PTC THERAPEUTICS, INC.
Form 4
January 05, 2017

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Kovacs Shane William Charles

(Last) (First) (Middle)

C/O PTC THERAPEUTICS, INC., 100 CORPORATE COURT

(Street)

SOUTH PLAINFIELD, NJ 07080

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PTC THERAPEUTICS, INC. [PTCT]

3. Date of Earliest Transaction (Month/Day/Year)
01/03/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/03/2017		A		9,000 (1)	A	$ 0	27,850	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8 D S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option (Right To Buy)	$ 11.23	01/03/2017		A		52,500		(2)	01/02/2027	Common Stock	52,500	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kovacs Shane William Charles C/O PTC THERAPEUTICS, INC. 100 CORPORATE COURT SOUTH PLAINFIELD, NJ 07080			Chief Financial Officer	

Signatures

/s/ Colleen Diver Johnson, attorney-in-fact	01/05/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted stock awarded to the Reporting Person vests in four equal annual installments over four years, commencing on January 3, 2018.

(2) This option was granted on January 3, 2017, and vests over four years, with 25% of the shares underlying the option vesting on January 3, 2018, and an additional 6.25% of the original number of shares underlying the option vesting at the end of each successive three-month period thereafter, beginning on April 3, 2018.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Weighted average shares outstanding - basic
85,061

90,035

86,882

91,348

Effect of dilutive share-based compensation awards
1,922

1,932

1,962

2,029

Weighted average shares outstanding - diluted
86,983

91,967

88,844

93,377

Basic net income per share
$
0.10

$
0.08

$
0.27

$
0.22

Diluted net income per share
$
0.10

$
0.08

$
0.26

$
0.22

Anti-dilutive share-based compensation awards
252

331

549

331

Note 12. Supplemental Cash Flow Information

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
	(In thousands)	
Income taxes paid, net	$3,070	$1,831
Interest paid	$6,145	$7,121

Noncash investing and financing activities:		
Issuance of common stock, pursuant to share-based compensation plans	$1,030	$1,590
Execution of capital leases	$2,489	$4,038
Treasury stock payable	$108	$186

Note 13. Shareholders' Equity

Share Repurchase

Our credit facility permits the payment of cash dividends and the purchase of Denny’s stock subject to certain limitations. In April 2013, we announced that our Board of Directors approved a share repurchase program authorizing us to repurchase up to an additional 10.0 million shares of our common stock (in addition to prior authorizations). Under this program, we may, from time to time, purchase shares in the open market (including pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Securities Exchange Act of 1934) or in privately negotiated transactions, subject to market and business conditions. During the three quarters ended September 24, 2014, we repurchased 4.9 million shares of our common stock for approximately $32.0 million. This brings the total amount repurchased under this program to 5.7 million shares of our common stock for approximately $37.0 million, leaving 4.3 million shares that can be repurchased as of September 24, 2014. Repurchased shares are included as treasury stock in the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statement of Shareholders' Equity.

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)
Amortization of net loss (1)	693	—	693
Net change in fair value of derivatives	—	(1,178)	(1,178)
Income tax (expense) benefit related to items of other comprehensive income	(271)	460	189
Balance as of September 24, 2014	$(18,268)	$1,130	$(17,138)

(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 Condensed Consolidated Statements of Income during the three quarters ended September 24, 2014. See Note 8 for additional details.

Note 14. Commitments and Contingencies

We have guarantees related to certain franchisee leases and loans. Payments under these guarantees would result from the inability of a franchisee to fund required payments when due. Through September 24, 2014, no events had occurred that caused us to make payments under the guarantees. There were $10.1 million and $6.1 million of loans outstanding under these programs as of September 24, 2014 and December 25, 2013, respectively. As of September 24, 2014, the maximum amounts payable under the lease guarantee and loan guarantees were $2.0 million and $1.7 million, respectively. As a result of these guarantees, we have recorded liabilities of approximately $0.1 million as of September 24, 2014 and December 25, 2013, which are included as a component of other noncurrent liabilities and deferred credits in our Condensed Consolidated Balance Sheets and other nonoperating expense in our Condensed 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.

Note 15. Subsequent Events

On October 14, 2014, we amended our credit facility to permit the planned termination of the Advantica Pension Plan and to modify certain financial covenants in connection therewith. See Note 8.

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

Forward-Looking Statements

The following discussion is intended to highlight significant changes in our financial position as of September 24, 2014 and results of operations for the quarter and three quarters ended September 24, 2014 compared to the quarter and three quarters ended September 25, 2013, respectively. This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, which reflect our best judgment based on factors currently known and are intended to speak only as of the date such statements are made, involve risks, uncertainties, and other factors which may cause our actual performance to be materially different from the performance indicated or implied by such statements. Such factors include, among others: competitive pressures from within the restaurant industry; the level of success of our operating initiatives and advertising and promotional efforts; adverse publicity; changes in business strategy or development plans; terms and availability of capital; regional weather conditions; overall changes in the general economy (including with regard to energy costs), particularly at the retail level; political environment (including acts of war and terrorism); and other factors included in the discussion below, or in Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Part I. Item 1A. Risk Factors, contained in our Annual Report on Form 10-K for the year ended December 25, 2013.

Statements of Income

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

	Quarter Ended				Three Quarters Ended			
	September 24, 2014		September 25, 2013		September 24, 2014		September 25, 2013	
	(Dollars in thousands)							
Revenue:								
Company restaurant sales	$82,827	70.8 %	$83,371	71.1 %	$243,269	70.8 %	$247,242	71.0 %
Franchise and license revenue	34,205	29.2 %	33,904	28.9 %	100,297	29.2 %	101,094	29.0 %
Total operating revenue	117,032	100.0 %	117,275	100.0 %	343,566	100.0 %	348,336	100.0 %
Costs of company restaurant sales (a):								
Product costs	21,364	25.8 %	21,722	26.1 %	63,274	26.0 %	64,270	26.0 %
Payroll and benefits	32,507	39.2 %	33,746	40.5 %	97,584	40.1 %	98,512	39.8 %
Occupancy	5,418	6.5 %	5,598	6.7 %	15,445	6.3 %	16,339	6.6 %
Other operating expenses	12,514	15.1 %	12,022	14.4 %	35,322	14.5 %	34,538	14.0 %
Total costs of company restaurant sales	71,803	86.7 %	73,088	87.7 %	211,625	87.0 %	213,659	86.4 %
Costs of franchise and license revenue (a)	11,309	33.1 %	11,599	34.2 %	32,639	32.5 %	34,586	34.2 %
General and administrative expenses	13,439	11.5 %	13,704	11.7 %	41,623	12.1 %	42,948	12.3 %
Depreciation and amortization	5,185	4.4 %	5,198	4.4 %	15,704	4.6 %	15,774	4.5 %
Operating (gains), losses and other charges, net	587	0.5 %	161	0.1 %	1,049	0.3 %	1,779	0.5 %
Total operating costs and expenses, net	102,323	87.4 %	103,750	88.5 %	302,640	88.1 %	308,746	88.6 %
Operating income	14,709	12.6 %	13,525	11.5 %	40,926	11.9 %	39,590	11.4 %
Interest expense, net	2,284	2.0 %	2,452	2.1 %	6,880	2.0 %	7,800	2.2 %
Other nonoperating (income) expense, net	(33)	0.0 %	(276)	(0.2)%	(465)	(0.1)%	1,056	0.3 %
Net income before income taxes	12,458	10.6 %	11,349	9.7 %	34,511	10.0 %	30,734	8.8 %
Provision for income taxes	4,115	3.5 %	4,318	3.7 %	11,464	3.3 %	10,424	3.0 %
Net income	$8,343	7.1 %	$7,031	6.0 %	$23,047	6.7 %	$20,310	5.8 %
Other Data:								
Company average unit sales	$519		$510		$1,528		$1,509	
Franchise average unit sales	$375		$365		$1,097		$1,073	
Company equivalent units (b)	159		163		159		164	
Franchise equivalent units (b)	1,532		1,520		1,534		1,524	

Company same-store sales increase (decrease) (c)(d)	4.1	%	0.7	%	3.7	%	(0.4	)%
Domestic franchise same-store sales increase (c)(d)	2.1	%	1.3	%	1.8	%	0.5	%

(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 2014 comparable units.

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Quarter Ended September 24, 2014 Compared with Quarter Ended September 25, 2013

Unit Activity

	Quarter Ended	
	September 24, 2014	September 25, 2013
Company restaurants, beginning of period	160	165
Units opened	—	—
Units acquired from franchisees	—	1
Units sold to franchisees	—	(2)
Units closed	—	—
End of period	160	164
Franchised and licensed restaurants, beginning of period	1,533	1,525
Units opened	9	9
Units purchased from Company	—	2
Units acquired by Company	—	(1)
Units closed	(13)	(13)
End of period	1,529	1,522
Total restaurants, end of period	1,689	1,686

Company Restaurant Operations

During the quarter ended September 24, 2014, we realized a 4.1% increase in company same-store sales. However, company restaurant sales decreased $0.5 million, or 0.7%, primarily resulting from a four equivalent-unit decrease in company-owned restaurants, which includes the temporary closure of our highest volume restaurant in Las Vegas, Nevada and temporary closures for remodeling restaurants.

Total costs of company restaurant sales as a percentage of company restaurant sales decreased to 86.7% from 87.7%. Product costs decreased to 25.8% from 26.1% primarily due to the leveraging effect of higher sales. Payroll and benefits decreased to 39.2% from 40.5% primarily due to a 1.2 percentage point decrease in workers' compensation costs. The current year period included $0.4 million in unfavorable workers' compensation claims development, as compared to $1.5 million in unfavorable claims development in the prior year period. Occupancy costs decreased to 6.5% from 6.7%. The occupancy decrease is primarily related to an increase in the number of capital leases and a decrease in rent caused by certain lease amendments. Other operating expenses were comprised of the following amounts and percentages of company restaurant sales:

	Quarter Ended			
	September 24, 2014		September 25, 2013	
	(Dollars in thousands)			
Utilities	$3,728	4.5 %	$3,592	4.3 %
Repairs and maintenance	1,496	1.8 %	1,550	1.9 %
Marketing	3,141	3.8 %	3,116	3.7 %
Legal	454	0.5 %	157	0.2 %
Other direct costs	3,695	4.5 %	3,607	4.3 %
Other operating expenses	$12,514	15.1 %	$12,022	14.4 %

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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:

	Quarter Ended September 24, 2014 (Dollars in thousands)			September 25, 2013		
Royalties	$22,705	66.4	%	$21,777	64.2	%
Initial fees	391	1.1	%	434	1.3	%
Occupancy revenue	11,109	32.5	%	11,693	34.5	%
Franchise and license revenue	$34,205	100.0	%	$33,904	100.0	%
Occupancy costs	8,292	24.3	%	8,616	25.4	%
Other direct costs	3,017	8.8	%	2,983	8.8	%
Costs of franchise and license revenue	$11,309	33.1	%	$11,599	34.2	%

Royalties increased by $0.9 million, or 4.3%, primarily resulting from a 2.1% increase in domestic same-store sales and a twelve equivalent unit increase in franchised and licensed units, as compared to the prior year. Initial fees decreased by less than $0.1 million, or 9.9%. The decrease in occupancy revenue of $0.6 million, or 5.0%, is primarily the result of lease expirations.

Costs of franchise and license revenue decreased by $0.3 million, or 2.5%. The decrease in occupancy costs of $0.3 million, or 3.8%, is primarily the result of lease expirations. Other direct costs increased by less than $0.1 million, or 1.1%. As a result, costs of franchise and license revenue as a percentage of franchise and license revenue decreased to 33.1% for the quarter ended September 24, 2014 from 34.2% for the quarter ended September 25, 2013.

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 were comprised of the following:

	Quarter Ended September 24, 2014 (In thousands)	September 25, 2013
Share-based compensation	$649	$1,053
Other general and administrative expenses	12,790	12,651
Total general and administrative expenses	$13,439	$13,704

The $0.4 million decrease in share-based compensation is primarily related to forfeitures resulting from the departure of our former Chief Brand Officer.

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Depreciation and amortization was comprised of the following:

	Quarter Ended September 24, 2014	September 25, 2013
	(In thousands)	
Depreciation of property and equipment	$3,870	$3,595
Amortization of capital lease assets	833	884
Amortization of intangible and other assets	482	719
Total depreciation and amortization expense	$5,185	$5,198

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

	Quarter Ended September 24, 2014	September 25, 2013
	(In thousands)	
Gains on sales of assets and other, net	$(33)	$(68)
Restructuring charges and exit costs	300	229
Impairment charges	320	—
Operating (gains), losses and other charges, net	$587	$161

Restructuring charges and exit costs were comprised of the following:

	Quarter Ended September 24, 2014	September 25, 2013
	(In thousands)	
Exit costs	$291	$198
Severance and other restructuring charges	9	31
Total restructuring and exit costs	$300	$229

Impairment charges of $0.3 million for the quarter ended September 24, 2014 resulted primarily from the impairment of an underperforming unit.

Operating income was $14.7 million for the quarter ended September 24, 2014 compared with $13.5 million for the quarter ended September 25, 2013.

Interest expense, net was comprised of the following:

	Quarter Ended September 24, 2014	September 25, 2013
	(In thousands)	
Interest on credit facilities	$892	$910
Interest on capital lease liabilities	828	907
Letters of credit and other fees	329	359
Interest income	(21)	(20)
Total cash interest	2,028	2,156
Amortization of deferred financing costs	120	120
Interest accretion on other liabilities	136	176
Total interest expense, net	$2,284	$2,452

The decrease in interest expense resulted primarily from the expiration of capital leases.

Other nonoperating income, net was less than $0.1 million for the quarter ended September 24, 2014 compared with other nonoperating income, net of $0.3 million for the quarter ended September 25, 2013.

The provision for income taxes was $4.1 million for the quarter ended September 24, 2014 compared to $4.3 million for the quarter ended September 25, 2013. For the 2014 period, the difference in the overall effective rate from the U.S. Statutory rate was primarily due to the generation of employment tax credits. State job tax credits of $0.3 million were claimed during 2014 for current year’s hiring activity. For the 2013 period, a valuation allowance of $0.5 million was recorded against certain state jobs tax credits related to changes in California law enacted during the period. The provision for income taxes for the third quarter of 2013 was determined using our effective rate estimated for the entire fiscal year.

Net income was $8.3 million for the quarter ended September 24, 2014 compared with $7.0 million for the quarter ended September 25, 2013.

Three Quarters Ended September 24, 2014 Compared with Three Quarters Ended September 25, 2013

Unit Activity

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
Company restaurants, beginning of period	163	164
Units opened	—	—
Units acquired from franchisees	—	2
Units sold to franchisees	—	(2)
Units closed	(3)	—
End of period	160	164
Franchised and licensed restaurants, beginning of period	1,537	1,524
Units opened	16	27
Units purchased from Company	—	2
Units acquired by Company	—	(2)
Units closed	(24)	(29)
End of period	1,529	1,522
Total restaurants, end of period	1,689	1,686

Company Restaurant Operations

During the three quarters ended September 24, 2014, we realized a 3.7% increase in company same-store sales. However, company restaurant sales decreased $4.0 million, or 1.6%, primarily resulting from a five equivalent-unit decrease in company restaurants, which includes the temporary closure of our highest volume restaurant in Las Vegas, Nevada and temporary closures for remodeling restaurants.

Total costs of company restaurant sales as a percentage of company restaurant sales increased to 87.0% from 86.4%. Product costs remained constant at 26.0%. Payroll and benefits increased to 40.1% from 39.8% primarily due to a 0.3 percentage point increase in group insurance and a 0.3 percentage point increase in incentive compensation costs, partially offset by a 0.2 percentage point decrease in workers' compensation costs. The increase in group insurance relates to the costs of implementing the Affordable Care Act during the current year period. The incentive compensation increase is primarily due to increased same-store sales performance. The current year period included

$0.8 million in unfavorable workers' compensation claims development, as compared to $1.5 million in unfavorable claims development in the prior year period. Occupancy costs decreased to 6.3% from 6.6%. The occupancy decrease is primarily related to an increase in the number of capital leases and a decrease in rent caused by certain lease amendments. Other operating expenses were comprised of the following amounts and percentages of company restaurant sales:

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	Three Quarters Ended September 24, 2014 (Dollars in thousands)			September 25, 2013		
Utilities	$10,385	4.3	%	$9,897	4.0	%
Repairs and maintenance	4,428	1.8	%	4,423	1.8	%
Marketing	9,003	3.7	%	9,245	3.7	%
Legal	708	0.3	%	671	0.3	%
Other direct costs	10,798	4.4	%	10,302	4.2	%
Other operating expenses	$35,322	14.5	%	$34,538	14.0	%

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:

	Three Quarters Ended September 24, 2014 (Dollars in thousands)			September 25, 2013		
Royalties	$66,311	66.1	%	$64,205	63.5	%
Initial fees	840	0.9	%	1,164	1.2	%
Occupancy revenue	33,146	33.0	%	35,725	35.3	%
Franchise and license revenue	$100,297	100.0	%	$101,094	100.0	%
Occupancy costs	24,773	24.7	%	26,235	25.9	%
Other direct costs	7,866	7.8	%	8,351	8.3	%
Costs of franchise and license revenue	$32,639	32.5	%	$34,586	34.2	%

Royalties increased by $2.1 million, or 3.3%, primarily resulting from a 1.8% increase in domestic same-store sales, as compared to the prior year. In addition, there was a ten equivalent unit increase in franchised and licensed units, as compared to the prior year, and an increase in royalties as certain restaurants moved to our new rate structure. Initial fees decreased by $0.3 million, or 27.8%, as fewer restaurants were opened by franchisees during the current year period. The decrease in occupancy revenue of $2.6 million, or 7.2%, is primarily the result of lease expirations.

Costs of franchise and license revenue decreased by $1.9 million, or 5.6%. The decrease in occupancy costs of $1.5 million, or 5.6%, is primarily the result of lease expirations. Other direct costs decreased by $0.5 million, or 5.8%. As a result, costs of franchise and license revenue as a percentage of franchise and license revenue decreased to 32.5% for the three quarters ended September 24, 2014 from 34.2% for the three quarters ended September 25, 2013.

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 were comprised of the following:

	Three Quarters Ended September 24, 2014 (In thousands)	September 25, 2013
Share-based compensation	$2,993	$3,434

Other general and administrative expenses	38,630	39,514
Total general and administrative expenses	$41,623	$42,948

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The $1.3 million decrease in general and administrative expenses is primarily the result of reductions in payroll and relocation costs of $0.9 million, share-based compensation of $0.4 million, and deferred compensation of $0.4 million, partially offset by a $0.4 million increase in incentive compensation. The decrease in share-based compensation is primarily related to forfeitures resulting from the departure of our former Chief Brand Officer.

Depreciation and amortization was comprised of the following:

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
	(In thousands)	
Depreciation of property and equipment	$11,540	$10,985
Amortization of capital lease assets	2,599	2,555
Amortization of intangible and other assets	1,565	2,234
Total depreciation and amortization expense	$15,704	$15,774

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

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
	(In thousands)	
Gains on sales of assets and other, net	$(74)	$(83)
Restructuring charges and exit costs	775	1,005
Impairment charges	348	857
Operating (gains), losses and other charges, net	$1,049	$1,779

Restructuring charges and exit costs were comprised of the following:

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
	(In thousands)	
Exit costs	$380	$435
Severance and other restructuring charges	395	570
Total restructuring and exit costs	$775	$1,005

Impairment charges of $0.3 million for the three quarters ended September 24, 2014 resulted primarily from the impairment of an underperforming unit. Impairment charges of $0.9 million for the three quarters ended September 25, 2013 resulted primarily from the impairment of two units identified as assets held for sale.

Operating income was $40.9 million for the three quarters ended September 24, 2014 and $39.6 million for the three quarters ended September 25, 2013.

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Interest expense, net was comprised of the following:

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
	(In thousands)	
Interest on credit facilities	$2,623	$3,197
Interest on capital lease liabilities	2,505	2,716
Letters of credit and other fees	1,023	1,038
Interest income	(61)	(61)
Total cash interest	6,090	6,890
Amortization of deferred financing costs	362	376
Interest accretion on other liabilities	428	534
Total interest expense, net	$6,880	$7,800

The decrease in interest expense primarily resulted from a decrease in interest rates related to the 2013 refinancing of our credit facility.

Other nonoperating income, net was $0.5 million for the three quarters ended September 24, 2014 compared with other nonoperating expense, net of $1.1 million for the three quarters ended September 25, 2013. The amount for the 2013 period was primarily the result of $1.2 million of expenses and write-offs of deferred financing costs incurred related to our 2013 debt refinancing.

The provision for income taxes was $11.5 million for the three quarters ended September 24, 2014 compared to $10.4 million for the three quarters ended September 25, 2013. For the 2014 period, the difference in the overall effective rate from the U.S. Statutory rate was primarily due to the generation of employment tax credits and two discrete tax items. State job tax credits of $0.3 million were claimed during 2014 for current year’s hiring activity. State job tax credits of $0.5 million 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 $0.5 million. We do not believe the out-of-period adjustment was material to any prior or current year financial statements or on earnings trends.

For the 2013 period, the difference in the overall effective rate from the U.S. Statutory rate was due to state and foreign taxes, employment tax credits, and discrete tax items. The passage of the American Tax Payer Relief Act of 2012 resulted in deferred tax benefits of $0.3 million related to work opportunity credits generated in 2012, which were allowed retroactively. In addition, state job tax credits of $0.8 million were claimed during the 2013 period resulting from the prior year's hiring activity. A valuation allowance of $0.5 million was recorded against certain state jobs tax credits during the 2013 period related to changes in California law enacted during the period.

Net income was $23.0 million for the three quarters ended September 24, 2014 compared with $20.3 million for the three quarters ended September 25, 2013.

Liquidity and Capital Resources

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, debt repayments and the repurchase of shares of our common stock.

Explanation of Responses:

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

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
	(In thousands)	
Net cash provided by operating activities	$48,241	$44,716
Net cash used in investing activities	(17,198)	(9,429)
Net cash used in financing activities	(32,536)	(42,522)
Decrease in cash and cash equivalents	$(1,493)	$(7,235)

We believe that our estimated cash flows from operations for 2014, 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 $17.2 million for the three quarters ended September 24, 2014. These cash flows include capital expenditures of $17.9 million and issuances of notes receivable of $1.2 million, partially offset by $1.8 million in collections of notes receivable. Our principal capital requirements have been largely associated with the following:

	Three Quarters Ended	
	September 24, 2014	September 25, 2013
	(In thousands)	
Facilities	$4,771	$3,433
New construction	112	449
Remodeling	10,570	4,298
Information technology	525	409
Other	1,902	872
Capital expenditures	$17,880	$9,461

Capital expenditures for fiscal 2014 are expected to be approximately $21-$22 million, including approximately 45 remodels anticipated to be completed at company restaurants. During the three quarters ended September 24, 2014, we remodeled 38 company restaurants.

Cash flows used in financing activities were $32.5 million for the three quarters ended September 24, 2014, which included stock repurchases of $32.1 million and a net decrease in long-term debt of $3.6 million.

Our working capital deficit was $26.9 million at September 24, 2014 compared with $20.3 million at December 25, 2013. The increase in working capital deficit is primarily related to the collection of receivables and use of cash for capital expenditures and share repurchases during the current year period. 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 September 24, 2014, we had outstanding term loan borrowings under the credit facility of $55.5 million and outstanding letters of credit under the senior secured revolver of $25.7 million. There were $97.0 million in revolving loans outstanding at September 24, 2014. These balances resulted in availability of $67.3 million under the revolving facility. The weighted-average interest rate under the term loan and on outstanding revolver loans as of September 24, 2014 was 2.16%.

The revolving credit facility includes an accordion feature that would allow us to increase the size of the facility to $240 million. A commitment fee of 0.35% is paid on the unused portion of the revolving credit facility. Borrowings under the credit facility bear a tiered interest rate based on the Company's consolidated leverage ratio and was initially set at LIBOR plus 200 basis points. The maturity date for the credit facility is April 24, 2018.

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The credit facility is guaranteed by the Company and its material subsidiaries and is secured by substantially all of the assets of the Company and its subsidiaries, including the stock of the Company's subsidiaries. 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, a minimum consolidated fixed charge coverage ratio and maximum capital expenditures.

The term loan under the credit facility requires amortization of the original term loan balance of 5% per year in the first two years (April 2013 through April 2015), 7.5% in the subsequent two years (April 2015 through April 2017) and 10% in the fifth year (April 2017 through April 2018) with the balance due at maturity. We are required to make certain mandatory prepayments under certain circumstances and have the option to make certain prepayments under the credit facility. The credit facility includes events of default (and related remedies, including acceleration and increased interest rates following an event of default) that are usual for facilities and transactions of this type.

Interest Rate Hedges

We have entered into interest rate hedges that cap the LIBOR rate on borrowings under our credit facility. The 200 basis point LIBOR cap applied to $125 million of borrowings from April 14, 2013 through April 13, 2014 and applies to $150 million of borrowings from April 14, 2014 through March 31, 2015.

We also have entered into interest rate swaps to hedge a portion of the cash flows of our floating rate debt from March 31, 2015 through March 29, 2018. We designated the interest rate swaps as cash flow hedges of our exposure to variability in future cash flows attributable to payments of LIBOR due on a related $150 million notional debt obligation from March 31, 2015 through March 31, 2017 and a related $140 million notional debt obligation from April 1, 2017 through March 29, 2018. Under the terms of the swaps, we will pay an average fixed rate of 3.12% on the notional amounts and receive payments from a counterparty based on the 30-day LIBOR rate.

Implementation of New Accounting Standards

See Note 2 to our Condensed Consolidated Financial Statements.

Item 3. 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 September 24, 2014, borrowings under our term loan and revolver bore interest at variable rates based on LIBOR plus a spread of 200 basis points per annum. Through March 31, 2015, up to $150 million of the term loan borrowing has a 200 basis point LIBOR point cap.

Based on the levels of borrowings under the credit facility at September 24, 2014, if interest rates changed by 100 basis points, our annual cash flow and income before taxes would change by approximately $1.5 million. This computation is determined by considering the impact of hypothetical interest rates on the credit facility at September 24, 2014, taking into consideration the interest rate cap. However, the nature and amount of our borrowings may vary as a result of future business requirements, market conditions and other factors.

We also have exposure to interest rate risk related to our pension plan, other defined benefit plans and self-insurance liabilities. A 25 basis point increase or decrease in discount rate would increase or decrease our projected benefit obligation related to our pension plan by approximately $2.0 million and would impact the pension plan's net periodic benefit cost by approximately $0.1 million. The impact of a 25 basis point increase or decrease in discount rate would decrease or increase our projected benefit obligation related to our other defined benefit plans by less than $0.1 million while the plans' net periodic benefit cost would remain flat. A 25 basis point increase or decrease in discount rate related to our self-insurance liabilities would result in a decrease or increase of $0.2 million, respectively.

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Commodity Price Risk

We purchase certain food products, such as beef, poultry, pork, eggs and coffee, and utilities such as gas and electricity, which 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 policy 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 4. Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management conducted an evaluation (under the supervision and with the participation of our President and Chief Executive Officer, John C. Miller, and our Executive Vice President, Chief Administrative Officer and Chief Financial Officer, F. Mark Wolfinger) as of the end of the period covered by this Quarterly Report on Form 10-Q, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation, Messrs. Miller and Wolfinger each concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to our management, including Messrs. Miller and Wolfinger, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. 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.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer

The table below provides information concerning repurchases of shares of our common stock during the quarter ended September 24, 2014.

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Maximum Number of Shares that May Yet be Purchased Under the Programs (2)
	(In thousands, except per share amounts)			
June 26, 2014 - July 23, 2014	815	$6.38	815	4,759
July 24, 2013 - August 20, 2014	282	6.51	282	4,477
August 21, 2014 - September 24, 2014	130	7.00	130	4,347
Total	1,227	$6.48	1,227	

(1) Average price paid per share excludes commissions.

(2) On April 25, 2013, we announced that our Board of Directors approved a new share repurchase program, authorizing us to repurchase up to an additional 10 million shares 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 September 24, 2014, we purchased 1,226,900 shares of common stock for an aggregate consideration of approximately $8.0 million, pursuant to the share repurchase program.

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Item 6. Exhibits

The following are included as exhibits to this report:

Exhibit No.	Description
10.1	First Amendment to Amended and Restated Credit Agreement dated as of October 14, 2014 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 and the Lenders.
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	Certification 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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			DENNY'S CORPORATION
Date:	October 27, 2014	By:	/s/ F. Mark Wolfinger F. Mark Wolfinger Executive Vice President, Chief Administrative Officer and Chief Financial Officer
Date:	October 27, 2014	By:	/s/ Jay C. Gilmore Jay C. Gilmore Vice President, Chief Accounting Officer and Corporate Controller

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