

DENNYS CORP
Form DEF 14A
April 28, 2004
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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

Filed by a Party other than the Registrant

Check the appropriate box:

- | | | | |
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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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| <input type="checkbox"/> | Definitive Additional Materials | | |
| <input type="checkbox"/> | Soliciting Material Pursuant to §240.14a-12 | | |

Denny s Corporation

(Name of Registrant as Specified In Its Charter)

[List Other Person(s) or replace with LP24 (total) if blank]

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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203 East Main Street
Spartanburg, South Carolina 29319

April 21, 2004

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Denny's Corporation to be held at 9:00 a.m. on Thursday, May 27, 2004, at The Westin Buckhead Atlanta, 3391 Peachtree Road, N.E., Atlanta Georgia. If you plan to attend, we ask that you please (1) detach, sign and return the self-addressed, postage prepaid Attendance Card, and (2) detach and bring with you to the meeting the Admittance Card. These cards are attached together and enclosed with the form of proxy for the meeting.

The accompanying formal Notice of Meeting and Proxy Statement describe the matters on which action will be taken at the meeting.

Whether or not you attend in person, **it is important** your shares be represented and voted at the meeting. I urge you to sign, date and return the enclosed proxy, or vote via telephone or the Internet as set forth in the proxy, at your earliest convenience.

On Behalf of the Board of Directors,

Sincerely,

Robert E. Marks

Interim Chairman

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NOTICE OF MEETING

Spartanburg, SC

April 21, 2004

The Annual Meeting of Stockholders of Denny's Corporation will be held at The Westin Buckhead Atlanta, 3391 Peachtree Road, N.E., Atlanta, Georgia on Thursday, May 27, 2004 at 9:00 a.m. for the following purposes as described in the accompanying Proxy Statement:

1. To elect seven (7) directors.

2. To consider and vote upon a proposal to ratify the selection of KPMG LLP as the principal independent auditors of Denny's Corporation and its subsidiaries for the year ending December 29, 2004.

3. To consider and vote upon a proposal to approve Denny's 2004 Incentive Program for employees.

4. To transact such other business as may properly come before the meeting.

Only holders of record of Denny's Corporation common stock at the close of business on April 13, 2004 will be entitled to notice of, and to vote at, this meeting.

Whether or not you plan to attend the meeting, you are urged to promptly complete, sign, date and return the enclosed proxy in the envelope provided (or follow the instructions set forth in the enclosed proxy to vote by telephone or the Internet). Returning your proxy as described above does not deprive you of your right to attend the meeting and to vote your shares in person. However, in order to vote your shares in person at the meeting, you must be a stockholder of record or hold a valid proxy from your broker permitting you to vote at the meeting.

RHONDA J. PARISH

Executive Vice President, General Counsel

and Secretary

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PROXY STATEMENT

April 21, 2004

GENERAL

Introduction

The Annual Meeting of Stockholders of Denny's Corporation, a Delaware corporation, will be held on Thursday, May 27, 2004, at 9:00 a.m. at The Westin Buckhead Atlanta, 3391 Peachtree Road, N.E., Atlanta, Georgia (the Annual Meeting), for the purposes set forth in the accompanying Notice of Meeting. This Proxy Statement is furnished by Denny's Corporation to stockholders of Denny's Corporation in connection with the upcoming Annual Meeting. The information provided herein concerns not only Denny's Corporation, but also its wholly-owned subsidiary, Denny's, Inc. (Denny's), since substantially all operations of Denny's Corporation are currently conducted through Denny's.

Stockholder Voting

Proxies in the form enclosed will be voted at the Annual Meeting (including adjournments) if properly executed, returned prior to the meeting, and not revoked, or if voted by telephone or the Internet in accordance with the instructions set forth in the enclosed proxy and not revoked. Stockholders who execute proxies may revoke them at any time before they are exercised by delivering a written notice to Rhonda J. Parish, the Executive Vice President, General Counsel and Secretary of Denny's Corporation, either at the Annual Meeting or prior to the meeting date at the Company's principal executive offices at 203 East Main Street, Spartanburg, South Carolina 29319, by executing and delivering a later-dated proxy, or by attending the meeting and voting in person. Please note that if you plan to vote at the meeting in person, you must be a stockholder of record or hold a valid proxy from your broker permitting you to vote at the meeting.

Only holders of record of common stock of Denny's Corporation, par value \$.01 per share (the Common Stock) as of the close of business on April 13, 2004 (the Record Date) will be entitled to notice of, and to vote at, the Annual Meeting. This Proxy Statement will be mailed to each such stockholder on or about April 27, 2004.

As of the close of business on the Record Date, there were issued and outstanding and entitled to be voted at the Annual Meeting, 41,226,223 shares of Common Stock. At the meeting, holders of Common Stock will have one vote per share and a quorum, a majority of the outstanding shares of Common Stock as of the Record Date, represented in person or by proxy, will be required for the transaction of business by stockholders. A quorum being present, directors will be elected and the other actions proposed in the accompanying Notice of Meeting will

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become effective by majority vote. Votes withheld from nominees for director, abstentions and broker non-votes will be counted for purposes of determining whether a quorum has been reached, but will not be counted in determining the number of shares voted for any director-nominee or for or against any proposal.

Proxies in the accompanying form, properly executed and duly returned and not revoked, or if voted by telephone or the Internet in accordance with the instructions set forth in the enclosed proxy and not revoked, will be voted at the Annual Meeting (including adjournments). Where stockholders have appropriately specified how their proxies are to be voted, they will be voted accordingly. If no specifications are made, proxies will be voted (i) in favor of the seven (7) nominees to the Board of Directors, (ii) in favor of the selection of KPMG LLP as the principal independent auditors of Denny's Corporation and its subsidiaries (collectively, the Company) for the year ending December 29, 2004, and (iii) in favor of the proposal to approve the Denny's 2004 Incentive Program for the Company's employees. If any other matter or business is brought before the Annual Meeting, the proxy holders may vote the proxies at their discretion.

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Denny s 401(k) Plan Participant Voting

Under the Denny s 401(k) Plans (the Plans), shares of Common Stock attributable to certain plan participants who have selected the Denny s Corporation stock fund investment option under the Plans will be voted by the Plan Trustee in accordance with the employee s instructions and, absent such instructions, in accordance with the instruction of the Plan Administrator (a Board-appointed committee responsible for the administration of the Plans). It is currently anticipated that the Plan Administrator will vote For each director-nominee and each of the other proposals herein.

Equity Security Ownership

Principal Stockholders

The following table sets forth the beneficial ownership of Common Stock by each stockholder known by the Company as of March 31, 2004 to own more than 5% of the outstanding shares. As of March 31, 2004, there were 46,216,889 shares of the Common Stock issued and outstanding.

<u>Name and Address</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Common Stock</u>
	<u>Outstanding Shares(1)</u>	
Oaktree Capital Management, LLC (Oaktree) 333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	4,896,900(2)	11.9
Mellon HBV Alternative Investment Strategies, LLC (and related entities) (Mellon HBV) 200 Park Avenue, Suite 3300 New York, NY 10166-3399	3,959,000	9.6
Trafelet & Company, LLC (and related entities) (Trafelet) 900 Third Avenue, 5 th Floor New York, NY 10022	3,075,000	7.5

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Maurice A. Halperin

17890 Deauville Lane

Boca Raton, FL 33496

2,518,902

6.1

Lloyd I. Miller, III

(and related entities)

4550 Gordon Drive

Naples, FL 34102

2,262,043

5.6

-
- (1) Shares shown as beneficially owned by Oaktree, Mellon HBV, Trafelet, Mr. Halperin, and Mr. Miller and their related entities are as reported on the latest Schedule 13D or 13G filing by each such stockholder. The filings for Oaktree, Mellon HBV, and Mr. Halperin reflect that each has sole voting and investment power with respect to those shares reported as beneficially owned. The filing for Trafelet reflects that such stockholder has shared voting and investment power with respect to those shares reported as beneficially owned. The shares shown as beneficially owned by Mr. Halperin include 313,523 shares of common stock which Mr. Halperin has the right to acquire through the exercise of warrants to purchase Common Stock. Shares shown as beneficially owned by Mr. Miller reflect that he has sole voting and investment power with respect to 1,238,127 shares and shared voting and investment power with respect to 1,023,916 shares.
- (2) Oaktree is the general partner and/or investment manager of (i) OCM Opportunities Fund II, L.P. (the Opportunities Fund), which directly owns and holds 4,798,955 shares of Common Stock and (ii) a third

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party trust account (the Account), which directly owns and holds 97,945 shares of Common Stock. Although Oaktree may be deemed to beneficially own such shares of Common Stock reported herein for purposes of the reporting requirements of the Securities Exchange Act of 1934, Oaktree, a registered investment adviser under the Investment Advisers Act of 1940, disclaims any beneficial ownership of the shares of Common Stock held by the Opportunities Fund and the Account, except to the extent of any pecuniary interest therein.

Management

The following table sets forth, as of March 31, 2004 except as noted, the beneficial ownership of Common Stock by: (i) each current member of the Board of Directors (the Board) of Denny's Corporation (all of whom are current nominees for election to the Board), (ii) each executive officer of the Company included in the Summary Compensation Table on page 16, and (iii) all directors and executive officers of Denny's Corporation as a group. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name	Amount and Nature of Beneficial Ownership(1)	Percentage of Common Stock
Vera K. Farris	65,853	*
Vada Hill		*
Nelson J. Marchioli	2,000,000	4.6
Robert E. Marks	75,853	*
Elizabeth A. Sanders	67,853	*
Donald R. Shepherd	84,853	*
Debra Smithart-Oglesby		*
Rhonda J. Parish	358,345	*
Margaret L. Jenkins	46,784	*
Andrew F. Green	288,957	*
Janis S. Emplit	251,337	*
All current directors and executive officers as a group (16 persons)	3,618,368	8.2

* less than one (1) percent.

- (1) The Common Stock listed as beneficially owned by the following individuals includes shares of Common Stock which such individuals have the right to acquire (within sixty (60) days of March 31, 2004) through the exercise of stock options: (i) Mss. Farris and Sanders and Messrs. Marks and Shepherd (21,000 shares each), (ii) Mr. Marchioli (2,000,000 shares), (iii) Ms. Parish (326,667 shares), (iv) Mr. Green (216,667 shares), (v) Ms. Jenkins (20,000 shares), (vi) Ms. Emplit (226,667 shares), and (vii) all current directors and executive officers as a group (3,174,004 shares).

Table of Contents**Equity Compensation Plan Information**

The following table sets forth information as of December 31, 2003 with respect to compensation plans of the Company under which equity securities of Denny's Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans(2)
Equity compensation plans approved by security holders(1)	7,152,569	\$ 1.44	3,635,431
Equity compensation plans not approved by security holders			
Total	7,152,569	\$ 1.44	3,635,431

(1) Includes the Denny's, Inc. Omnibus Incentive Compensation Plan for Executives (the Omnibus Plan), the Advantica Stock Option Plan and the Advantica Restaurant Group Director Stock Option Plan. For a description of these plans, see Note 12 to the Company's Consolidated Financial Statements in its Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

(2) Includes shares of Common Stock, not to exceed 1,000,000 shares, available for issuance under the Omnibus Plan other than upon the exercise of an option, warrant or right.

ELECTION OF DIRECTORS**Nominees for Election as Directors of Denny's Corporation**

As permitted under Denny's Corporation Bylaws, the Board has the authority to set the number of directors to constitute the Board of Directors of Denny's Corporation. The number of directors had previously been set at eight (8) until the death of Charles F. Moran, former chairman and director of Denny's Corporation, on April 12, 2004, at which time the Board set at seven (7) the number of directors to constitute the Board of Directors of Denny's Corporation. Accordingly, it is intended that proxies in the accompanying form will be voted at the Annual Meeting for the election of seven (7) nominees to the Board of Denny's Corporation. These nominees are: Vera K. Farris, Vada Hill, Nelson J. Marchioli, Robert E. Marks, Elizabeth A. Sanders, Donald R. Shepherd and Debra Smithart-Oglesby, each of whom has consented to serve and will serve as a director, if elected, until the 2005 Annual Meeting of Stockholders and until his or her successor shall be elected and shall qualify, except as otherwise provided in Denny's Corporation's Restated Certificate of Incorporation and Bylaws, as amended. Each nominee currently serves as a director.

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If for any reason any nominee named above is not a candidate when the election occurs, it is intended that proxies in the accompanying form will be voted for the election of the other nominees named above and may be voted for any substitute nominee or, in lieu thereof, the Board may reduce the number of directors in accordance with the Denny s Corporation Restated Certificate of Incorporation and Bylaws. Holders of Common Stock voting by proxy may withhold votes as to any director-nominee by writing the name of such nominee in the space provided on the proxy card or, if voting by telephone or the Internet, by following the instructions provided in connection therewith.

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The name, age, present principal occupation or employment, directorships and the material occupations, positions, offices or employments for at least the past five years, of each current director and director nominee to the Board of Directors of Denny's Corporation are set forth below. Unless otherwise indicated, each such person has held the occupation listed opposite his or her name for at least the past five years.

<u>Name</u>	<u>Age</u>	<u>Current Principal Occupation or Employment and Five-Year Employment History</u>	<u>Director Since</u>
Vera K. Farris	63	Director of Denny's Corporation; President Emerita and Distinguished Professor, The Richard Stockton College of New Jersey (1983-June, 2003); Professor, University of Pennsylvania (July, 2003-present); Director of National Utilities Investors, Inc.	1993
Vada Hill	44	Director of Denny's Corporation; Senior Vice President and Chief Marketing Officer of Federal National Mortgage Association (Fannie Mae) (1999-present); Chief Marketing Officer of Taco Bell Corporation (1997-1999).	2003
Nelson J. Marchioli	54	Chief Executive Officer, President and Director of Denny's Corporation and Denny's, Inc. (2001-present); President of El Pollo Loco, Inc. (a subsidiary of the Company until 1999) (1997-2001).	2001
Robert E. Marks	52	Interim Chairman of Denny's Corporation; President of Marks Ventures, LLC, a private equity investment firm (1994-present); Director of Soluol, Inc., Brandrud Furniture Company and The International Rescue Committee.	1998
Elizabeth A. Sanders	58	Director of Denny's Corporation; Principal of The Sanders Partnership, a consulting firm (1990-present); Vice President and General Manager of Nordstrom, Inc. (1981-1990); Director of Washington Mutual, Inc., Wal-Mart Stores, Inc., Wellpoint Health Networks, Inc. and Wolverine Worldwide, Inc.	1995
Donald R. Shepherd	67	Director of Denny's Corporation; Retired; Chairman of Loomis, Sayles & Company, L.P., an investment management firm (1992-1995); Chief Executive Officer and Chief Investment Officer of Loomis Sayles & Company, L.P. (1990-1995). Member of Investment Committee of Scripps Research Institute and various University of Michigan advisory committees.	1998
Debra Smithart-Oglesby	49	Director of Denny's Corporation; President of O/S Partners, an investment capital and consulting services firm (2000-present); Chief Financial Officer of Dekor, Inc., a home improvement and decorating retail company (2000); President of Corporate Services and Chief Financial Officer of First America Automotive, Inc. (1997-1999). A member of the Editorial Advisory Board of CFO Magazine.	2003

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Involvement in Certain Legal Proceedings

On February 14, 2001, FRD Acquisition Co. (FRD), a former wholly-owned subsidiary of Advantica Restaurant Group, Inc. (Advantica), now Denny's Corporation, filed a voluntary petition under Chapter 11 of the Bankruptcy Code (the FRD Chapter 11 Proceeding) to facilitate the divestiture of its Coco's and Carrows brands and to preserve their going concern value. Mss. Farris and Sanders and Messrs. Marchioli, Marks, and Shepherd were each directors of FRD and Ms. Parish and Mr. Green served as executive officers of FRD during the FRD Chapter 11 Proceeding, which concluded with Advantica's divestiture of FRD and the Coco's and Carrows brands on July 10, 2002. Upon the completion of the divestiture of FRD, Advantica, on July 11, 2002, changed its name to Denny's Corporation

In 2000, two proceedings were filed in the United States Bankruptcy Court for the Central District of California under Chapter 13 of the Bankruptcy Code naming Margaret L. Jenkins, Denny's Senior Vice President and Chief Marketing Officer, Marketing and Product Development, as debtor (case 00-35060, filed September 1, 2000, dismissed November 16, 2000; and case 00-43703 filed December 5, 2000, dismissed January 12, 2001). Both cases were dismissed shortly after they were filed, and no debts were discharged or otherwise affected by the proceedings.

Information Regarding Committees of the Boards of Directors

There are three standing committees of the Board of Directors of Denny's Corporation, the Audit and Finance Committee, the Compensation and Incentives Committee and the Corporate Governance and Nominating Committee. The Audit and Finance Committee currently consists of Messrs. Marks, Shepherd and Ms. Smithart-Oglesby, with Mr. Marks serving as chair. The Compensation and Incentives Committee is comprised of Mss. Farris and Sanders and Messrs. Hill and Shepherd, with Mr. Shepherd serving as chair. Mss. Farris, Sanders and Smithart-Oglesby and Mr. Marks currently make up the Corporate Governance and Nominating Committee, with Ms. Sanders serving as chair.

Set forth below is a summary of the principal functions of each committee.

Audit and Finance Committee. The Audit and Finance Committee (the Audit Committee), which held eight (8) meetings in 2003, is responsible for: the appointment of the Company's outside auditors and monitoring and evaluating such auditors' independence and performance; at least annually, preapproving all audit and nonaudit services to be provided to the Company by the outside auditors, reviewing the planned scope of the annual audit; reviewing the conclusions of such auditors and reporting the findings and recommendations thereof to the Board; reviewing with the Company's auditors the adequacy of the Company's system of internal controls and procedures and the role of management in connection therewith; reviewing and discussing the Company's annual financial statements with management and the outside auditors and, based on these discussions, recommending that the Board approve the financial statements for publication and filing; reviewing with the outside auditors the Company's interim financial results to be included in the Company's quarterly reports to be filed with the Securities and Exchange Commission (the SEC or Commission) and matters related thereto; reviewing the adequacy of the Audit Committee's Charter on an annual basis; understanding the Company's risk profile and overseeing the Company's risk assessment and management practices; reviewing and discussing with management and the outside auditors the Company's critical accounting policies and the quality of accounting judgments and estimates made by management; developing and maintaining procedures for the receipt, retention and treatment of complaints received by the Company (including confidential and or anonymous submissions by employees) regarding questionable accounting or audit matters; overseeing the Company's finance activities including monitoring the Company's financing needs; preparing annually a report to shareholders to be included in the Company's proxy statement and performing such other functions and exercising such other powers as the Board from time to time may determine. For a complete description of the Audit Committee's powers, duties and responsibilities see the charter of the Audit Committee attached to this Proxy Statement as Appendix A.

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The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. Each member of the Audit Committee meets the definition of independence for audit committee

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members set forth under NASDAQ listing standards. For additional required disclosure regarding the Audit Committee, see the Audit Committee Report for the fiscal year ended December 31, 2003 on page 13 of this Proxy Statement.

Compensation and Incentives Committee. The Compensation and Incentives Committee (the "Compensation Committee"), is responsible for overseeing (and advising the Board on) the compensation of Company officers; reviewing and making recommendations to the Board concerning compensation practices, policies, procedures and retirement benefit plans and programs for the employees of the Company; evaluating the performance of the Chief Executive Officer; and overseeing the activities of plan administrators and trustees and other fiduciaries under the Company's various employee benefit plans. It is also responsible for administering the Company's stock option plans and such other incentive compensation plans as may from time to time be adopted by the Company; monitoring and receiving periodic reports from the Company's human resources and diversity affairs departments regarding the Company's minority hiring and diversity promotional efforts; reviewing and making recommendations to the Board regarding compensation practices, policies and procedures for members of the Board; and performing such other functions and exercising such other powers as the Board from time to time may determine. In 2003, the Compensation Committee held six (6) meetings.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee (the "Corporate Governance Committee") is primarily responsible for developing and monitoring for compliance the Company's Corporate Governance Policy as well as ensuring that it is made available to security holders and potential investors. In connection with this responsibility, the committee is responsible for monitoring and safeguarding the independence of the Board, overseeing and reviewing the Company's processes for providing information to the Board, overseeing the evaluation of the Board and management and monitoring and overseeing the planning for CEO and senior management succession. Additionally, the Corporate Governance Committee is responsible for recommending nominees to the Board, as well as recommending directors for appointment to committees of the Board and to the chairs of such committees. These responsibilities include establishing criteria for Board and committee membership, considering rotation of committee members, reviewing candidates' qualifications and any potential conflicts with the Company's interest, assessing the contributions of current directors in connection with their re-nomination, reviewing and approving related party transactions of directors and making recommendations to the full Board regarding the position of chairman and lead director, when appropriate. The Corporate Governance Committee was formed by the Board on November 20, 2002. It held five (5) meetings in 2003. The Corporate Governance Committee will consider nominees recommended by stockholders. For more information regarding the process for shareholders to submit recommendations of Board nominees to the Corporate Governance Committee for consideration, please see "Director Nominations" on page 8. For further information and a description of the Company's Corporate Governance Policy, see "Corporate Governance."

Lead Director, Board Meeting Information.

In addition to the above-mentioned committee assignments, the Board began in January 1999 appointing, from among its members, a Lead Director. The Lead Director role was designed generally to include regularly meeting by telephone with the Chief Executive Officer to discuss the financial and operational status of the Company and staying abreast of Company issues in a more in-depth manner than required of other Board members. Ms. Sanders served as Lead Director for years 1999 and 2000 and Mr. Marks served as Lead Director during 2001. In 2002, with the appointment of Charles F. Moran, an independent director, as the Company's Chairman of the Board of Directors, the Board determined that there would not be a need to designate a Lead Director, so long as the Chairman of the Board was an independent director.

During 2003, there were nine (9) meetings of the Board of Directors of Denny's Corporation. Each director of Denny's Corporation attended at least 75% of the meetings of the Board (and, as applicable committees thereof) during 2003.

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Compensation of Directors

Each director of Denny's Corporation, other than Mr. Marchioli, receives cash compensation as follows: (i) a \$30,000 annual cash retainer (paid in \$7,500 installments on a quarterly basis), (ii) an annual restricted stock retainer (the size of such award determined annually by the Compensation Committee although to date in 2004 no such retainer has been awarded) with a requirement that the restricted stock be held until the director resigns or retires from the Board (historically the size of award has been based upon a value of \$10,000 as of the date of grant), and (iii) a stock option grant, typically every three (3) years. Such options typically have a term of 10 years, become exercisable at a rate of 33 1/3% per annum for three consecutive years beginning on the first anniversary of the date of grant and have an exercise price equal to the fair market value of the Common Stock on the date of grant. The Interim Chairman of the Board will receive \$100,000 on an annual basis for his service as Interim Chairman of the Board and Chair of the Audit Committee. The Chair of the Corporate Governance Committee and the Compensation Committee each receive additional compensation annually of \$15,000 for their service as the committee chair. Also, each member of the Board is paid for attendance at or participation in any unscheduled, unplanned specially called meeting (i.e., any meeting called in addition to the dates, typically five, set for the year, for scheduled Board and committee meetings); \$1,000 if in person and \$500 if telephonic.

Audit Committee Financial Experts

The Board has determined that at least two Board members currently serving on the Audit Committee of Denny's Corporation, Robert E. Marks and Debra Smithart-Oglesby, are Audit Committee Financial Experts, as that term is defined by the SEC, based upon their respective business experience and educational backgrounds which includes Mr. Marks' experience analyzing and evaluating financial statements (of the same or greater complexity as the Company's) as a part of his over 20 years of work experience in the field of private equity investments, in more than 15 different industries.

Director Nominations

The Corporate Governance Committee has a written charter which is available on Denny's website at www.dennys.com. All members of this committee are deemed independent within the meaning of the listing standards.

The Corporate Governance Committee will consider director-nominees recommended by shareholders. A shareholder who wishes to recommend to the committee a person or persons for consideration as a nominee for election to the Board of Directors must send a written notice to the committee by mail addressed to the attention of the Secretary of Denny's Corporation at the corporate offices in Spartanburg, South Carolina. The written notice must set forth (i) the name of each person whom the shareholder recommends be considered as a nominee, (ii) a business address and telephone number for each nominee (e-mail address is optional), and (iii) biographical information regarding each nominee, including the person's employment and other relevant experience. To be considered by the committee, a shareholder recommendation must be received no later than the 120th calendar day before the first anniversary date of Denny's Corporation's proxy statement prepared in connection with the previous year's annual meeting.

The Corporate Governance Committee believes that a nominee recommended for a position on the Board must meet the following minimum qualifications:

he or she must be 21 years of age;

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he or she must have experience in a position with a high degree of responsibility in a business or other organization;
he or she must be able to read and understand basic financial statements;
he or she must possess integrity and have high moral character;
he or she must be willing to apply sound, independent business judgment;
he or she must have sufficient time to devote to being a member of the Denny's Corporation Board; and
he or she must be fluent in the English language.

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Annually, the Corporate Governance Committee of the Board of Directors of Denny's Corporation will identify the areas of expertise or skill needed on the Board for the upcoming Board term. The Committee will identify potential nominees for director from (1) the slate of current directors, (2) referrals from professional search firms, typically in those instances when the committee identifies a needed skill or expertise not possessed by the current slate of directors, and (3) recommendations from shareholders.

The committee will evaluate a potential nominee by considering whether the potential nominee meets the minimum qualifications identified by the committee, as well as considering the following factors:

- whether the potential nominee has leadership, strategic, or policy setting experience in a complex organization, including any scientific, governmental, educational, or other non-profit organization;
- whether the potential nominee has experience and expertise that is relevant to Denny's business including any specialized business experience, technical expertise, or other specialized skills, and whether the potential nominee has knowledge regarding issues affecting Denny's;
- whether the potential nominee is highly accomplished in his or her respective field;
- whether the potential nominee has high ethical character and a reputation for honesty, integrity, and sound business judgment;
- whether the potential nominee is independent, as defined by listing standards, whether he or she is free of any conflict of interest or the appearance of any conflict of interest, and whether he or she is willing and able to represent the interests of all Denny's Corporation shareholders; and
- any factor affecting the ability or willingness of the potential nominee to devote sufficient time to the Board's activities and to enhance his or her understanding of Denny's business.

Additionally, with respect to an incumbent director whom the committee is considering as a potential nominee for re-election, the committee will review and consider the incumbent director's service to Denny's Corporation during his or her term, including the number of meetings attended, level of participation, and overall contribution to the Company. The manner in which the committee evaluates a potential nominee will not differ based on whether the potential nominee is recommended by a Denny's Corporation shareholder.

The Company did not pay any fee to any third party to identify or evaluate or assist in identifying or evaluating potential nominees for director at the 2004 Annual Meeting of Shareholders. The independent directors did not receive, by December 25, 2003 (the 120th calendar day before the first anniversary of the date of Denny's Corporation 2003 proxy statement), any recommended nominee from a shareholder who beneficially owns more than 5% of Common Stock or from a group of shareholders who beneficially own, in the aggregate, more than 5% of the Common Stock.

Communications Between Security Holders and Board of Directors

The process for security holders of Denny's Corporation to send communications to the Board is as follows. Security holders may send written communications to the Board or any one or more of the individual members of the Board by directing such communication to the Secretary of Denny's Corporation by mail in the care of the Secretary, at our principal executive offices, or by e-mail to rparish@dennys.com. All written communications will be compiled by the Secretary and promptly submitted to the individual directors being addressed or to the Chair of the committee whose areas of responsibility includes the specific topic addressed by such communication, or in all other cases, to the Chairman of the Board.

Board Member Attendance at Annual Meetings

It is the policy of Denny's Corporation that all of the members of the Board and all nominees for election to the Board at the Annual Meeting attend the Annual Meeting except in cases of extraordinary circumstances. All directors (with the exception of Ms. Farris who was recovering from recent surgery) attended the 2003 Annual Meeting of Stockholders.

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SELECTION OF INDEPENDENT PUBLIC AUDITORS

As a result of the adoption of the Sarbanes-Oxley Act of 2002, and related regulations adopted and proposed by the SEC, and by each national securities exchange and securities association, audit committees of public companies are now formally charged with the responsibility for the appointment, compensation, retention and oversight of the Company's independent auditors. The Audit Committee takes this responsibility very seriously and consequently undertook last year, with the assistance of senior management, the process of evaluating and interviewing a limited number of national accounting firms, including the independent auditors for the 2002 fiscal year, Deloitte & Touche LLP (Deloitte & Touche). As a result of this process, the Audit Committee selected the firm of KPMG LLP (KPMG) as the principal independent public auditors of the Company for the year 2003. This selection was subsequently ratified and approved by the stockholders at the 2003 Annual Meeting.

For the year 2004, the Audit Committee has selected KPMG as the principal independent public auditors of the Company. This selection is submitted for ratification of and approval by the stockholders at this Annual Meeting. Representatives of KPMG will attend the Annual Meeting. They will have an opportunity to make a statement, if they so desire, and to respond to appropriate questions. If the stockholders do not ratify this selection, other certified public accountants will be considered by the Audit Committee. Deloitte & Touche, the Company's principal independent public auditors for the year 2002, are not expected to be in attendance at the Annual Meeting.

Changes in Certifying Accountant

On April 22, 2003, Denny's Corporation notified Deloitte & Touche that it would not be retained by the Company to perform the audit of the financial statements of the Company for the fiscal year ending December 31, 2003. Deloitte & Touche had served as the Company's principal independent accountants since 1986. The decision not to retain Deloitte & Touche was made by the Audit Committee of the Board of Directors of the Company and, upon recommendation by that committee, was approved by the full Board of Directors.

In connection with the audits of the financial statements of the Company for the fiscal years ended December 25, 2002 and December 26, 2001, the Company had no disagreement with Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Deloitte & Touche, would have caused them to make reference to such disagreement in their reports for such periods.

The audit reports of Deloitte & Touche on the financial statements of the Company for the fiscal years ended December 25, 2002 and December 26, 2001 contained no adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except for an explanatory paragraph relating to the change in method of accounting for intangible assets in 2002 to conform to Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets, as described in Note 3 to the consolidated financial statements. Deloitte & Touche was provided a copy of the above disclosures and was requested to furnish us with a letter addressed to the Commission stating whether it agrees with the above statements and, if not, stating the respects in which it does not agree. A letter from Deloitte & Touche is attached as Exhibit 16 to the Company's Current Report on Form 8-K filed with the Commission as of April 23, 2003.

On April 22, 2003, the Company engaged the accounting firm of KPMG as independent accountants to audit the Company's financial statements for the fiscal year ending December 31, 2003. The decision to engage KPMG was made by the Audit Committee of the Board of Directors of Denny's Corporation, and, upon recommendation by that committee, was approved by the full Board of Directors. As of April 22, 2003, the Company had not on any prior occasions consulted with KPMG regarding any of the matters set forth in Item 304(a)(2) of the Commission's Regulation S-K.

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