



Friday, July 17 2009

Important Franchisee Notice

To: Denny's Franchisees
From: DFA Board of Directors
Re: Joint Memorandum from DFA Board and Denny's Inc July 13 Meeting

**DFA Board of Directors Meeting with the Denny's Executive Committee
Report July 13, 2009**

The leadership of our Brand met on Tuesday, July 13 in Charlotte for the second meeting of the DFA Board of Directors and the Denny's Executive Committee ("EC") as a follow-up to the initial meeting on May 6. The main topic was developing a shared understanding of what's going on in our Brand, with particular focus on the negative sales trends and discussing ways to reverse those trends.

The leadership agreed the time was productive and explored a wide variety of ideas for improving system sales along with helping franchisees deal with negative guest counts and lower cash flows. A copy of the agenda is attached to provide an overview of the scope and approach for discussions.

Franchise leadership presented four areas for Brand focus in the next 90 days, as follows:

1. Continue to build alignment between the DFA Board and Denny's EC in order to maintain the intensity on solving Brand challenges and demonstrate unity to the Brand's stakeholders,
2. Increase our media activity and deliver a clear, concise message emphasizing value and promoting frequency,
3. Redefine facilities requirements, with a focus on remodels and deferred maintenance, and carefully manage all cash demands across the system, and
4. Deliver both internal and external communications that drive positive belief and behaviors throughout our Brand.

As a result of healthy and robust discussions by Brand leadership, the DFA Board and Denny's EC agreed to the following near term initiatives:

1. Ensure all future meetings and communications are more inclusive and collaborative, starting with the National Town Hall Meeting in Las Vegas and the DFA Convention in Maui,
2. Have the Marketing working group of the Brand Building Committee recommend options for funding additional media along with creation of new messaging, and
3. Finalize a plan for remodels due in 2009-2010 along with alternatives to the current remodel specifications to ensure all Brand restaurants are maintained in good condition, with elements, materials and colors that remain usable over time.

Other significant points of agreement included:

- As a foundation to our future success, our Brand must become best-in-class in customer-focused selling and align systems & feedback to reflect and promote this objective.
- Franchise owners and Brand operators are responsible for improving hospitality across our Brand and must hold each other accountable. Don't wait for a program from Denny's - find something that works in your restaurants and just do it!
- We need to find the best measure of customer service that rates improvements over time and distinguishes strong and weak performers.
- We all need to make sure that our cash flow management does not alienate customers and employees.

Janis Emplit, Carl Ferland, Glenn Beattie and other franchisees had a follow up meeting in Bakersfield, California on July 15 to review the 'New Day' test market. Under the leadership of Mark Wolfinger, Steve Dunn and Carl Ferland, a Development Council has been formed to explore ways to stimulate development of new franchise restaurants and review remodels and other capital cost issues. Other franchise members of the Development Council include Doug Koch, Syed Ahmad, Vince Eupierre, Anil Yadav, Bob Gentz, Farooq Ghias, Craig Herman and Robert Duskin. The first meeting of the Development Council will be August 11.

The DFA Board and Denny's EC will meet again on August 20 in Los Angeles. In closing, one participant said it best, "The more often company and franchise leadership meets, the better off our Brand will be."

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**DFA Board and Denny's Executive Committee Meeting  
Agenda July 13, 2009 ~ 9 am - 3 pm**

I. Welcome

- 1) Craig and Nelson jointly present objectives for the day:  
Develop a shared understanding of what's going on in the business right now.
- 2) Franchisees provide honest feedback about how their businesses and personal financial situations are impacted by the trends.
- 3) EC speaks.

II. In light of these pressures, what do franchisees need in the next 3-6 months?

- 1) DFA members suggest specific changes which would help a typical franchisee counter the impact of lower sales, guest counts, margins and cash flow. "I could better weather the storm if...."
- 2) What does EC need from franchisees - expedited input, etc.

III. What do we believe are the solutions?

- 1) EC presents work underway which may have an impact during the balance of 2009, and which addresses needs just articulated by franchisees.
- 2) DFA members respond to corporate initiatives and offer their own ideas about system-wide tactics.

IV. What do parties need to do together?

- 1) Action steps going forward
- 2) Task forces for discrete subjects
- 3) Planning for August 20 meeting
- 4) Communication for this meeting