehensive income.

(b) The fiscal year ended December 31, 2014 includes 53 weeks of operations compared with 52 weeks for all other years presented. We estimate that the additional operating week added approximately $10.7 million of operating revenue in 2014.

(c) Our credit facility allows for the payment of cash dividends and/or the purchase of our common stock subject to certain limitations. See Part II Item 5.

(d) During 2015, we early adopted ASU 2015-17, which simplifies the presentation of deferred taxes by requiring that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. We chose to prospectively apply the guidance, therefore, as a result of our early adoption, all deferred taxes are reported as noncurrent in our Consolidated Balance Sheet as of December 30, 2015. Prior periods were not retrospectively adjusted.

(e) A negative working capital position is not unusual for a restaurant operating company.

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

Nature of Our Business

Denny's Corporation (Denny's) is one of America's largest franchised full-service restaurant chains. Denny's, through its wholly-owned subsidiary, Denny's, Inc., owns and operates the Denny's brand. At December 28, 2016, the Denny's brand consisted of 1,733 franchised, licensed and company operated restaurants. Of this amount, 1,564 of our restaurants were franchised or licensed, representing 90% of the total restaurants, and 169 were company operated.

Our revenues are derived primarily from two sources: the sale of food and beverages at our company 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 and franchised restaurants are affected by the success of our marketing campaigns, new product introductions, product quality enhancements, customer service and menu pricing, as well as external factors including competition, economic conditions affecting consumer spending and changes in guests' tastes and preferences. Sales at company restaurants and royalty income from franchise restaurants are also impacted by the opening of new restaurants, the closing of existing restaurants, the sale of company restaurants to franchisees and the acquisition of restaurants from franchisees.

Our operating costs are exposed to volatility in two main areas: payroll and benefit costs and product costs. 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. Additionally, changes in guest counts and investments in store-level labor impact payroll and benefit costs as a percentage of sales. 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. In an inflationary commodity environment, our ability to lock in prices on certain key commodities is imperative to controlling food costs. In addition, our continued success with menu management helps us offer menu items that provide a compelling value to our customers while maintaining attractive product costs and profitability.

2016 Summary of Operations

During 2016, we achieved domestic system-wide same-stores sales growth of 0.9%, comprised of a 1.1% increase at company restaurants and a 0.8% increase at domestic franchised restaurants. In addition to growing system-wide same-store sales in 14 of the past 15 quarters, Denny’s achieved its sixth consecutive year of positive system-wide same-store sales.

A total of 240 remodels were completed during 2016, comprised of 27 at company restaurants and 213 at franchised restaurants. These remodels were in our Heritage image, which we launched late in 2013. This updated look reflects a more contemporary diner feel to further reinforce our America's Diner positioning. We anticipate over 200 remodels will be completed system-wide in 2017. By the end of 2018, we expect 75% of the system will have been remodeled to the most current image.

During 2014, we implemented a new franchise agreement, which included a royalty rate of 4.5% and an advertising contribution of 3%, excluding any incentives. There were approximately 600 franchised restaurants (42%) operating under this agreement as of December 28, 2016, and we expect there to be approximately 700 franchised restaurants (49%) operating under this agreement by the end of 2017. We anticipate that existing franchisees will elect to migrate to the new fee structure over the next decade as incentives under previous franchise agreements expire. Due to the long-term migration of existing franchisees, we will not see the full benefit of the higher royalty rate for some time. For 2016, our average domestic royalty rate was approximately 4.11%.

During 2014, our Board of Directors approved the termination and liquidation of the Advantica Pension Plan (the “Pension Plan”). During 2016, we completed the liquidation of the Pension Plan. Accordingly, we made a final contribution of $9.5 million to the Pension Plan and recognized a settlement loss of $24.3 million, reflecting the recognition of unamortized actuarial losses that were recorded in accumulated other comprehensive income. As a result, operating income decreased $16.2 million to $47.0 million in 2016 from $63.2 million in 2015. Net income decreased $16.6 million to $19.4 million, or $0.25 per diluted share, in 2016 compared to $36.0 million, or $0.42 per diluted share, in 2015.

Growing the Brand

Over the last five years our growth initiatives have led to 219 new restaurant openings. During 2016, we had net restaurant growth of 23 restaurants, with 50 openings and 27 closures. Our openings included 14 franchised international locations, including four in Canada, three in Mexico, two in Honduras, two in the Philippines, one in the United Arab Emirates, one in Trinidad and one in Puerto Rico. Our goal is to increase net restaurant growth through all avenues: domestic, international and nontraditional. Domestic growth will focus on markets in which we have modest penetration.

Balancing the Use of Cash

We are focused on balancing the use of cash between reinvesting in our base of company restaurants, growing and strengthening the brand and returning cash to shareholders. During 2016, cash capital expenditures were $34.0 million, comprised of $19.7 million in capital expenditures and restaurants acquisition costs of $14.3 million. The capital expenditures included approximately $6.4 million allocated towards the remodel of 27 company restaurants. The restaurant acquisition costs include $13.7 million for ten high-volume franchised restaurants and $0.6 million related to a franchised restaurant that was acquired during 2015.

In November 2016, as part of our previously authorized share repurchase programs, we entered into a variable term, capped accelerated share repurchase (the "2016 ASR") agreement with MUFG Securities EMEA plc ("MUFG"), to repurchase an aggregate of $25 million of our common stock. Pursuant to the terms of the 2016 ASR agreement, we paid $25 million in cash, received approximately 1.5 million shares of our common stock (which represents the minimum shares to be delivered based on the cap price) and recorded $18.1 million of treasury stock related to these shares. The remaining balance of $6.9 million is included as additional paid-in capital in shareholders' equity as of December 28, 2016 as an equity forward contract. The total aggregate number of shares of our common stock repurchased pursuant to the ASR agreement will be based generally on the average of the daily volume-weighted average prices of our common stock, less a fixed discount, over the term of the 2016 ASR agreement, subject to a minimum number of shares. Subsequent to the year ended December 28, 2016, we settled the 2016 ASR agreement. See Note 19 to our Consolidated Financial Statements.

During 2016, including shares repurchased under the 2016 ASR, we repurchased a total of 4.6 million shares for $51.8 million. In addition, we recorded 1.5 million shares and $13.1 million in treasury stock as a result of settling the 2015 ASR. Since initiating our share repurchase programs in November 2010, we have repurchased a total of 35.8 million shares of our common stock for $265.9 million. As of December 28, 2016, there was $79.2 million remaining under the current repurchase program.

Factors impacting comparability

For 2016, 2015 and 2014, the following items impacted the comparability of our results:

- Company restaurant sales have increased from $334.7 million in 2014 to $367.3 million in 2016, primarily as a result of the increase in same-store sales and acquisitions of restaurants from franchisees.
- Royalty income, which is included as a component of franchise and license revenue, has increased from $90.8 million in 2014 to $98.4 million in 2016, primarily as a result of the increase in same-store sales and a higher royalty rate.
- 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 restaurant 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. When restaurants are sold and leased or subleased to franchisees, the occupancy costs related to these restaurants move from costs of company restaurant sales to costs of franchise and license revenue to match the related occupancy revenue. As leases or subleases with franchisees expire, franchise occupancy revenue and costs could decrease if franchisees enter into direct leases with landlords. At the end of 2016, we had 294 franchise restaurants that are leased or subleased from Denny's.
- Our fiscal year ends on the last Wednesday in December. As a result, a fifty-third week is added to a fiscal year every five or six years. We had a 52 week year in 2016 and 2015 and a 53 week year in 2014, which impacts the comparison of our financial information. We estimate that the additional 2014 operating week added approximately $8.3 million of company restaurant sales and $2.4 million of franchise and license

revenue and resulted in approximately $0.6 million of additional general and administrative expenses, $3.6 million of additional operating income and $2.2 million of additional net income.

Statements of Income

	Fiscal Year Ended December 28, 2016 (Dollars in thousands)		December 30, 2015		December 31, 2014	
Revenue:						
Company restaurant sales	$367,310	72.5 %	$353,073	71.9 %	$334,684	70.9 %
Franchise and license revenue	139,638	27.5 %	138,220	28.1 %	137,611	29.1 %
Total operating revenue	506,948	100.0 %	491,293	100.0%	472,295	100.0 %
Costs of company restaurant sales (a):						
Product costs	90,487	24.6 %	89,660	25.4 %	86,825	25.9 %
Payroll and benefits	142,823	38.9 %	136,626	38.7 %	133,280	39.8 %
Occupancy	19,557	5.3 %	20,443	5.8 %	20,845	6.2 %
Other operating expenses	49,229	13.4 %	47,628	13.5 %	47,858	14.3 %
Total costs of company restaurant sales	302,096	82.2 %	294,357	83.4 %	288,808	86.3 %
Costs of franchise and license revenue (a)	40,805	29.2 %	43,345	31.4 %	44,761	32.5 %
General and administrative expenses	67,960	13.4 %	66,602	13.6 %	58,907	12.5 %
Depreciation and amortization	22,178	4.4 %	21,472	4.4 %	21,218	4.5 %
Operating (gains), losses and other charges, net	26,910	5.3 %	2,366	0.5 %	1,270	0.3 %
Total operating costs and expenses, net	459,949	90.7 %	428,142	87.1 %	414,964	87.9 %
Operating income	46,999	9.3 %	63,151	12.9 %	57,331	12.1 %
Interest expense, net	12,232	2.4 %	9,283	1.9 %	9,182	1.9 %
Other nonoperating expense (income), net	(1,109)	(0.2)%	139	0.0 %	(612)	(0.1)%
Net income before income taxes	35,876	7.1 %	53,729	10.9 %	48,761	10.3 %
Provision for income taxes	16,474	3.2 %	17,753	3.6 %	16,036	3.4 %
Net income	$19,402	3.8 %	$35,976	7.3 %	$32,725	6.9 %
Other Data:						
Company average unit sales	$2,254		$2,217		$2,100	
Franchise average unit sales	$1,563		$1,555		$1,506	
Company equivalent units (b)	163		159		159	
Franchise equivalent units (b)	1,556		1,538		1,534	
Company same-store sales increase (c)(d)	1.1 %		6.5 %		4.2 %	
Domestic franchised same-store sales increase (c)	0.8 %		5.7 %		2.5 %	

(a) 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.
(b) Equivalent units are calculated as the weighted average number of units outstanding during a defined time period.
(c) Same-store sales include sales from restaurants that were open the same period in the prior year.
(d) Prior year amounts have not been restated for 2016 comparable restaurants.

Unit Activity

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
Company restaurants, beginning of period	164	161	163
Units opened	1	3	1
Units acquired from franchisees	10	3	—
Units sold to franchisees	(6)	(1)	—
Units closed	—	(2)	(3)
End of period	169	164	161
Franchised and licensed restaurants, beginning of period	1,546	1,541	1,537
Units opened	49	42	37
Units purchased from Company	6	1	—
Units acquired by Company	(10)	(3)	—
Units closed	(27)	(35)	(33)
End of period	1,564	1,546	1,541
Total restaurants, end of period	1,733	1,710	1,702

Company Restaurant Operations

Company same-store sales increased 1.1% in 2016 and 6.5% in 2015 compared with the respective prior year. Company restaurant sales for 2016 increased $14.2 million, or 4.0%, primarily resulting from the increase in same-store sales and a 4 equivalent unit increase in company restaurants. Company restaurant sales for 2015 increased $18.4 million, or 5.5%, primarily resulting from the increase in same-store sales and from the November 2014 reopening of our highest volume restaurant in Las Vegas, Nevada.

Total costs of company restaurant sales as a percentage of company restaurant sales were 82.2% in 2016, 83.4% in 2015 and 86.3% in 2014.

Product costs were 24.6% in 2016, 25.4% in 2015 and 25.9% in 2014. The decrease in 2016 was primarily due to lower commodity costs. The decrease in 2015 was primarily due to the favorable impact of product mix and the leveraging effect of higher sales, partially offset by the increased cost of eggs.

Payroll and benefits were 38.9% in 2016, 38.7% in 2015 and 39.8% in 2014. The increase in 2016 was primarily due to a 0.8 percentage point increase in labor costs, a 0.3 percentage point increase in group insurance and a 0.2 percentage point increase in workers' compensation costs, partially offset by a 1.1 percentage point decrease in incentive compensation costs. Contributing to the increase in labor costs was the impact of the California Paid Sick Leave law, which became effective in July 2015. The decrease in 2015 was primarily due to a 1.0 percentage point decrease in labor costs, a 0.7 percentage point decrease in workers' compensation costs and a 0.2 percentage point decrease in group insurance, partially offset by a 0.8 percentage point increase in incentive compensation costs.

Occupancy costs were 5.3% in 2016, 5.8% in 2015 and 6.2% in 2014. The 2016 decrease is primarily related to a 0.3 percentage point decrease in general liability costs and a 0.2 percentage point decrease in rent and property taxes due to an increase in capital leases during the year. The 2015 decrease is primarily related to a 0.4 percentage point decrease in general liability costs.

Other operating expenses were comprised of the following amounts and percentages of company restaurant sales:

	Fiscal Year Ended					
	December 28, 2016		December 30, 2015		December 31, 2014	
	(Dollars in thousands)					
Utilities	$12,426	3.4 %	$12,866	3.6 %	$13,915	4.2 %
Repairs and maintenance	6,406	1.7 %	6,017	1.7 %	5,971	1.8 %
Marketing	13,112	3.6 %	12,527	3.5 %	12,329	3.7 %
Other direct costs	17,285	4.7 %	16,218	4.6 %	15,643	4.7 %
Other operating expenses	$49,229	13.4%	$47,628	13.5%	$47,858	14.3%

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 28, 2016		December 30, 2015		December 31, 2014	
	(Dollars in thousands)					
Royalties	$98,416	70.5 %	$94,755	68.6 %	$90,835	66.0 %
Initial fees	2,717	1.9 %	2,478	1.8 %	1,893	1.4 %
Occupancy revenue	38,505	27.6 %	40,987	29.7 %	44,883	32.6 %
Franchise and license revenue	$139,638	100.0%	$138,220	100.0%	$137,611	100.0%
Occupancy costs	$28,062	20.1 %	$30,416	22.0 %	$33,134	24.1 %
Other direct costs	12,743	9.1 %	12,929	9.4 %	11,627	8.4 %
Costs of franchise and license revenue	$40,805	29.2 %	$43,345	31.4 %	$44,761	32.5 %

Royalties increased by $3.7 million, or 3.9%, in 2016 primarily resulting from a 18 equivalent unit increase in franchised and licensed restaurants, a 0.8% increase in domestic same-store sales and a higher average royalty rate as compared to 2015. Royalties increased by $3.9 million, or 4.3%, in 2015 primarily resulting from a 5.7% increase in domestic same-store sales and a higher average royalty rate as compared to 2014. The higher average royalty rates for both periods resulted as certain restaurants transitioned to a higher rate structure.

Initial fees increased by $0.2 million, or 9.6%, in 2016 as a higher number of restaurants were opened by franchisees and sold to franchisees during the current year period. Initial fees increased by $0.6 million, or 30.9%, in 2015 as a higher number of restaurants were opened by franchisees and a higher number of successor franchise agreements were signed compared to the prior year period. Occupancy revenue decreased by $2.5 million, or 6.1%, in 2016 and by $3.9 million, or 8.7%, in 2015 primarily resulting from lease expirations.

Occupancy costs decreased by $2.4 million, or 7.7%, in 2016 and by $2.7 million, or 8.2%, in 2015 primarily resulting from lease expirations. Other direct costs were essentially flat in 2016 and increased by $1.3 million, or 11.2%, in 2015 due to increased franchise administrative costs. As a result, costs of franchise and license revenue decreased by $2.5 million, or 5.9%, in 2016 and by $1.4 million, or 3.2%, in 2015.

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 are comprised of the following:

	Fiscal Year Ended December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Share-based compensation	$7,610	$ 6,635	$ 5,846
Other general and administrative expenses	60,350	59,967	53,061
Total general and administrative expenses	$67,960	$ 66,602	$ 58,907

General and administrative expenses increased by $1.4 million in 2016. The increase in share-based compensation is primarily the result of forfeitures during 2015. The increase in other general and administrative expenses is comprised of $2.3 million in investments in personnel and technology and $0.8 million related to market valuation changes in our deferred compensation plan liabilities, partially offset by a $2.7 million decrease in incentive compensation. General and administrative expenses increased by $7.7 million in 2015 primarily resulting from increases of $3.2 million in incentive compensation, $1.9 million in payroll and benefits and $0.8 million in share-based compensation.

Depreciation and amortization is comprised of the following:

	Fiscal Year Ended December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Depreciation of property and equipment	$17,012	$ 16,548	$ 15,627
Amortization of capital lease assets	3,630	3,449	3,536
Amortization of intangible and other assets	1,536	1,475	2,055
Total depreciation and amortization expense	$22,178	$ 21,472	$ 21,218

The increase in depreciation and amortization expense is primarily the result of our investments in company unit remodels during the past two years.

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

	Fiscal Year Ended December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Pension settlement loss	$24,297	$ —	$ —
Losses (gains) on sales of assets and other, net	29	(93)	(112)
Restructuring charges and exit costs	1,486	1,524	981
Impairment charges	1,098	935	401
Operating (gains), losses and other charges, net	$26,910	$ 2,366	$ 1,270

26

The pre-tax pension settlement loss of $24.3 million related to the completion of the Pension Plan liquidation during the year ended December 28, 2016. See Note 11 to our Consolidated Financial Statements for details on the Pension Plan liquidation.

Restructuring charges and exit costs were comprised of the following:

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Exit costs	$591	$ 697	$ 335
Severance and other restructuring charges	895	827	646
Total restructuring and exit costs	$1,486	$ 1,524	$ 981

Impairment charges for 2016 and 2015 resulted primarily from the impairment of restaurants identified as assets held for sale. The impairment charges for 2014 resulted primarily from the impairment of an underperforming restaurant.

Operating income was $47.0 million in 2016, $63.2 million in 2015 and $57.3 million in 2014.

Interest expense, net is comprised of the following:

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Interest on credit facilities	$4,606	$ 2,789	$ 3,519
Interest on interest rate swaps	789	859	—
Interest on capital lease liabilities	4,768	3,537	3,319
Letters of credit and other fees	1,185	1,180	1,381
Interest income	(116)	(66)	(80)
Total cash interest	11,232	8,299	8,139
Amortization of deferred financing costs	593	507	483
Interest accretion on other liabilities	407	477	560
Total interest expense, net	$12,232	$ 9,283	$ 9,182

Interest expense, net increased during 2016 primarily due to the increased balance of our credit facility and an increase in capital leases.

Other nonoperating (income) expense, net was income of $1.1 million for 2016, expense of $0.1 million for 2015 and income of $0.6 million for 2014. The income for the 2016 period was primarily the result of gains on deferred compensation plan investments. The expense for the 2015 period consisted primarily of $0.3 million of write-offs of deferred financing costs related to our 2015 debt refinancing, partially offset by gains on lease terminations and deferred compensation plan investments. The income for the 2014 period consisted primarily of $0.5 million of gains on deferred compensation plan investments.

The provision for income taxes was $16.5 million for 2016, $17.8 million for 2015 and $16.0 million for 2014. The effective tax rate was 45.9% for 2016, 33.0% for 2015 and 32.9% for 2014. For the 2016 period, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state taxes, the generation of employment tax credits, the Pension Plan liquidation, and foreign tax credits generated with the filings of federal amended tax returns. The 2016 rates were impacted by the recognition of a $2.1 million tax benefit related to the $24.3 million pre-tax settlement loss on the Pension Plan liquidation. This benefit was at a rate lower than the effective tax rate due to the previous recognition of an approximate $7.2 million tax benefit recognized with the reversal of our valuation allowance in 2011. In addition, we amended prior years' U.S. tax returns in order to maximize a foreign tax credit in lieu of a foreign tax deduction, resulting in a net tax benefit of approximately $3.7 million during the year.

For 2015, the difference in the overall effective rate from the U.S. statutory rate was primarily related to state taxes and the generation of employment and foreign tax credits.

For 2014, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state and foreign taxes, the generation of employment tax credits and two discrete tax items. State job tax credits of 1.3% were claimed during 2014 for the current year's hiring activity. State job tax credits of 1.1% were also claimed during the 2014 period resulting from the prior year's hiring activity. In addition, share-based compensation adjustments resulted in an out-of-period tax benefit of 1.0%. We do not believe the out-of-period adjustment was material to any prior or current year financial statements or on earnings trends.

Net income was $19.4 million for 2016, $36.0 million for 2015 and $32.7 million for 2014.

Liquidity and Capital Resources

Summary of Cash Flows

Our primary sources of liquidity and capital resources are cash generated from operations and borrowings under our credit facility (as described below). Principal uses of cash are operating expenses, capital expenditures and the repurchase of shares of our common stock.

The following table presents a summary of our sources and uses of cash and cash equivalents for the periods indicated:

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Net cash provided by operating activities	$71,162	$ 80,637	$ 74,574
Net cash used in investing activities	(32,656)	(32,735)	(21,289)
Net cash used in financing activities	(37,585)	(49,305)	(53,154)
Net increase (decrease) in cash and cash equivalents	$921	$ (1,403)	$ 131

Net cash flows provided by operating activities were $71.2 million for the year ended December 28, 2016 compared to $80.6 million for the year ended December 30, 2015. The decrease in cash flows provided by operating activities is primarily due to the funding of our pension liability during 2016. We believe that our estimated cash flows from operations for 2017, 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.

Net cash flows used in investing activities were $32.7 million for the year ended December 28, 2016. These cash flows are primarily comprised of capital expenditures of $19.7 million and restaurant acquisition costs of $14.3 million. The capital expenditures included the remodel of 27 company restaurants. The restaurant acquisition costs include $13.7 million for ten franchised restaurants reacquired during 2016 and the payment of $0.6 million for a franchised restaurant that was reacquired during 2015.

Our principal capital requirements have been largely associated with the following:

Fiscal Year Ended	
December 28, 2016	December 30, 2015

	(In thousands)	
Facilities	$7,365	$ 9,743
New construction	3,347	2,262
Remodeling	6,374	12,688
Information technology	1,299	1,002
Other	1,364	1,282
Capital expenditures	$19,749	$ 26,977

Capital expenditures for fiscal 2017 are expected to be between $22-$24 million.

Cash flows used in financing activities were $37.6 million for the year ended December 28, 2016, which included stock repurchases of $51.6 million and the purchase of a $6.9 million equity forward contract related to the 2016 ASR agreement, partially offset by net long-term debt borrowings of $20.3 million.

Our working capital deficit was $57.5 million at December 28, 2016 compared with $65.1 million at December 30, 2015. The decrease in working capital deficit is primarily related to the 2016 funding of our pension liability and the timing of payments impacting payable balances. We are able to operate with a substantial working capital deficit because (1) restaurant operations and most food service operations are conducted primarily on a cash (and cash equivalent) basis with a low level of accounts receivable, (2) rapid turnover allows a limited investment in inventories and (3) accounts payable for food, beverages and supplies usually become due after the receipt of cash from the related sales.

Credit Facility

As of December 28, 2016, we had outstanding revolver loans of $218.5 million and outstanding letters of credit under the senior secured revolver of $22.4 million. These balances resulted in availability of $84.1 million under the credit facility. Prior to considering the impact of our interest rate swaps, described below, the weighted-average interest rate on outstanding revolver loans was 2.45% and 1.76% as of December 28, 2016 and December 30, 2015, respectively. Taking into consideration the interest rate swaps, the weighted-average interest rate of outstanding revolver loans was 2.74% and 2.31% as of December 28, 2016 and December 30, 2015, respectively.

A commitment fee of 0.25% is paid on the unused portion of the revolving credit facility. Borrowings under the credit facility bear a tiered interest rate, which is based on the Company's consolidated leverage ratio and was set at LIBOR plus 175 basis points as of December 28, 2016. The maturity date for the credit facility is March 30, 2020.

The credit facility is available for working capital, capital expenditures and other general corporate purposes. The credit facility is guaranteed by the Company and its material subsidiaries and is secured by assets of the Company and its subsidiaries, including the stock of the Company's subsidiaries. It includes negative covenants that are usual for facilities and transactions of this type. The credit facility also includes certain financial covenants with respect to a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio.

During the fourth quarter of 2016, the credit facility was used to fund a $25 million accelerated share repurchase agreement.

Interest Rate Hedges

We have interest rate swaps to hedge a portion of the cash flows of our floating rate debt. See Part II Item 7A. Quantitative and Qualitative Disclosures About Market Risk for details on our interest rate swaps.

Contractual Obligations

Our future contractual obligations and commitments at December 28, 2016 consisted of the following:

	Payments Due by Period				
	Total	Less than 1 Year	1-2 Years	3-4 Years	5 Years and Thereafter
	(In thousands)				
Long-term debt	$218,500	$—	$—	$218,500	$ —
Capital lease obligations (a)	65,761	8,628	15,092	12,316	29,725

Operating lease obligations	178,802	28,470	49,478	35,638	65,216
Interest obligations (a)	24,199	5,977	16,131	2,091	—
Defined contribution plan obligations	259	259	—	—	—
Purchase obligations (b)	196,372	196,372	—	—	—
Unrecognized tax benefits (c)	1,180	—	—	—	—
Total	$685,073	$239,706	$80,701	$268,545	$ 94,941

29

(a) Interest obligations represent payments related to our long-term debt outstanding at December 28, 2016. For long-term debt with variable rates, we have used the rate applicable at December 28, 2016 to project interest over the periods presented in the table above, taking into consideration the impact of the interest rate swaps for the applicable periods. The capital lease obligation amounts above are inclusive of interest.

(b) Purchase obligations include amounts payable under purchase contracts for food and non-food products. Many of these agreements do not obligate us to purchase any specific volumes and include provisions that would allow us to cancel such agreements with appropriate notice. For agreements with cancellation provisions, amounts included in the table above represent our estimate of purchase obligations during the periods presented if we were to cancel these contracts with appropriate notice.

(c) Unrecognized tax benefits are related to uncertain tax positions. As we are not able to reasonably estimate the timing or amount of these payments, the related balances have not been reflected in the “Payments Due by Period” section of the table.

Off-Balance Sheet Arrangements

Except for operating leases entered into during the normal course of business, we do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. 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. On an ongoing basis, we evaluate our estimates, including those related to self-insurance liabilities, impairment of long-lived assets, restructuring and exit costs and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Our significant accounting policies, including the critical accounting policies listed below, are fully described in Note 2 to our Consolidated Financial Statements. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

Self-insurance liabilities. We are self-insured for a portion of our losses related to certain medical plans, workers' compensation, general, product and automobile insurance liability. In estimating these liabilities, we utilize independent actuarial estimates of expected losses, which are based on statistical analysis of historical data. Our estimates of expected losses are adjusted over time based on changes to the actual costs of the underlying claims, which could result in additional expense or reversal of expense previously recorded.

Impairment of long-lived assets. We evaluate our long-lived assets for impairment at the restaurant level on a quarterly basis, when assets are identified as held for sale or whenever changes or events indicate that the carrying value may not be recoverable. For assets identified as held for sale, we use the market approach and consider proceeds from similar asset sales. We assess impairment of restaurant-level assets based on the operating cash flows of the restaurant, expected proceeds from the sale of assets and our plans for restaurant closings. Generally, all restaurants with negative cash flows from operations for the most recent twelve months at each quarter end are included in our assessment. For underperforming assets, we use the income approach to determine both the recoverability and estimated fair value of the assets. To estimate future cash flows, we make certain assumptions about expected future operating performance, such as revenue growth, operating margins, risk-adjusted discount rates, and future economic and market conditions. If the long-lived assets of a restaurant are not recoverable based upon estimated future, undiscounted cash flows, we write the assets down to their fair value. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Restructuring and exit costs. Discounted liabilities for future lease costs of closed restaurants, net of the fair value of related subleases, are recorded when the restaurants are closed. All other costs related to closed restaurants are expensed as incurred. In assessing the discounted liabilities for future costs of obligations related to closed restaurants, we make assumptions regarding amounts of future subleases.

The most significant estimates included in our accrued exit cost liabilities relate to the timing and amount of estimated subleases. If any of the estimates or their related assumptions change in the future, we may be required to record additional exit costs or reduce exit costs previously recorded.

Income taxes. We make certain estimates and judgments in the calculation of our provision for income taxes, in the resulting tax liabilities, and in the recoverability of deferred tax assets. We record valuation allowances against our deferred tax assets, when necessary. Realization of deferred tax assets is dependent on future taxable earnings and is therefore uncertain. We assess the likelihood that our deferred tax assets in each of the jurisdictions in which we operate will be recovered from future taxable income. Deferred tax assets do not include future tax benefits that we deem likely not to be realized.

We record a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense. Penalties, when incurred, are recognized in general and administrative expense. Assessment of uncertain tax positions requires judgments relating to the amounts, timing and likelihood of resolution.

Recent Accounting Pronouncements

See the Accounting Standards to be Adopted section of Note 2 to our Consolidated Financial Statements included in Part II, Item 8 of this report for further details of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We have exposure to interest rate risk related to certain instruments entered into for other than trading purposes. Specifically, as of December 28, 2016, borrowings under our credit facility bore interest at variable rates based on LIBOR plus a spread of 175 basis points per annum.

We have interest rate swaps to hedge a portion of the cash flows of our floating rate debt. We designated these interest rate swaps as cash flow hedges of our exposure to variability in future cash flows attributable to payments of LIBOR due on specific notional amounts.

Based on the interest rate as determined by our consolidated leverage ratio in effect as of December 28, 2016, under the terms of the swaps, we will pay the following fixed rates on the notional amounts noted:

Period Covered	Notional Amount (In thousands)	Fixed Rate
March 31, 2015 - March 29, 2018	$ 120,000	2.88 %
March 29, 2018 - March 31, 2025	170,000	4.19 %
April 1, 2025 - March 31, 2026	50,000	4.21 %

As of December 28, 2016, the fair value of the interest rate swaps was a liability of $0.8 million, which is recorded as a component of other noncurrent liabilities on our Consolidated Balance Sheets.

As of December 28, 2016, the swap effectively increased our ratio of fixed rate debt from approximately 11% of total debt to approximately 60% of total debt. We expect to reclassify approximately $0.7 million from accumulated other comprehensive loss related to our interest rate swaps during the next twelve months. This amount will be included as a component of interest expense in our Consolidated Statements of Income. See Note 10 to our Consolidated Financial

Statements for additional details.
Based on the levels of borrowings under the credit facility at December 28, 2016, if interest rates changed by 100 basis points, our annual cash flow and income before taxes would change by approximately $1.0 million. This computation is determined by considering the impact of hypothetical interest rates on the credit facility at December 28, 2016, taking into consideration the interest rate swap. However, the nature and amount of our borrowings may vary as a result of future business requirements, market conditions and other factors.

Commodity Price Risk

We purchase certain food products, such as beef, poultry, pork, eggs and coffee, and utilities such as gas and electricity, that are affected by commodity pricing and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties and other factors that are outside our control and which are generally unpredictable. Changes in commodity prices affect us and our competitors generally and often simultaneously. In general, we purchase food products and utilities based upon market prices established with vendors. Although many of the items purchased are subject to changes in commodity prices, the majority of our purchasing arrangements are structured to contain features that minimize price volatility by establishing fixed pricing and/or price ceilings and floors. We use these types of purchase arrangements to control costs as an alternative to using financial instruments to hedge commodity prices. In many cases, we believe we will be able to address commodity cost increases which are significant and appear to be long-term in nature by adjusting our menu pricing or changing our product delivery strategy. However, competitive circumstances could limit such actions and, in those circumstances, increases in commodity prices could lower our margins. Because of the often short-term nature of commodity pricing aberrations and our ability to change menu pricing or product delivery strategies in response to commodity price increases, we believe that the impact of commodity price risk is not significant.

We have established a process to identify, control and manage market risks which may arise from changes in interest rates, commodity prices and other relevant rates and prices. We do not use derivative instruments for trading purposes.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements which appears on page F-1 herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and financial officers, including the Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”), evaluated the effectiveness of our design and operation of our disclosure controls and procedures pursuant to and as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report.

Based on their assessment as of December 28, 2016, our CEO and CFO have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during our fourth quarter ended December 28, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 28, 2016 based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 28, 2016.

The effectiveness of our internal control over financial reporting as of December 28, 2016 has also been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Denny's Corporation

We have audited Denny’s Corporation’s (the Company) internal control over financial reporting as of December 28, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting (Item 9A.). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Denny’s Corporation maintained, in all material respects, effective internal control over financial reporting as of December 28, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Denny’s Corporation and subsidiaries as of December 28, 2016 and December 30, 2015, and the related consolidated statements of income, comprehensive income, shareholders’ deficit, and cash flows for each of the fiscal years in the three-year period ended December 28, 2016, and our report dated February 27, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Greenville, South Carolina
February 27, 2017

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item with respect to our executive officers and directors; compliance by our directors, executive officers and certain beneficial owners of our common stock with Section 16(a) of the Exchange Act; the committees of our Board of Directors; our Audit Committee Financial Expert; and our Code of Ethics is furnished by incorporation by reference to information under the captions entitled “General-Equity Security Ownership”, “Election of Directors”, “Executive Compensation”, “Section 16(a) Beneficial Ownership Reporting Compliance”, “Related Party Transactions” and “Code of Ethics” in the proxy statement (to be filed hereafter) in connection with Denny’s Corporation's 2017 Annual Meeting of the Shareholders (the “proxy statement”) and possibly elsewhere in the proxy statement (or will be filed by amendment to this report). Additional information required by this item related to our executive officers appears in Item 1 of Part I of this report under the caption “Executive Officers of the Registrant.”

Item 11. Executive Compensation

The information required by this item is furnished by incorporation by reference to information under the captions entitled “Executive Compensation” and “Election of Directors” in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is furnished by incorporation by reference to information under the caption “General—Equity Security Ownership” in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is furnished by incorporation by reference to information under the captions “Related Party Transactions” and “Election of Directors” in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

Item 14. Principal Accounting Fees and Services

The information required by this item is furnished by incorporation by reference to information under the caption entitled “Selection of Independent Registered Public Accounting Firm” in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements: See the Index to Financial Statements which appears on page F-1 hereof.

(a)(2) Financial Statement Schedules: No schedules are filed herewith because of the absence of conditions under which they are required or because the information called for is in our Consolidated Financial Statements or notes thereto appearing elsewhere herein.

(a)(3) Exhibits: Certain of the exhibits to this Report, indicated by an asterisk, are hereby incorporated by reference from other documents on file with the Commission with which they are electronically filed, to be a part hereof as of their respective dates.

Exhibit No.	Description
*3.1	Restated Certificate of Incorporation of Denny's Corporation dated March 3, 2003, as amended by Certificate of Amendment to Restated Certificate of Incorporation to Increase Authorized Capitalization dated August 25, 2004 (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December 29, 2004).
*3.2	By-Laws of Denny's Corporation, as effective as of May 24, 2016 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Denny's Corporation filed with the Commission on May 26, 2016).
+*10.1	Form of stock option agreement to be used under the Denny's Corporation 2004 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.2 to the Registration Statement on Form S-8 of Denny's Corporation (File No. 333-120093) filed with the Commission on October 29, 2004).
+*10.2	Form of deferred stock unit award certificate to be used under the Denny's Corporation 2004 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December 29, 2004).
+*10.3	Employment Offer Letter dated August 16, 2005 between Denny's Corporation and F. Mark Wolfinger (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended September 28, 2005).
+*10.4	Employment Offer Letter dated January 6, 2011 between Denny's Corporation and John C. Miller (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 30, 2011).
*10.5	Second Amended and Restated Credit Agreement dated as of March 30, 2015 among Denny's, Inc., as the Borrower, Denny's Corporation, as Parent, and Certain Subsidiaries of Parent, as Guarantors, Wells Fargo Bank, National Association, as Administrative Agent and L/C Issuer, Regions Bank and Citizens Bank, National Association, as Co-Syndication Agents, Cadence Bank, N.A. and Fifth Third Bank, as Co-Documentation Agents, and The Other Lenders Party Hereto, Wells Fargo Securities, LLC, Regions Capital Markets, a Division of Regions Bank and Citizens Bank, National Association, as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended April 1, 2015).
*10.6	Second Amended and Restated Guarantee and Collateral Agreement dated as of March 30, 2015 among Denny's, Inc., Denny's Realty, LLC, Denny's Corporation, DFO, LLC, the other Subsidiaries of Parent from time to time party hereto, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended April 1, 2015).
*10.7	First Amendment to Second Amended and Restated Credit Agreement dated as of October 30, 2015 among Denny's, Inc., as the Borrower, Denny's Corporation, as Parent, and each of the Subsidiaries of Parent party thereto, as Guarantors, and Wells Fargo Bank, National Association, as Administrative Agent on behalf of the Lenders (incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December 30, 2015).

*10.8	Second Amendment to Second Amended and Restated Credit Agreement dated April 8, 2016 among Denny's Inc., as the Borrower, Denny's Corporation, as Parent, and each of the Subsidiaries of Parent party thereto, as Guarantors, and Wells Fargo Bank, National Association, as Administrative Agent on behalf of the Lenders (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended June 29, 2016).
+*10.9	Denny's Corporation Amended and Restated Executive and Key Employee Severance Pay Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended September 25, 2013).
+*10.10	Denny's Corporation 2012 Omnibus Incentive Plan (incorporated by reference to Appendix A of the Definitive Proxy Statement of Denny's Corporation filed with the Commission on April 5, 2012).

Exhibit No.	Description
+*10.11	Denny's Corporation 2008 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Denny's Corporation filed with the Commission on May 27, 2008).
+*10.12	Amendment to the Denny's Corporation 2008 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended April 1, 2009).
+*10.13	Denny's Corporation Amended and Restated 2004 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended June 25, 2008).
+*10.14	Form of the 2013 Long-Term Performance Incentive Program Performance Shares and Target Cash Opportunity Award Certificate (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 27, 2013).
+*10.15	Written Description of the Denny's 2013 Long-Term Performance Incentive Program (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 27, 2013).
+*10.16	Form of the 2014 Long-Term Performance Incentive Program Performance Shares and Target Cash Opportunity Award Certificate (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 26, 2014).
+*10.17	Written Description of the Denny's 2014 Long-Term Performance Incentive Program (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 26, 2014).
+*10.18	Form of Long-Term Incentive Program Award Certificate (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended April 1, 2015).
+*10.19	Written Description of the Denny's Long-Term Incentive Program (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended April 1, 2015).
+*10.20	Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December 29, 2010).
+*10.21	Denny's Corporate Incentive Plan (incorporated by reference to Exhibit 10.30 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December 30, 2009).
+*10.22	Form of deferred stock unit award certificate to be used under the Denny's Corporation 2012 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.27 to the Annual Report on From 10-K of Denny's Corporation for the year ended December 31, 2014).
*10.23	Capped Fixed $$ Discounted Share Buyback (“DSB”) With Initial Delivery Confirmation dated November 6, 2015 between Denny's Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December

	29, 2015).
10.24	Capped Fixed $$ Discounted Share Buyback (“DSB”) With Initial Delivery Confirmation dated November 21, 2016 between Denny's Corporation and MUFG Securities EMEA plc.

Exhibit No.	Description
21.1	Subsidiaries of Denny's Corporation.
23.1	Consent of KPMG LLP.
31.1	Certification of John C. Miller, President and Chief Executive Officer of Denny’s Corporation, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of F. Mark Wolfinger, Executive Vice President, Chief Administrative Officer and Chief Financial Officer of Denny’s Corporation, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Statement of John C. Miller, President and Chief Executive Officer of Denny’s Corporation, and F. Mark Wolfinger, Executive Vice President, Chief Administrative Officer and Chief Financial Officer of Denny’s Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

+Denotes management contracts or compensatory plans or arrangements.
* Incorporated by reference.

Item 16. Form 10-K Summary

None.

DENNY’S CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Income	F-4
Consolidated Statements of Comprehensive Income	F-5
Consolidated Statements of Shareholders’ Deficit	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Denny's Corporation

We have audited the accompanying consolidated balance sheets of Denny’s Corporation and subsidiaries as of December 28, 2016 and December 30, 2015, and the related consolidated statements of income, comprehensive income, shareholders’ deficit, and cash flows for each of the fiscal years in the three-year period ended December 28, 2016. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Denny’s Corporation and subsidiaries as of December 28, 2016 and December 30, 2015, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 28, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 28, 2016, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Greenville, South Carolina
February 27, 2017

Denny's Corporation and Subsidiaries
Consolidated Balance Sheets

	December 28, 2016	December 30, 2015
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 2,592	$ 1,671
Receivables, net	19,841	16,552
Inventories	3,046	3,117
Assets held for sale	1,020	931
Prepaid and other current assets	9,408	14,143
Total current assets	35,907	36,414
Property, net	133,102	124,816
Goodwill	35,233	33,454
Intangible assets, net	54,493	46,074
Deferred financing costs, net	1,936	2,529
Deferred income taxes	17,683	29,159
Other noncurrent assets	27,797	24,591
Total assets	$ 306,151	$ 297,037
Liabilities		
Current liabilities:		
Current maturities of capital lease obligations	3,285	3,246
Accounts payable	25,289	20,759
Other current liabilities	64,796	77,548
Total current liabilities	93,370	101,553
Long-term liabilities:		
Long-term debt, less current maturities	218,500	195,000
Capital lease obligations, less current maturities	23,806	17,499
Liability for insurance claims, less current portion	14,853	15,949
Other noncurrent liabilities	26,734	27,631
Total long-term liabilities	283,893	256,079
Total liabilities	377,263	357,632
Commitments and contingencies		
Shareholders' equity (deficit)		
Common stock $0.01 par value; shares authorized - 135,000; December 28, 2016: 107,115 shares issued and 71,358 shares outstanding; December 30, 2015: 106,521 shares issued and 76,862 shares outstanding	1,071	1,065
Paid-in capital	577,951	565,364
Deficit	(382,843)	(402,245)
Accumulated other comprehensive loss, net of tax	(1,407)	(23,777)
Shareholders' equity before treasury stock	194,772	140,407
Treasury stock, at cost, 35,757 and 29,659 shares, respectively	(265,884)	(201,002)
Total shareholders' deficit	(71,112)	(60,595)
Total liabilities and shareholders' deficit	$ 306,151	$ 297,037

See accompanying notes to consolidated financial statements.

F - 3

Denny's Corporation and Subsidiaries
Consolidated Statements of Income

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands, except per share amounts)		
Revenue:			
Company restaurant sales	$367,310	$ 353,073	$ 334,684
Franchise and license revenue	139,638	138,220	137,611
Total operating revenue	506,948	491,293	472,295
Costs of company restaurant sales:			
Product costs	90,487	89,660	86,825
Payroll and benefits	142,823	136,626	133,280
Occupancy	19,557	20,443	20,845
Other operating expenses	49,229	47,628	47,858
Total costs of company restaurant sales	302,096	294,357	288,808
Costs of franchise and license revenue	40,805	43,345	44,761
General and administrative expenses	67,960	66,602	58,907
Depreciation and amortization	22,178	21,472	21,218
Operating (gains), losses and other charges, net	26,910	2,366	1,270
Total operating costs and expenses, net	459,949	428,142	414,964
Operating income	46,999	63,151	57,331
Interest expense, net	12,232	9,283	9,182
Other nonoperating (income) expense, net	(1,109)	139	(612)
Net income before income taxes	35,876	53,729	48,761
Provision for income taxes	16,474	17,753	16,036
Net income	$19,402	$ 35,976	$ 32,725
Basic net income per share	$0.26	$ 0.44	$ 0.38
Diluted net income per share	$0.25	$ 0.42	$ 0.37
Basic weighted average shares outstanding	75,325	82,627	86,323
Diluted weighted average shares outstanding	77,206	84,729	88,355

See accompanying notes to consolidated financial statements.

Denny's Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Net income	$19,402	$ 35,976	$ 32,725
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment, net of tax of $2,148, $1,425 and $(4,019)	21,819	2,230	(6,304)
Recognition of unrealized gain (loss) on hedge transactions, net of tax of $353, $(898) and $(933)	551	(1,405)	(1,456)
Other comprehensive income (loss)	22,370	825	(7,760)
Total comprehensive income	$41,772	$ 36,801	$ 24,965

See accompanying notes to consolidated financial statements.

Denny's Corporation and Subsidiaries
Consolidated Statements of Shareholders' Deficit

	Common Stock		Treasury Stock		Paid-in		Accumulated Other Comprehensive	Total Shareholders' Equity /
	Shares	Amount	Shares	Amount	Capital	(Deficit)	Loss, Net	(Deficit)
	(In thousands)							
Balance, December 25, 2013	105,014	1,050	(15,782)	(72,336)	567,505	(470,946)	(16,842)	8,431
Net income	—	—	—	—	—	32,725	—	32,725
Other comprehensive loss	—	—	—	—	—	—	(7,760)	(7,760)
Share-based compensation on equity classified awards	—	—	—	—	2,345	—	—	2,345
Purchase of treasury stock	—	—	(5,329)	(35,990)	—	—	—	(35,990)
Issuance of common stock for share-based compensation	151	1	—	—	(1)	—	—	—
Exercise of common stock options	653	7	—	—	2,162	—	—	2,169
Tax expense from share-based compensation	—	—	—	—	(337)	—	—	(337)
Balance, December 31, 2014	105,818	$ 1,058	(21,111)	$(108,326)	$571,674	$(438,221)	$ (24,602)	$ 1,583
Net income	—	—	—	—	—	35,976	—	35,976
Other comprehensive income	—	—	—	—	—	—	825	825
Share-based compensation on equity classified awards	—	—	—	—	3,428	—	—	3,428
Purchase of treasury stock	—	—	(8,548)	(92,676)	—	—	—	(92,676)
Equity forward contract	—	—	—	—	(13,111)	—	—	(13,111)
Issuance of common stock for share-based compensation	503	5	—	—	(5)	—	—	—
Exercise of common stock options	200	2	—	—	730	—	—	732
Tax benefit from share-based compensation	—	—	—	—	2,648	—	—	2,648
Balance, December 30, 2015	106,521	$ 1,065	(29,659)	$(201,002)	$565,364	$(402,245)	$ (23,777)	$ (60,595)
Net income	—	—	—	—	—	19,402	—	19,402
Other comprehensive income	—	—	—	—	—	—	22,370	22,370
Share-based compensation on equity classified awards	—	—	—	—	5,590	—	—	5,590
Purchase of treasury stock	—	—	(4,580)	(51,771)	—	—	—	(51,771)

Equity forward contract settlement	—	—	(1,518)	(13,111)	13,111	—	—	—
Equity forward contract issuance	—	—	—	—	(6,884)	—	—	(6,884)
Issuance of common stock for share-based compensation	383	4	—	—	(4)	—	—	—
Exercise of common stock options	211	2	—	—	887	—	—	889
Tax expense from share-based compensation	—	—	—	—	(113)	—	—	(113)
Balance, December 28, 2016	107,115	$ 1,071	(35,757)	$ (265,884)	$ 577,951	$ (382,843)	$ (1,407)	$ (71,112)

See accompanying notes to consolidated financial statements.

Denny’s Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Cash flows from operating activities:			
Net income	$19,402	$ 35,976	$ 32,725
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation and amortization	22,178	21,472	21,218
Operating (gains), losses and other charges, net	26,910	2,366	1,270
Amortization of deferred financing costs	593	507	483
(Gain) loss on early extinguishments of debt	(5)	225	(33)
Gain on the change in fair value of interest rate caps	—	—	(11)
Deferred income tax expense	8,844	14,006	13,215
Increase (reversal) of tax valuation allowance	132	(130)	(270)
Share-based compensation	7,610	6,635	5,846
Excess tax benefits from share-based compensation	—	(2,648)	—
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Receivables	(2,922)	1,440	(1,456)
Inventories	71	(166)	(71)
Other current assets	4,622	(3,818)	(259)
Other assets	(3,582)	(78)	(2,118)
Increase (decrease) in liabilities:			
Accounts payable	4,770	2,345	1,561
Accrued salaries and vacations	(7,370)	4,060	2,648
Accrued taxes	96	182	871
Other accrued liabilities	(10,217)	9,479	114
Other noncurrent liabilities	30	(11,216)	(1,159)
Net cash flows provided by operating activities	71,162	80,637	74,574
Cash flows from investing activities:			
Capital expenditures	(19,749)	(26,977)	(22,076)
Acquisition of restaurants and real estate	(14,282)	(5,803)	—
Proceeds from disposition of property	1,932	95	64
Collections on notes receivable	1,676	1,740	2,289
Issuance of notes receivable	(2,233)	(1,790)	(1,566)
Net cash flows used in investing activities	(32,656)	(32,735)	(21,289)
Cash flows from financing activities:			
Revolver borrowings	79,000	231,000	32,200
Revolver payments	(55,500)	(121,250)	(42,200)
Long-term debt payments	(3,200)	(58,344)	(7,237)
Deferred financing costs	—	(1,716)	—
Purchase of treasury stock	(51,643)	(92,644)	(36,058)
Purchase of equity forward contract	(6,884)	(13,111)	—
Proceeds from exercise of stock options	889	732	2,169
Tax withholding on share-based payments	—	(982)	(419)

Excess tax benefits from share-based compensation	—	2,648	—
Net bank overdrafts	(247)	4,362	(1,609)
Net cash flows used in financing activities	(37,585)	(49,305)	(53,154)
Increase (decrease) in cash and cash equivalents	921	(1,403)	131
Cash and cash equivalents at beginning of period	1,671	3,074	2,943
Cash and cash equivalents at end of period	$2,592	$ 1,671	$ 3,074

See accompanying notes to consolidated financial statements.

Denny’s Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Introduction and Basis of Reporting

Denny’s Corporation, or Denny’s, is one of America’s largest franchised full-service restaurant chains based on number of restaurants. Denny’s restaurants are operated in all 50 states, the District of Columbia, two U.S. territories and 11 foreign countries with principal concentrations in California (23% of total restaurants), Texas (11%) and Florida (8%).

At December 28, 2016, the Denny's brand consisted of 1,733 restaurants, 1,564 of which were franchised/licensed restaurants and 169 of which were company operated.

Note 2. Summary of Significant Accounting Policies

The following accounting policies significantly affect the preparation of our Consolidated Financial Statements:

Use of Estimates. In preparing our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles, management is required to make certain assumptions and estimates that affect reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. In making these assumptions and estimates, management may from time to time seek advice and consider information provided by actuaries and other experts in a particular area. Actual amounts could differ materially from these estimates.

Consolidation Policy. Our Consolidated Financial Statements include the financial statements of Denny’s Corporation and its wholly-owned subsidiaries: Denny’s, Inc., DFO, LLC and Denny's Realty, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year. Our fiscal year ends on the last Wednesday in December. As a result, a fifty-third week is added to a fiscal year every five or six years. Fiscal 2014 included 53 weeks of operations, whereas 2016 and 2015 each included 52 weeks of operations.

Cash Equivalents and Short-term Investments. Our policy is to invest cash in excess of operating requirements in short-term highly liquid investments with an original maturity of three months or less, which we consider to be cash equivalents. Cash and cash equivalents include short-term investments of $0.5 million and $0.9 million at December 28, 2016 and December 30, 2015, respectively.

Receivables. Receivables, which are recorded at net realizable value, primarily consist of trade accounts receivables and financing receivables from franchisees, vendor receivables and credit card receivables. Trade accounts receivables from franchisees consist of royalties, advertising and rent. Financing receivables from franchisees primarily consist of notes from franchisees related to the roll-out of POS equipment. We accrue interest on notes receivable based on the contractual terms. The allowance for doubtful accounts is based on pre-defined criteria and management’s judgment of existing receivables. Receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts.

Inventories. Inventories consist of food and beverages and are valued primarily at the lower of cost and net realizable value.

Property and Depreciation. Owned property is stated at cost. Property under capital leases is stated at the lesser of its fair value or the net present value of the related minimum lease payments at the lease inception. Maintenance and repairs are expensed as incurred. We depreciate owned property over its estimated useful life using the straight-line method. We amortize property held under capital leases (at capitalized value) over the lesser of its estimated useful life or the initial lease term. In certain situations, one or more option periods may be used in determining the depreciable life of certain leasehold improvements under operating lease agreements, if we deem that an economic penalty will be incurred and exercise of such option periods is reasonably assured. In either circumstance, our policy requires lease term consistency when calculating the depreciation period, in classifying the lease and in computing rent expense. Building assets are assigned estimated useful lives that range from five to 30 years. Equipment assets are assigned lives that range from two to ten years. Leasehold improvements are generally assigned lives between five and 15 years limited by the expected lease term.

Goodwill. Amounts recorded as goodwill primarily represent excess reorganization value recognized as a result of our 1998 bankruptcy. We also record goodwill in connection with the acquisition of restaurants from franchisees. Likewise, upon the sale of restaurant operations to franchisees, goodwill is decremented. We test goodwill for impairment at each fiscal year end and more frequently if circumstances indicate impairment may exist. Such indicators include, but are not limited to, a significant decline in our expected future cash flows, a significant adverse decline in our stock price, significantly adverse legal developments and a significant change in the business climate.

Other Intangible Assets. Other intangible assets consist primarily of trade names, franchise and license agreements, and reacquired franchise rights. Trade names are considered indefinite-lived intangible assets and are not amortized. Franchise and license agreements and reacquired franchise rights are amortized using the straight-line basis over the term of the related agreement. Reacquired franchise rights resulting from acquisitions are accounted for using the purchase method of accounting and are estimated by management based on the fair value of the assets received.

We test trade name assets for impairment at each fiscal year end, and more frequently if circumstances indicate impairment may exist. We assess impairment of franchise and license agreements and reacquired franchise rights whenever changes or events indicate that the carrying value may not be recoverable. Costs incurred to renew or extend the term of recognized intangible assets are recorded in general and administrative expenses in our Consolidated Statements of Income.

Long-term Investments. Long-term investments include nonqualified deferred compensation plan assets held in a rabbi trust. Each plan participant's account is comprised of their contribution, our matching contribution and each participant's share of earnings or losses in the plan. The investments of the rabbi trust include debt and equity mutual funds. They are considered trading securities and are reported at fair value in other noncurrent assets with an offsetting liability included in other noncurrent liabilities in our Consolidated Balance Sheets. The realized and unrealized holding gains and losses related to the investments are recorded in other income (expense) with an offsetting amount recorded in general and administrative expenses related to the liability in our Consolidated Statements of Income. During 2016, 2015 and 2014, we incurred net gains of $0.9 million, $0.1 million and $0.5 million, respectively. The fair value of the deferred compensation plan investments was $11.2 million and $10.2 million at December 28, 2016 and December 30, 2015, respectively.

Deferred Financing Costs. Costs related to the issuance of debt are deferred and amortized as a component of interest expense using the effective interest method over the terms of the respective debt issuances.

Cash Overdrafts. Accounts payable in our Consolidated Balance Sheets include cash overdrafts of $4.1 million and $4.4 million at December 28, 2016 and December 30, 2015, respectively. Changes in such amounts are reflected in cash flows from financing activities in our Consolidated Statements of Cash Flows.

Self-insurance Liabilities. We record liabilities for insurance claims during periods in which we have been insured under large deductible programs or have been self-insured for our medical claims and workers' compensation, general, product and automobile insurance liabilities. The liabilities for prior and current estimated incurred losses are discounted to their present value based on expected loss payment patterns determined by independent actuaries using our actual historical payments. These estimates include assumptions regarding claims frequency and severity as well as changes in our business environment, medical costs and the regulatory environment that could impact our overall self-insurance costs.

Total discounted workers' compensation, general, product and automobile insurance liabilities at December 28, 2016 and December 30, 2015 were $19.2 million, reflecting a 1.5% discount rate, and $21.1 million, reflecting a 1.0% discount rate, respectively. The related undiscounted amounts at such dates were $20.0 million and $21.6 million, respectively.

Income Taxes. We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. As a result of our early adoption of ASU 2015-17, all deferred taxes are reported as noncurrent in our Consolidated Balance Sheets. A valuation allowance reduces our net deferred tax asset to the amount that is more likely than not to be realized. We make certain estimates and judgments in the calculation of our provision for incomes taxes, in the resulting tax liabilities, and in the recoverability of deferred tax assets.

We record a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense. Penalties, when incurred, are recognized in general and administrative expense. Assessment of uncertain tax positions requires judgments relating to the amounts, timing and likelihood of resolution.

Leases and Subleases. Our policy requires the use of a consistent lease term for calculating the depreciation period for related buildings and leasehold improvements, classifying the lease and computing periodic rent expense increases where the lease terms include escalations in rent over the lease term. The lease term commences on the date we gain access to and control over the leased property. We account for rent escalations in leases on a straight-line basis over the expected lease term. Any rent holidays after lease commencement are recognized on a straight-line basis over the expected lease term, which includes the rent holiday period. Leasehold improvements that have been funded by lessors have historically been insignificant. Any leasehold improvements we make that are funded by lessor incentives or allowances under operating leases are recorded as leasehold improvement assets and amortized over the expected lease term. Such incentives are also recorded as deferred rent and amortized as reductions to lease expense over the expected lease term. We record contingent rent expense based on estimated sales for respective restaurants over the contingency period. Contingent rental income is recognized when earned.

Fair Value Measurements. The carrying amounts of cash and cash equivalents, accounts receivables, accounts payable and accrued expenses are deemed to approximate fair value due to the immediate or short-term maturity of these instruments. The fair value of notes receivable approximates the carrying value after consideration of recorded allowances and related risk-based interest rates. The liabilities under our credit facility are carried at historical cost, which approximates fair value. The fair value of our long-term debt is determined based on market prices or, if market prices are not available, the present value of the underlying cash flows discounted at market rates.

Employee Benefit Plans. Each year we measure and recognize the funded status of our defined benefit plans in our Consolidated Balance Sheets as of December 31. That date represents the month-end that is closest to our fiscal year-end. The funded status is adjusted for any contributions or significant events (such as a plan amendment, settlement, or curtailment that calls for a remeasurement) that occurs between our fiscal year-end and December 31.

Derivative Instruments. We use derivative financial instruments to manage our exposure to interest rate risk. We do not enter into derivative instruments for trading or speculative purposes. All derivatives are recognized on our Consolidated Balance Sheets at fair value based upon quoted market prices. Changes in the fair values of derivatives are recorded in earnings or other comprehensive income (“OCI”), based on whether the instrument is designated as a hedge transaction. Gains or losses on derivative instruments reported in OCI are classified to earnings in the period the hedged item affects earnings. If the underlying hedge transaction ceases to exist, any associated amounts reported in OCI are reclassified to earnings at that time. Any ineffectiveness is recognized in earnings in the current period. By entering into derivative instruments, we are exposed to counterparty credit risk. When the fair value of a derivative instrument is in an asset position, the counterparty has a liability to us, which creates credit risk for us. We manage our exposure to this risk by selecting counterparties with investment grade credit ratings and regularly monitoring our market position with each counterparty.

Contingencies and Litigation. We are subject to legal proceedings involving ordinary and routine claims incidental to our business, as well as legal proceedings that are nonroutine and include compensatory or punitive damage claims. Our ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements. When the reasonable estimate is a range, the recorded loss will be the best estimate within the range. We record legal settlement costs as other operating expenses in our Consolidated Statements of Income as those costs are incurred.

Comprehensive Income. Comprehensive income includes net income and OCI items that are excluded from net income under U.S. generally accepted accounting principles. OCI items include additional minimum pension liability adjustments and the effective unrealized portion of changes in the fair value of cash flow hedges.

Segment. Denny’s operates in only one segment. All significant revenues and pre-tax earnings relate to retail sales of food and beverages to the general public through either company or franchised restaurants.

Company Restaurant Sales. Company restaurant sales are recognized when food and beverage products are sold at company restaurants. We present company restaurant sales net of sales taxes.

Gift cards. We sell gift cards which have no stated expiration dates. We recognize revenue from gift cards when the gift card is redeemed by the customer or when we determine the likelihood of redemption is remote (gift card breakage). Breakage is based on our company-specific historical redemption patterns. We recognized $0.3 million, $0.3 million and $0.4 million in breakage on gift cards during 2016, 2015 and 2014, respectively. We believe that the amounts recognized for breakage have been and will continue to be insignificant.

Franchise and License Fees. We recognize initial franchise and license fees when all of the material obligations have been performed and conditions have been satisfied, typically when operations of a new franchised restaurant have commenced. Continuing fees, such as royalties and rents, are recorded as income. Royalties are recognized in the period in which the sales occurred. During 2016, 2015 and 2014, we recorded initial fees of $2.6 million, $2.3 million and $1.8 million, respectively, as a component of franchise and license revenue in our Consolidated Statements of Income. At December 28, 2016 and December 30, 2015, deferred fees were $2.1 million and $1.9 million, respectively, and are included in other accrued liabilities in the accompanying Consolidated Balance Sheets. For 2016, 2015 and 2014, our ten largest franchisees accounted for 29%, 29% and 32% of our franchise revenues, respectively.

Advertising Costs. We expense production costs for radio and television advertising in the year in which the commercials are initially aired. Advertising expense for 2016, 2015 and 2014 was $13.1 million, $12.5 million and $12.3 million, respectively, net of contributions from franchisees to our advertising programs, including local co-operatives, of $76.5 million, $72.5 million and $70.3 million, respectively. Advertising costs are recorded as a component of other operating expenses in our Consolidated Statements of Income.

Restructuring and Exit Costs. Restructuring and exit costs consist primarily of the costs of future obligations related to closed restaurants, severance and other restructuring charges for terminated employees, and are included as a component of operating (gains), losses and other charges, net in our Consolidated Statements of Income.

Discounted liabilities for future lease costs and the fair value of related subleases of closed restaurants are recorded when the restaurants are closed. All other costs related to closed restaurants are expensed as incurred. In assessing the discounted liabilities for future costs of obligations related to closed restaurants, we make assumptions regarding amounts of future assumed subleases. If these assumptions or their related estimates change in the future, we may be required to record additional exit costs or reduce exit costs previously recorded. Exit costs recorded for each of the periods presented include the effect of such changes in estimates.

Disposal or Impairment of Long-lived Assets. We evaluate our long-lived assets for impairment at the restaurant level on a quarterly basis, when assets are identified as held for sale or whenever changes or events indicate that the carrying value may not be recoverable. For assets identified as held for sale, we use the market approach and consider proceeds from similar asset sales. We assess impairment of restaurant-level assets based on the operating cash flows of the restaurant, expected proceeds from the sale of assets and our plans for restaurant closings. Generally, all restaurants with negative cash flows from operations for the most recent twelve months at each quarter end are included in our assessment. For underperforming assets, we use the income approach to determine both the recoverability and estimated fair value of the assets. To estimate future cash flows, we make certain assumptions about expected future operating performance, such as revenue growth, operating margins, risk-adjusted discount rates, and future economic and market conditions. If the long-lived assets of a restaurant are not recoverable based upon estimated future, undiscounted cash flows, we write the assets down to their fair value. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges. These charges are included as a component of operating (gains), losses and other charges, net in our Consolidated Statements of Income.

Assets held for sale consist of real estate properties and/or restaurant operations that we expect to sell within the next year. The assets are reported at the lower of carrying amount or fair value less costs to sell. We cease recording depreciation on assets that are classified as held for sale. If the determination is made that we no longer expect to sell an asset within the next year, the asset is reclassified out of held for sale.

Discontinued Operations. We evaluate restaurant closures and assets reclassified to assets held for sale for potential disclosure as discontinued operations. Only disposals resulting in a strategic shift that will have a major effect on our operations and financial results are reported as discontinued operations. There were no such disposals, nor any disposals of individually significant components. The gains and losses related to restaurant closures and assets reclassified to assets held for sale are included as a component of operating (gain), losses and other charges, net in our Consolidated Statements of Income.

Gains/Losses on Sales of Restaurants Operations to Franchisees, Real Estate and Other Assets. Generally, gains/losses on sales of restaurant operations to franchisees (which may include real estate), real estate properties and other assets are recognized when the sales are consummated and certain other gain recognition criteria are met. Total gains/losses are included as a component of operating (gains), losses and other charges, net in our Consolidated Statements of Income.

Share-Based Compensation. Share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period. We estimate potential forfeitures of share-based awards and adjust the forfeiture rate over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Share-based compensation expense is included as a component of general and administrative expenses in our Consolidated Statements of Income. Tax expense or benefit recognized related to share-based compensation is included as a component of provision for income taxes in our Consolidated Statements of Income. Tax benefit in excess of recognized compensation cost is reported as a cash outflow from operating activities and as a cash inflow from financing activities in our Consolidated Statements of Cash Flows.

Generally, compensation expense related to restricted stock units, performance shares, performance units and board deferred stock units is based on the number of shares and units expected to vest, the period over which they are expected to vest and the fair market value of our common stock on the date of the grant. For restricted stock units and performance shares that contain a market condition, 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. The key assumptions used include expected volatility and risk-free interest rates over the term of the award. The amount of certain cash-settled awards is determined based on the date of payment. Therefore, compensation expense related to these cash-settled awards is adjusted to fair value at each balance sheet date. Compensation expense for options is recognized on a straight-line basis over the requisite service period for the entire award.

Subsequent to the vesting period, earned stock-settled restricted stock units and performance shares (both of which are equity classified) are paid to the holder in shares of our common stock, and the cash-settled restricted stock units and performance units (both of which are liability classified) are paid to the holder in cash, provided the holder is then still employed with Denny’s or an affiliate.

Earnings Per Share. Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period.

Newly Adopted Accounting Standards

Effective December 31, 2015, we adopted ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis,” which improves targeted areas of the consolidation guidance and reduces the number of consolidation models. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Effective December 31, 2015, we adopted ASU 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,” which simplifies the guidance on the presentation of debt issuance costs. The new guidance requires debt issuance costs to be presented in the balance sheet as a reduction of the related debt liability rather than as an asset. Also effective December 31, 2015, we adopted ASU 2015-15, “Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update),” which addresses the SEC's comments related to the absence of authoritative guidance within ASU 2015-03 related to line-of-credit arrangements. According to this guidance, the SEC will not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption of this guidance did not have any impact on our consolidated financial statements and we will continue to classify debt issuance costs as an asset.

Effective December 31, 2015, we adopted, on a prospective basis, ASU 2015-05, “Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement,” which provides guidance about whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with the acquisition of other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Effective December 31, 2015, we adopted ASU 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory,” which requires inventory that is measured using the first-in, first-out method to be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, “Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force),” which clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. We early adopted this guidance as of March 30, 2016 on a prospective basis. The adoption of this guidance did not have any impact on our consolidated financial statements.

Accounting Standards to be Adopted

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The new guidance clarifies the principles used to recognize revenue for all entities and requires companies to recognize revenue when it transfers goods or service to a customer in an amount that reflects the consideration to which a company expects to be entitled. The FASB has subsequently amended this guidance by issuing additional ASU's that provide clarification and further guidance around areas identified as potential implementation issues, including principal versus agent considerations, licensing and identifying performance obligations, assessing collectability, presentation of sales taxes received from customers, noncash consideration, contract modification and clarification of using the full retrospective approach upon adoption. All of the standards are effective for annual and interim periods beginning after December 15, 2017 (our fiscal 2018). The guidance allows for either a retrospective or cumulative effect transition method with early application permitted. The guidance is not expected to impact the recognition of company restaurant sales or royalties from franchised restaurants. Upon adoption, initial franchise fees, which are currently recognized upon the opening of a franchise restaurant, are expected to be deferred and recognized over the term of the underlying franchise agreement. We are currently evaluating the impact this guidance will have on the recognition of other transactions on our consolidated financial statements, including our advertising arrangements with franchisees currently reported on a net versus gross basis in our consolidated statements of earnings, and the effect it will have on our disclosures. We have not yet selected a transition method.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities”. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. ASU 2016-01 is effective for annual and interim periods beginning after December 15, 2017 (our fiscal 2018) with early adoption permitted. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. The new guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform financial statement users of credit loss estimates. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019 (our fiscal 2020) with early adoption permitted for annual and interim periods beginning after December 15, 2018 (our fiscal 2019). We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets. The accounting guidance for lessors is largely unchanged. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018 (our fiscal 2019) with early adoption permitted. The guidance will be adopted using a modified retrospective approach. Based on a preliminary assessment, we expect the adoption will result in a significant increase in the assets and liabilities on our consolidated balance sheets, as most of our operating lease commitments will be recognized as operating lease liabilities and right-of-use assets. We are continuing our evaluation, which may identify additional impacts this standard will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The new guidance simplifies several aspects of the accounting for share-based payment transactions, including the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016 (our fiscal 2017) with early adoption permitted. The guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Currently, we do not recognize excess tax benefits until the deduction reduces taxes payable. Therefore, upon adoption, we expect to recognize $6 million - $10 million of excess tax benefits as an increase in deferred tax assets and a cumulative-effect adjustment to retained earnings as of December 29, 2016 (the first day of fiscal 2017). Also, upon adoption any future excess tax benefits or deficiencies will be recorded to the provision for income taxes in the consolidated statement of income, instead of additional paid-in capital in the consolidated balance sheet. This reclassification will be made on a prospective basis and could have a material impact on the provision for income taxes in our consolidated financial statements depending on the changes in fair value of our share-based payment awards. In addition, we have elected, upon adoption, to account for forfeitures when they occur, which results in a cumulative-effect adjustment to retained earnings as of December 29, 2016 (the first day of fiscal 2017) of approximately $0.6 million.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)". The new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-15 is effective for annual and interim periods beginning after December 15, 2017 (our fiscal 2018) with early adoption permitted. The guidance is to be applied using a retrospective transition method to each period presented. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

We reviewed all other newly issued accounting pronouncements and concluded that they are either not applicable to our business or are not expected to have a material effect on our financial statements as a result of future adoption.

Note 3. Receivables

Receivables, net were comprised of the following:

	December 28, 2016	December 30, 2015
	(In thousands)	
Current assets:		
Receivables:		
Trade accounts receivable from franchisees	$10,513	$ 10,591
Financing receivables from franchisees	2,804	1,352
Vendor receivables	3,865	3,049
Credit card receivables	1,678	1,606
Other	1,261	251
Allowance for doubtful accounts	(280)	(297)
Total current receivables, net	$19,841	$ 16,552
Noncurrent assets (included as a component of other noncurrent assets):		
Notes receivable from franchisees	$732	$ 541

F - 14

Note 4. Property

Property, net consisted of the following:

	December 28, 2016	December 30, 2015
	(In thousands)	
Land	$29,914	$ 29,856
Buildings and leasehold improvements	243,323	238,134
Other property and equipment	79,804	77,392
Total property owned	353,041	345,382
Less accumulated depreciation	241,132	235,967
Property owned, net	111,909	109,415
Buildings, vehicles and other equipment held under capital leases	35,246	27,429
Less accumulated amortization	14,053	12,028
Property held under capital leases, net	21,193	15,401
Total property, net	$133,102	$ 124,816

The following table reflects the property assets, included in the table above, which were leased to franchisees:

	December 28, 2016	December 30, 2015
	(In thousands)	
Land	$16,192	$ 16,192
Buildings and leasehold improvements	59,896	61,551
Total property owned, leased to franchisees	76,088	77,743
Less accumulated depreciation	52,020	52,872
Property owned, leased to franchisees, net	24,068	24,871
Buildings held under capital leases, leased to franchisees	5,656	4,573
Less accumulated amortization	3,408	3,003
Property held under capital leases, leased to franchisees, net	2,248	1,570
Total property leased to franchisees, net	$26,316	$ 26,441

Depreciation expense, including amortization of property under capital leases, for 2016, 2015 and 2014 was $20.6 million, $20.0 million and $19.2 million, respectively. Substantially all owned property is pledged as collateral for our Credit Facility. See Note 10.

Note 5. Goodwill and Other Intangible Assets

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

	December 28, 2016	December 30, 2015
	(In thousands)	
Balance, beginning of year	$33,454	$ 31,451
Additions related to acquisitions	1,827	2,050
Write-offs and reclassifications associated with the sale of restaurants	(48)	(47)
Balance, end of year	$35,233	$ 33,454

Other intangible assets were comprised of the following:

	December 28, 2016		December 30, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Intangible assets with indefinite lives:				
Trade names	$44,076	$ —	$44,068	$ —
Liquor licenses	166	—	126	—
Intangible assets with definite lives:				
Franchise and license agreements	190	186	12,237	12,026
Reacquired franchise rights	11,498	1,251	2,823	1,154
Intangible assets	$55,930	$ 1,437	$59,254	$ 13,180

During the year ended December 28, 2016, we acquired ten franchised restaurants for $13.7 million, of which $9.5 million was allocated to reacquired franchise rights, $2.3 million to property and $1.8 million to goodwill. In addition, we recorded $3.4 million of capital leases in connection with the acquired franchised restaurants. We account for the acquisition of franchised restaurants using the acquisition method of accounting for business combinations. The purchase price allocations were based on Level 3 fair value estimates.

The $12.0 million decrease in franchise and license agreements primarily resulted from the removal of fully amortized agreements. The weighted-average life of the reacquired franchise rights is 11 years. The amortization expense for definite-lived intangibles and other assets for 2016, 2015 and 2014 was $1.5 million, $1.5 million and $2.1 million, respectively. Estimated amortization expense for intangible assets with definite lives in the next five years is as follows:

	(In thousands)
2017	$ 1,452
2018	1,065
2019	933
2020	867
2021	791

We performed an annual impairment test as of December 28, 2016 and determined that none of the recorded goodwill or other intangible assets with indefinite lives were impaired.

Note 6. Other Current Liabilities

Other current liabilities consisted of the following:

	December 28, 2016	December 30, 2015
	(In thousands)	
Accrued salaries and vacation	$27,056	$ 30,549
Accrued insurance, primarily current portion of liability for insurance claims	6,651	7,076
Accrued taxes	7,407	7,311
Accrued advertising	8,051	7,737

Accrued pension	259	9,648
Gift cards	5,474	4,611
Other	9,898	10,616
Other current liabilities	64,796	77,548

Note 7. Operating (Gains), Losses and Other Charges, Net

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

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Pension settlement loss	$24,297	$ —	$ —
Losses (gains) on sales of assets and other, net	29	(93)	(112)
Restructuring charges and exit costs	1,486	1,524	981
Impairment charges	1,098	935	401
Operating (gains), losses and other charges, net	$26,910	$ 2,366	$ 1,270

The pre-tax pension settlement loss of $24.3 million related to the completion of the Pension Plan liquidation during the year ended December 28, 2016. See Note 11 for details on the Pension Plan liquidation.

Restructuring charges and exit costs were comprised of the following:

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Exit costs	$591	$ 697	$ 335
Severance and other restructuring charges	895	827	646
Total restructuring charges and exit costs	$1,486	$ 1,524	$ 981

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

	December 28, 2016	December 30, 2015
	(In thousands)	
Balance, beginning of year	$2,043	$ 2,142
Exit costs (1)	591	697
Payments, net of sublease receipts	(855)	(932)
Interest accretion	117	136
Balance, end of year	1,896	2,043
Less current portion included in other current liabilities	330	550
Long-term portion included in other noncurrent liabilities	$1,566	$ 1,493

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

As of both December 28, 2016 and December 30, 2015, we had accrued severance and other restructuring charges of $0.4 million. The balance as of December 28, 2016 is expected to be paid during the next 12 months.

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

	(In thousands)
2017	$ 439
2018	427
2019	253
2020	197
2021	209
Thereafter	909
Total	2,434
Less imputed interest	538
Present value of exit cost liabilities	$ 1,896

The present value of exit cost liabilities is net of $1.9 million of existing sublease arrangements and $0.9 million related to properties for which we assume we will enter into sublease agreements in the future. See Note 8 for a schedule of future minimum lease commitments and amounts to be received as lessor or sub-lessor for both open and closed restaurants.

Impairment charges of $1.1 million for the year ended December 28, 2016 and $0.9 million for the year ended December 30, 2015 resulted primarily from the impairment of restaurants identified as assets held for sale. Impairment charges of $0.4 million for the year ended December 31, 2014 resulted primarily from the impairment of an underperforming restaurant.

Note 8. Leases

Our operations utilize property, facilities and equipment leased from others. Buildings and facilities are primarily used for restaurants and support facilities. Many of our restaurants are operated under lease arrangements which generally provide for a fixed base rent, and, in many instances, contingent rent based on a percentage of gross revenues. Initial terms of land and restaurant building leases generally range from 10 to 15 years, exclusive of options to renew, which are typically for five year periods. Leases of other equipment consist primarily of restaurant equipment, computer systems and vehicles.

Minimum future lease commitments and amounts to be received as lessor or sublessor under non-cancelable leases, including leases for both open and closed restaurants and optional renewal periods that have been included in the lease term, at December 28, 2016 were as follows:

	Commitments		Lease Receipts
	Capital	Operating	Operating
	(In thousands)		
2017	$8,628	$28,470	$27,357
2018	7,847	26,302	25,945
2019	7,245	23,176	22,835
2020	6,467	19,290	19,975
2021	5,849	16,348	17,898
Thereafter	29,725	65,216	86,224
Total	65,761	$178,802	$200,234
Less imputed interest	38,670		
Present value of capital lease obligations	$27,091		

F - 18

Rent expense is a component of both occupancy expense and costs of franchise and license revenue in our Consolidated Statements of Income. Lease and sublease rental income is a component of franchise and license revenue in our Consolidated Statements of Income. Rental expense and income were comprised of the following:

	Fiscal Year Ended December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Rental expense:			
Included as a component of occupancy:			
Base rents	$8,602	$ 8,998	$ 9,462
Contingent rents	3,351	3,134	2,688
Included as a component of costs of franchise and license revenue:			
Base rents	$19,883	$ 21,751	$ 23,940
Contingent rents	$3,077	$ 2,897	$ 2,847
Total rental expense	$34,913	$ 36,780	$ 38,937
Rental income (included as a component of franchise and license revenue):			
Base rents	$28,183	$ 30,166	$ 33,926
Contingent rents	5,337	5,305	4,608
Total rental income	$33,520	$ 35,471	$ 38,534

Note 9. 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:

	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)				
Fair value measurements as of December 28, 2016:					
Deferred compensation plan investments [1]	$11,248	$ 11,248	$ —	$ —	market approach
Interest rate swaps [2]	(756)	—	(756)	—	income approach
Total	$10,492	$ 11,248	$ (756)	$ —	
Fair value measurements as of December 30, 2015:					
Deferred compensation plan investments [1]	$10,159	$ 10,159	$ —	$ —	market approach
Interest rate swaps [2]	$(1,660)	$ —	$ (1,660)	$ —	income approach
Total	$8,499	$ 10,159	$ (1,660)	$ —	

(1) The fair values of our deferred compensation plan investments are based on the closing market prices of the elected investments.

(2) The fair values of our interest rate swaps are based upon Level 2 inputs, which include valuation models as reported by our counterparties. The key inputs for the valuation models are quoted market prices, interest rates and forward yield curves. See Note 10 for details on the interest rate swaps.

See Note 11 for the disclosures related to the fair value of our pension plan assets.

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

	Significant Other Observable Inputs (Level 2)	Impairment Charges	Valuation Technique
Fair value measurements as of December 28, 2016:			
Assets held for sale[1]	$ 1,020	$ 1,098	market approach
Fair value measurements as of December 30, 2015:			
Assets held for sale[1]	$ 931	$ 264	market approach

(1) As of December 28, 2016 and December 30, 2015, assets held for sale were written down to their fair value. The fair value of assets held for sale is based upon Level 2 inputs, which include sales agreements.

See Note 5 for the disclosures related to the fair value of acquired of franchised restaurants.

Note 10. Long-Term Debt

Long-term debt consisted of the following:

	December 28, 2016	December 30, 2015
	(In thousands)	
Revolving loans due March 30, 2020	$218,500	$ 195,000
Capital lease obligations	27,091	20,745
Total long-term debt	245,591	215,745
Less current maturities	3,285	3,246
Noncurrent portion of long-term debt	$242,306	$ 212,499

There are no future maturities of long-term debt due in 2017 through 2019. The $218.5 million of revolving loans are due in 2020.

Denny's Corporation and certain of its subsidiaries have a credit facility consisting of a $325 million senior secured revolver (with a $30 million letter of credit sublimit). As of December 28, 2016, we had outstanding revolver loans of $218.5 million and outstanding letters of credit under the senior secured revolver of $22.4 million. These balances resulted in availability of $84.1 million under the credit facility. Prior to considering the impact of our interest rate swaps, described below, the weighted-average interest rate on outstanding revolver loans was 2.45% and 1.76% as of December 28, 2016 and December 30, 2015, respectively. Taking into consideration the interest rate swaps, the weighted-average interest rate of outstanding revolver loans was 2.74% and 2.31% as of December 28, 2016 and December 30, 2015, respectively.

A commitment fee of 0.25% is paid on the unused portion of the revolving credit facility. Borrowings under the credit facility bear a tiered interest rate, which is based on the Company's consolidated leverage ratio and was set at LIBOR plus 175 basis points as of December 28, 2016. The maturity date for the credit facility is March 30, 2020.

The credit facility is available for working capital, capital expenditures and other general corporate purposes. The credit facility is guaranteed by the Company and its material subsidiaries and is secured by assets of the Company and its subsidiaries, including the stock of the Company's subsidiaries. It includes negative covenants that are usual for facilities and transactions of this type. The credit facility also includes certain financial covenants with respect to a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio.

During the fourth quarter of 2016, the credit facility was used to fund a $25 million accelerated share repurchase agreement. See Note 15 for the disclosures related to share repurchases.

Interest Rate Hedges

We have interest rate swaps to hedge a portion of the cash flows of our floating rate debt. We designated these interest rate swaps as cash flow hedges of our exposure to variability in future cash flows attributable to payments of LIBOR due on specific notional amounts.

Based on the interest rate as determined by our consolidated leverage ratio in effect as of December 28, 2016, under the terms of the swaps, we will pay the following fixed rates on the notional amounts noted:

Period Covered	Notional Amount (In thousands)	Fixed Rate
March 31, 2015 - March 29, 2018	$ 120,000	2.88 %
March 29, 2018 - March 31, 2025	170,000	4.19 %
April 1, 2025 - March 31, 2026	50,000	4.21 %

As of December 28, 2016, the fair value of the interest rate swaps was a liability of $0.8 million, which is recorded as a component of other noncurrent liabilities on our Consolidated Balance Sheets. See Note 15 for the amounts recorded in accumulated other comprehensive loss related to the interest rate swap.

Note 11. Employee Benefit Plans

We maintain several defined benefit plans and defined contribution plans which cover a substantial number of employees. Benefits under our defined benefit plans are based upon each employee's years of service and average salary. Our funding policy for these plans is based on the minimum amount required under the Employee Retirement Income Security Act of 1974.

The Advantica Pension Plan (the "Pension Plan") was closed to new qualifying participants as of December 31, 1999. Benefits ceased to accrue for Pension Plan participants as of December 31, 2004. During 2014, our Board of Directors approved the termination and liquidation of the Pension Plan as of December 31, 2014. During the year ended December 28, 2016, we completed the liquidation of the Pension Plan. Accordingly, we made a final contribution of $9.5 million to the Pension Plan. The resulting $67.7 million in Pension Plan assets were used to make lump sum payments and purchase annuity contracts, which are administered by a third-party provider. In addition, during the year ended December 28, 2016, we recognized a pre-tax settlement loss of $24.3 million related to the liquidation, reflecting the recognition of unamortized actuarial losses that were recorded in accumulated other comprehensive income. See Note 15.

Defined Benefit Plans

The obligations and funded status for the Pension Plan and other defined benefit plans were as follows:

	Pension Plan		Other Defined Benefit Plans	
	December 28, 2016	December 30, 2015	December 28, 2016	December 30, 2015
	(In thousands)			
Change in Benefit Obligation:				
Benefit obligation at beginning of year	$67,735	$ 74,208	$2,669	$ 2,713
Service cost	105	380	—	—
Interest cost	—	2,983	91	107
Actuarial (gains) losses	945	(5,780)	73	43
Benefits paid	(1,057)	(4,056)	(194)	(194)
Settlements	(67,728)	—	—	—
Benefit obligation at end of year	$—	$ 67,735	$2,639	$ 2,669
Accumulated benefit obligation	$—	$ 67,735	$2,639	$ 2,669
Change in Plan Assets:				
Fair value of plan assets at beginning of year	$58,378	$ 62,820	$—	$ —
Actual return on plan assets	861	(386)	—	—
Employer contributions	9,546	—	194	194
Benefits paid	(1,057)	(4,056)	(194)	(194)
Settlements	(67,728)	—	—	—
Fair value of plan assets at end of year	$—	$ 58,378	$—	$ —
Funded status	$—	$ (9,357)	$(2,639)	$ (2,669)

The amounts recognized in our Consolidated Balance Sheets were as follows:

	Pension Plan		Other Defined Benefit Plans	
	December 28, 2016	December 30, 2015	December 28, 2016	December 30, 2015
	(In thousands)			
Other current liabilities	$—	$ (9,357)	$(259)	$ (291)
Other noncurrent liabilities	—	—	(2,380)	(2,378)
Net amount recognized	$—	$ (9,357)	$(2,639)	$ (2,669)

The amounts recognized in accumulated other comprehensive income, that have not yet been recognized as a component of net periodic benefit cost, were as follows:

	Pension Plan		Other Defined Benefit Plans	
	December 28, 2016	December 30, 2015	December 28, 2016	December 30, 2015
	(In thousands)			
Unamortized actuarial losses, net	$—	(23,955)	(1,033)	(1,045)

During fiscal 2017, less than $0.1 million of accumulated other comprehensive income will be recognized related to our other defined benefit plans.

The components of the change in unamortized actuarial losses, net, included in accumulated other comprehensive loss were as follows:

	Fiscal Year Ended December 28, 2016	December 30, 2015
	(In thousands)	
Pension Plan:		
Balance, beginning of year	$(23,955)	$ (27,574)
Benefit obligation actuarial gain (loss)	(945)	5,780
Net (loss) gain	603	(3,894)
Amortization of net loss	—	1,733
Settlement loss recognized	24,297	—
Balance, end of year	$—	$ (23,955)
Other Defined Benefit Plans:		
Balance, beginning of year	$(1,045)	$ (1,081)
Benefit obligation actuarial loss	(73)	(43)
Amortization of net loss	85	79
Settlement loss recognized	—	—
Balance, end of year	$(1,033)	$ (1,045)

Minimum pension liability adjustments, net of tax for 2016, 2015 and 2014 were a reduction of $21.8 million, a reduction of $2.2 million and an addition of $6.3 million, respectively. Total minimum pension liability adjustments of $0.9 million (net of a tax benefit of $0.1 million) and $22.8 million (net of a tax benefit of $2.2 million) are included as a component of accumulated other comprehensive loss, net in our Consolidated Statements of Shareholders' Deficit for the years ended December 28, 2016 and December 30, 2015, respectively.

The components of net periodic benefit cost were as follows:

	Fiscal Year Ended December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Pension Plan:			
Service cost	$105	$ 380	$ 380
Interest cost	—	2,983	3,099
Expected return on plan assets	—	(3,508)	(3,953)
Amortization of net loss	—	1,733	924
Settlement loss recognized	$24,297	$ —	$ —
Net periodic benefit cost	$24,402	$ 1,588	$ 450
Other comprehensive (income) loss	$(23,955)	$ (3,619)	$ 10,141
Other Defined Benefit Plans:			
Interest cost	$91	$ 107	$ 123
Amortization of net loss	85	79	66
Settlement loss recognized	—	—	50
Net periodic benefit cost	$176	$ 186	$ 239
Other comprehensive (income) loss	$(12)	$ (36)	$ 182

Net pension and other defined benefit plan costs (including premiums paid to the Pension Benefit Guaranty Corporation) for 2016, 2015 and 2014 were $24.6 million, $1.8 million and $0.7 million, respectively.

Assumptions

Because the Pension Plan was closed to new qualifying participants as of December 31, 1999 and benefits ceased to accrue for Pension Plan participants as of December 31, 2004, an assumed rate of increase in compensation levels was not applicable for 2016, 2015 or 2014.

	December 28, 2016		December 30, 2015		December 31, 2014	
Assumptions used to determine benefit obligations:						
Pension Plan:						
Discount rate	N/A		1.34	%		
Other Defined Benefit Plans:						
Discount rate	3.31	%	3.62	%		
Assumptions used to determine net periodic pension cost:						
Discount rate	3.62	%	4.12	%	4.98	%
Rate of increase in compensation levels	N/A		N/A		N/A	
Expected long-term rate of return on assets	N/A		5.75	%	6.50	%

In determining the expected long-term rate of return on assets, we evaluated our asset class return expectations, as well as long-term historical asset class returns. Projected returns are based on broad equity and bond indices. Additionally, we considered our historical compounded returns, which have been in excess of our forward-looking return expectations. In determining the discount rate, we have considered long-term bond indices of bonds having similar timing and amounts of cash flows as our estimated defined benefit payments. We use a yield curve based on high quality, long-term corporate bonds to calculate the single equivalent discount rate that results in the same present value as the sum of each of the plan's estimated benefit payments discounted at their respective spot rates.

Plan Assets

The investment policy of the Pension Plan is based on an evaluation of our ability and willingness to assume investment risk in light of the financial and benefit-related goals objectives deemed to be prudent by the fiduciaries of our pension plan assets. These objectives include, but are not limited to, earning a rate of return over time to satisfy the benefit obligation, managing funded status volatility and maintaining sufficient liquidity. There were no Pension Plan assets as of December 28, 2016 due to the Plan's liquidation during the year then ended.

The fair values of the Pension Plan assets were as follows as of December 30, 2015:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Cash equivalents	$1,777	$ 1,777	$ —	$ —
Fixed income securities:				
U.S. Treasuries	3,500	3,500	—	—
Corporate bonds (a)	53,101	53,101	—	—
Total	$58,378	$ 58,378	$ —	$ —

(a) This category includes intermediate and long-term investment grade bonds from diverse industries.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Equity Securities and Fixed Income Securities: Valued at the net asset value ("NAV") of shares held by the Pension Plan at year-end. The NAV is a quoted price in an active market.
- Cash Equivalents: Valuation determined by the trustee of the money market funds based on the fair value of the underlying securities within the fund, which represent the NAV, a practical expedient to fair value, of the units held by the Pension Plan at year-end.

Contributions and Expected Future Benefit Payments

We made $9.5 million contributions to the Pension Plan during the year ended December 28, 2016 and made no contributions during the year ended December 30, 2015. We made contributions of $0.2 million to our other defined benefit plans during each of the years ended December 28, 2016 and December 30, 2015, respectively. We expect to contribute $0.3 million to our other defined benefit plans during 2017.

Benefits expected to be paid for each of the next five years and in the aggregate for the five fiscal years from 2022 through 2026 are as follows:

	Other Defined Benefit Plans (In thousands)
2017	$ 259
2018	261
2019	494
2020	238
2021	223
2022 through 2026	1,233

Defined Contribution Plans

Eligible employees can elect to contribute up to 25% of their compensation to our 401(k) plan. Effective January 1, 2016, the plan was amended and restated to incorporate Safe Harbor Plan design features which included changes to participant eligibility, company contribution amounts and vesting. As a result, beginning in 2016, we match up to a maximum of 4% of compensation deferred by the participant. Prior to 2016, we made matching contributions of up to 3% of compensation deferred by the participant. In addition, a non-qualified deferred compensation plan is offered to certain employees. This plan allows participants to defer up to 50% of their annual salary and up to 100% of their bonus, on a pre-tax basis. Prior to 2016, we made matching contributions of up to 3% of compensation deferred by the participant under the non-qualified deferred compensation plan. Beginning in 2016, matching contributions are no longer made under this plan. We made total contributions of $2.2 million, $1.6 million and $1.4 million for 2016, 2015 and 2014, respectively, under these plans.

Note 12. Share-Based Compensation

Share-Based Compensation Plans

We maintain three share-based compensation plans under which stock options and other awards granted to our employees and directors are outstanding. Currently, the Denny's Corporation 2012 Omnibus Incentive Plan (the "2012 Omnibus Plan") is used to grant share-based compensation to selected employees, officers and directors of Denny's and its affiliates. However, we reserve the right to pay discretionary bonuses, or other types of compensation, outside of this plan. At December 28, 2016, there were 1.5 million shares available for grant under the 2012 Omnibus Plan. In addition, we have 0.8 million shares available to be issued outside of the 2012 Omnibus Plan pursuant to the grant or exercise of employment inducement awards of stock options and restricted stock units in accordance with NASDAQ Listing Rule 5635(c)(4).

Share-Based Compensation Expense

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

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Stock options	$—	$ —	$ 52
Performance share awards	7,236	5,821	5,009
Restricted stock units for board members	374	814	785
Total share-based compensation	$7,610	$ 6,635	$ 5,846

The income tax benefits recognized as a component of the provision for income taxes in our Consolidated Statements of Income related to share-based compensation expense were approximately $3.0 million, $2.6 million and $2.3 million during the years ended December 28, 2016, December 30, 2015 and December 31, 2014, respectively.

Stock Options

Prior to 2012, stock options were granted that vest evenly over 3 years, have a 10-year contractual life and are issued at the market value at the date of grant. There were no options granted in 2016, 2015 or 2014.

The following table summarizes information about stock options outstanding and exercisable at December 28, 2016:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	(In thousands, except per share amounts)			
Outstanding, beginning of year	1,338	$ 3.20		
Exercised	(211)	$ 4.22		
Outstanding, end of year	1,127	$ 3.01	2.90	$ 11,110
Exercisable, end of year	1,127	$ 3.01	2.90	$ 11,110

The total intrinsic value of the options exercised was $1.4 million, $1.4 million and $3.0 million during the years ended December 28, 2016, December 30, 2015 and December 31, 2014, respectively.

Restricted Stock Units

We primarily grant restricted stock units containing a market condition based on the total shareholder return of our stock compared with the returns of a group of peer companies and restricted stock units containing a performance condition based on the Company's achievement of certain operating metrics. The number of shares that are ultimately issued is dependent upon the level of obtainment of the market and performance conditions. The following table summarizes the restricted stock units activity during the year ended December 28, 2016:

	Units	Weighted Average Grant Date Fair Value
	(In thousands)	
Outstanding, beginning of year	1,028	$ 9.55
Granted	650	$ 9.47
Converted	(297)	$ 8.05
Forfeited	(15)	$ 9.74
Outstanding, end of year	1,366	$ 9.84
Convertible, end of year	235	$ 7.55

In February 2016, and included in the restricted stock units activity table above, we granted certain employees approximately 0.3 million performance shares that vest based on the total shareholder return ("TSR") of our stock compared to the TSRs of a group of peer companies and 0.3 million performance shares that vest based on our Adjusted EBITDA growth rate, as defined under the terms of the award. As the TSR based performance shares contain a market condition, a Monte Carlo valuation was used to determine the grant date fair value of $9.43 per share. The performance shares based on the Adjusted EBITDA growth rate have a grant date fair value of $9.52 per share, the market value of our stock on the date of grant. The awards granted to our named executive officers also contain a performance condition based on the attainment of an operating measure for the fiscal year ended December 28, 2016. The performance period for these performance shares is the three year fiscal period beginning December 31, 2015 and ending December 26, 2018. The performance shares will vest and be earned (from 0% to 150% of the target award for each such increment) at the end of the performance period. For 2016, 2015 and 2014, the weighted average grant date fair value of awards granted was $9.47, $11.43 and $7.51, respectively.

We made payments of $2.5 million, $3.4 million and $1.1 million in cash during 2016, 2015 and 2014, respectively, related to converted restricted stock units. The intrinsic value of shares converted was $3.5 million, $4.9 million and $1.4 million, during 2016, 2015 and 2014, respectively. As of December 28, 2016 and December 30, 2015, we had accrued compensation of $3.9 million and $2.6 million, respectively, included as a component of other current liabilities and $0.3 million and $2.2 million, respectively, included as a component of other noncurrent liabilities in our Consolidated Balance Sheets (based on the fair value of the related shares for the liability classified units as of the respective balance sheet dates). As of December 28, 2016, we had $7.0 million of unrecognized compensation cost related to unvested restricted stock unit awards granted, which is expected to be recognized over a weighted average of 1.7 years.

Board Deferred Stock Units

During the quarter ended June 29, 2016, we granted 0.1 million deferred stock units (DSUs) (which are equity classified) with a weighted average grant date fair value of $10.77 per unit to non-employee members of our Board of Directors. A director may elect to convert these awards into shares of our common stock either on a specific date in the future (while still serving as a member of our Board of Directors) or upon termination as a member of our Board of Directors. During the quarter ended September 28, 2016 these awards were subsequently canceled and rescinded and replacement awards were issued. Directors who had previously elected a one-year conversion of the 2016 award received a replacement cash award. The total replacement cash award was $0.5 million and is liability classified. Directors who had previously elected conversion of the 2016 award at a later date received a replacement DSU award, which is equity classified and has a three year vesting term. The total replacement DSU award was less than 0.1 million DSUs with a weighted average grant date fair value of $10.77 per unit.

During the year ended December 28, 2016, deferred stock units with an intrinsic value of $0.1 million were converted into shares of our common stock. As of both December 28, 2016 and December 30, 2015 there were 0.9 million deferred stock units outstanding. As of December 28, 2016, we had approximately $0.3 million of unrecognized compensation cost related to all unvested deferred stock unit awards outstanding, which is expected to be recognized over a weighted average of 2.3 years.

Note 13. Income Taxes

The provisions for income taxes were as follows:

	Fiscal Year Ended December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Current:			
Federal	$4,270	$ 1,622	$ 377
State and local	2,316	1,382	1,818
Foreign	912	873	896
Deferred:			
Federal	8,225	12,264	13,269
State and local	619	1,742	(54)
Increase (release) of valuation allowance	132	(130)	(270)
Total provision for income taxes	$16,474	$ 17,753	$ 16,036

The reconciliation of income taxes at the U.S. federal statutory tax rate to our effective tax rate was as follows:

	December 28, 2016	December 30, 2015	December 31, 2014
Statutory provision rate	35 %	35 %	35 %
State and local taxes, net of federal income tax benefit	9	6	3
Foreign taxes, net of federal income tax benefit	—	—	1
Wage addback on income tax credits earned	3	2	2
General business credits generated	(9)	(6)	(6)
Foreign tax credits generated	(12)	(2)	—
Pension plan liquidation	18	—	—
Other	2	(2)	(1)
Release of valuation allowance	—	—	(1)
Effective tax rate	46 %	33 %	33 %

For the 2016 period, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state taxes, the generation of employment tax credits, the Pension Plan liquidation, and foreign tax credits generated with the filings of federal amended tax returns. The 2016 rates were impacted by the recognition of a $2.1 million tax benefit related to the $24.3 million pre-tax settlement loss on the Pension Plan liquidation. This benefit was at a rate lower than the effective tax rate due to the previous recognition of an approximate $7.2 million tax benefit recognized with the reversal of our valuation allowance in 2011. In addition, we amended prior years' U.S. tax returns in order to maximize a foreign tax credit in lieu of a foreign tax deduction, resulting in a net tax benefit of approximately $3.7 million during the year.

The following table represents the approximate tax effect of each significant type of temporary difference that resulted in deferred income tax assets or liabilities.

	December 28, 2016	December 30, 2015
	(In thousands)	
Deferred tax assets:		
Self-insurance accruals	$7,791	$ 8,371
Capitalized leases	2,298	2,083
Accrued exit cost	1,074	935
Fixed assets	—	1,638
Interest rate swaps	294	647
Pension, other retirement and compensation plans	12,378	11,570
Other accruals	386	395
Alternative minimum tax credit carryforwards	3,534	5,344
General business credit carryforwards - state and federal	13,541	20,691
Net operating loss carryforwards - state	11,753	12,172
Total deferred tax assets before valuation allowance	53,049	63,846
Less: valuation allowance	(12,567)	(12,395)
Total deferred tax assets	40,482	51,451
Deferred tax liabilities:		
Intangible assets	(22,073)	(22,190)
Deferred finance costs	(125)	(102)
Fixed assets	(601)	—
Total deferred tax liabilities	(22,799)	(22,292)
Net deferred tax asset	$17,683	$ 29,159

At December 28, 2016, we had available, on a consolidated basis, federal general business credit carryforwards of approximately $17.0 million, most of which expire between 2030 and 2036, and alternative minimum tax (“AMT”) credit carryforwards of approximately $3.5 million, which never expire. Approximately $6.9 million of general business credit carryforwards are unrecognized in the schedule above and on our Consolidated Balance Sheets as a result of the application of ASC Paragraph 718-740-25-10, which delays their recognition in paid-in capital until they reduce taxes payable.

It is more likely than not that we will be able to utilize our credit carryforwards prior to expiration. In addition, it is more likely than not we will be able to utilize all of our existing temporary differences and a portion of our state tax net operating losses and state tax credit carryforwards prior to their expiration.

Of the $12.6 million valuation allowance remaining, approximately $9.7 million represents South Carolina net operating loss carryforwards that will never be utilized. An additional $2.0 million of the valuation allowance, if released, will be credited directly to paid-in capital.

Prior to 2005, Denny’s had ownership changes within the meaning of Section 382 of the Internal Revenue Code. In general, Section 382 places annual limitations on the use of certain tax attributes, such as AMT tax credit carryforwards, in existence at the ownership change date. It is our position that any pre-2005 AMT tax credits can be utilized as of December 28, 2016. The occurrence of an additional ownership change could limit our ability to utilize our current income tax credits generated after 2004.

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits:

	December 28, 2016	December 30, 2015
	(In thousands)	
Balance, beginning of year	$ —	$ —
Increases related to current-year tax positions	1,180	—
Balance, end of year	$ 1,180	$ —

There was no interest expense associated with unrecognized tax benefits for the years ended December 28, 2016 or December 30, 2015.

We file income tax returns in the U.S. federal jurisdictions and various state jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2012. We remain subject to examination for U.S. federal taxes for 2013-2016 and in the following major state jurisdictions: California (2012-2016), Florida (2013-2016) and Texas (2013-2016).

Note 14. Net Income Per Share

The amounts used for the basic and diluted net income per share calculations are summarized below:

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands, except per share amounts)		
Net income	$19,402	$ 35,976	$ 32,725
Weighted average shares outstanding - basic	75,325	82,627	86,323
Effect of dilutive share-based compensation awards	1,881	2,102	2,032
Weighted average shares outstanding - diluted	77,206	84,729	88,355
Basic net income per share	$0.26	$ 0.44	$ 0.38
Diluted net income per share	$0.25	$ 0.42	$ 0.37
Anti-dilutive share-based compensation awards	—	—	218

Note 15. Shareholders' Equity

Share Repurchases

Our credit facility permits the purchase of Denny’s stock and the payment of cash dividends subject to certain limitations. Over the past several years, our Board of Directors has approved share repurchase programs authorizing us to repurchase up to a set amount of shares or dollar amount of our common stock. Under the programs, we may, from time to time, purchase shares in the open market (including pre-arranged stock trading plans in accordance with guidelines specified in Rule 10b5-1 under the Securities Exchange Act of 1934, as amended) or in privately negotiated transactions, subject to market and business conditions. During 2016, 2015 and 2013, the Board approved share repurchase programs for $100 million of our common stock, $100 million of our common stock and 10.0 million shares of our common stock, respectively.

In November 2015, as part of our previously authorized share repurchase programs, we entered into a variable term, capped accelerated share repurchase (the “2015 ASR”) agreement with Wells Fargo Bank, National Association (“Wells Fargo”), to repurchase an aggregate of $50 million of our common stock. During 2015, pursuant to the terms of the 2015 ASR agreement, we paid $50 million in cash, received approximately 3.5 million shares of our common stock (which represents the minimum shares to be delivered based on the cap price) and recorded $36.9 million of treasury stock related to these shares. The remaining balance of $13.1 million was included as additional paid-in capital in shareholders' equity as of December 30, 2015 as an equity forward contract. During 2016, we settled the 2015 ASR agreement, recording $13.1 million of treasury stock related to the final delivery of an additional 1.5 million shares of our common stock. The total number of shares repurchased was based on a combined discounted volume-weighted average price (VWAP) of $9.90 per share, which was determined based on the average of the daily VWAP of our common stock, less a fixed discount, over the term of the ASR agreement.

In November 2016, as part of our previously authorized share repurchase programs, we entered into a variable term, capped accelerated share repurchase (the “2016 ASR”) agreement with MUFG Securities EMEA plc (“MUFG”), to repurchase an aggregate of $25 million of our common stock. Pursuant to the terms of the 2016 ASR agreement, we paid $25 million in cash and received approximately 1.5 million shares of our common stock (which represents the minimum shares to be delivered based on the cap price) and recorded $18.1 million of treasury stock related to these shares. The remaining balance of $6.9 million was recorded as additional paid-in capital in shareholders' equity as of December 28, 2016 as an equity forward contract and will be settled during 2017. The total aggregate number of shares of our common stock repurchased pursuant to the ASR agreement will be based generally on the average of the daily VWAP of our common stock, less a fixed discount, over the term of the 2016 ASR agreement, subject to a minimum number of shares. Subsequent to the year ended December 28, 2016, we settled the 2016 ASR agreement. See Note 19.

During 2016, including shares repurchased under the 2016 ASR, we repurchased a total of 4.6 million shares for $51.8 million, thus completing the 2015 repurchase program. In addition, we recorded 1.5 million and $13.1 million in treasury stock as a result of settling the 2015 ASR. During 2015 and 2014, we repurchased 8.5 million and 5.3 million shares for a total of $92.7 million and $36.0 million, respectively, thus completing the 2013 repurchase program. As of December 28, 2016, there was $79.2 million remaining under the 2016 repurchase program.

Repurchased shares are included as treasury stock in our Consolidated Balance Sheets and our Consolidated Statements of Shareholders' Deficit.

Accumulated Other Comprehensive Loss

The components of the change in accumulated other comprehensive loss were as follows:

	Pensions	Derivatives	Accumulated Other Comprehensive Loss
	(In thousands)		
Balance as of December 25, 2013	$(18,690)	$ 1,848	$ (16,842)
Benefit obligation actuarial loss	(12,611)	—	(12,611)
Net gain	1,248	—	1,248
Amortization of net loss (1)	990	—	990
Settlement loss recognized	50	—	50
Net change in fair value of derivatives	—	(2,389)	(2,389)
Income tax benefit	4,019	933	4,952
Balance as of December 31, 2014	$(24,994)	$ 392	$ (24,602)
Benefit obligation actuarial gain	5,737	—	5,737
Net loss	(3,894)	—	(3,894)
Amortization of net loss (1)	1,812	—	1,812
Net change in fair value of derivatives	—	(1,444)	(1,444)
Reclassification of derivatives to interest expense (2)	—	(859)	(859)
Income tax (expense) benefit	(1,425)	898	(527)
Balance as of December 30, 2015	$(22,764)	$ (1,013)	$ (23,777)
Benefit obligation actuarial loss	(73)	—	(73)
Net loss	(342)	—	(342)
Amortization of net loss (1)	85	—	85
Settlement loss recognized	24,297	—	24,297
Net change in fair value of derivatives	—	1,693	1,693
Reclassification of derivatives to interest expense (2)	—	(789)	(789)
Income tax (expense) benefit	(2,148)	(353)	(2,501)
Balance as of December 31, 2016	$(945)	$ (462)	$ (1,407)

(1) Before-tax amount that was reclassified from accumulated other comprehensive loss and included as a component of pension expense within general and administrative expenses in our Consolidated Statements of Income. See Note 11 for additional details.

(2) Amounts reclassified from accumulated other comprehensive loss into income, represent payments made to the counterparty for the effective portions of the interest rate swaps. These amounts are included as a component of interest expense in our Consolidated Statements of Income. We expect to reclassify approximately $0.7 million from accumulated other comprehensive loss related to our interest rate swaps during the next twelve months. See Note 10 for additional details.

Note 16. Commitments and Contingencies

We have guarantees related to certain franchisee loans with terms extending from one to five years. Payments under these guarantees would result from the inability of a franchisee to fund required payments when due. Through December 28, 2016, no events had occurred that caused us to make payments under the guarantees. There were $7.9 million and $8.7 million of loans outstanding under these programs as of December 28, 2016 and December 30, 2015, respectively. As of December 28, 2016, the maximum amounts payable under the loan guarantees were $1.3 million, respectively. As a result of these guarantees, we have recorded liabilities of less than $0.1 million as of December 28, 2016 and December 30, 2015, which are included as a component of other noncurrent liabilities in our Consolidated Balance Sheets and other nonoperating expense in our Consolidated Statements of Income.

There are various claims and pending legal actions against or indirectly involving us, incidental to and arising out of the ordinary course of the business. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position.

We have amounts payable under purchase contracts for food and non-food products. Many of these agreements do not obligate us to purchase any specific volumes and include provisions that would allow us to cancel such agreements with appropriate notice. Our future purchase obligation payments due by period for both company and franchised restaurants at December 28, 2016 consist of the following:

	(In thousands)
Less than 1 year	$ 196,372
1-2 years	—
3-4 years	—
5 years and thereafter	—
Total	$ 196,372

For agreements with cancellation provisions, amounts included in the table above represent our estimate of purchase obligations during the periods presented if we were to cancel these contracts with appropriate notice. We would likely take delivery of goods under such circumstances.

Note 17. Supplemental Cash Flow Information

	Fiscal Year Ended		
	December 28, 2016	December 30, 2015	December 31, 2014
	(In thousands)		
Income taxes paid, net	$3,012	$ 5,364	$ 3,802
Interest paid	$11,288	$ 8,141	$ 8,170
Noncash investing and financing activities:			
Property acquisition payable	$—	$ 573	$ —
Accrued purchase of property	$1,445	$ 1,781	$ 635
Issuance of common stock, pursuant to share-based compensation plans	$3,597	$ 4,551	$ 1,030
Execution of capital leases	$9,597	$ 5,556	$ 3,300
Treasury stock payable	$313	$ 185	$ 152

Note 18. Quarterly Data (Unaudited)

The results for each quarter include all adjustments which, in our opinion, are necessary for a fair presentation of the results for interim periods. All adjustments are of a normal and recurring nature.

Selected consolidated financial data for each quarter of fiscal 2016 and 2015 are set forth below:

	Fiscal Year Ended December 28, 2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Company restaurant sales	$90,386	$89,210	$93,122	$94,592
Franchise and licensing revenue	34,256	35,105	35,264	35,013
Total operating revenue	124,642	124,315	128,386	129,605
Total operating costs and expenses	106,409	129,148	110,809	113,583
Operating income	$18,233	$(4,833)	$17,577	$16,022
Net income	$9,954	$(11,552)	$9,726	$11,274
Basic net income per share (1)	$0.13	$(0.15)	$0.13	$0.16
Diluted net income per share (1)	$0.13	$(0.15)	$0.13	$0.15

(1) Per share amounts do not necessarily sum to the total year amounts due to changes in shares outstanding and rounding.

	Fiscal Year Ended December 30, 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Company restaurant sales	$85,982	$88,629	$89,279	$89,183
Franchise and licensing revenue	34,189	34,690	34,499	34,842
Total operating revenue	120,171	123,319	123,778	124,025
Total operating costs and expenses	104,854	105,905	108,055	109,328
Operating income	$15,317	$17,414	$15,723	$14,697
Net income	$8,533	$9,734	$8,950	$8,759
Basic net income per share (1)	$0.10	$0.12	$0.11	$0.11
Diluted net income per share (1)	$0.10	$0.11	$0.11	$0.11

(1) Per share amounts do not necessarily sum to the total year amounts due to changes in shares outstanding and rounding.

Note 19. Subsequent Events

On February 6, 2017, we settled the ASR agreement with MUFG. As a result, we received final delivery of an additional 0.5 million shares of our common stock, bringing the total number of shares repurchased pursuant to the ASR agreement to 2.0 million. The total number of shares repurchased was based on a combined discounted volume-weighted average price (VWAP) of $12.36 per share, which was determined based on the average of the daily VWAP of our common stock, less a fixed discount, over the term of the ASR agreement. In addition, during February 2017, we recorded $6.9 million of treasury stock related to the settlement of the equity forward contract related to the ASR agreement, which was included in shareholders' equity as additional paid-in capital as of December 28, 2016.

F - 34

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 27, 2017

DENNY'S CORPORATION

BY: /s/ F. Mark Wolfinger
F. Mark Wolfinger
Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John C. Miller (John C. Miller)	Chief Executive Officer, President and Director (Principal Executive Officer)	February 27, 2017
/s/ F. Mark Wolfinger (F. Mark Wolfinger)	Executive Vice President, Chief Administrative Officer, Chief Financial Officer and Director (Principal Financial Officer)	February 27, 2017
/s/ Jay C. Gilmore (Jay C. Gilmore)	Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	February 27, 2017
/s/ Brenda J. Lauderback (Brenda J. Lauderback)	Director and Chair of the Board of Directors	February 27, 2017
/s/ Gregg R. Dedrick (Gregg R. Dedrick)	Director	February 27, 2017
/s/ José M. Gutiérrez (José M. Gutiérrez)	Director	February 27, 2017
/s/ George W. Haywood (George W. Haywood)	Director	February 27, 2017
/s/ Robert E. Marks (Robert E. Marks)	Director	February 27, 2017
/s/ Donald C. Robinson (Donald C. Robinson)	Director	February 27, 2017
/s/ Debra Smithart-Oglesby	Director	February 27, 2017

(Debra Smithart-Oglesby)

/s/ Laysha Ward (Laysha Ward)	Director	February 27, 2017