DOMINOS PIZZA INC
Form S-1
April 13, 2004
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As filed with the Securities and Exchange Commission on April 13, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

Under

Securities Act of 1933

DOMINO S PIZZA, INC.[(1)]

TISM, INC.

(Exact name of registrant as specified in its charter)

Delaware	**5812**	**38-2511577**
Michigan	**5812**	**38-2511577**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

30 Frank Lloyd Wright Drive, Ann Arbor, Michigan 48106

(734) 930-3030

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

David A. Brandon

Chairman and Chief Executive Officer

30 Frank Lloyd Wright Drive

Ann Arbor, Michigan 48106

(734) 930-3030

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Jane D. Goldstein, Esq. R. Newcomb Stillwell, Esq. Ropes & Gray LLP One International Place Boston, Massachusetts 02110 Telephone: (617) 951-7000 Telecopy: (617) 951-7050	Elisa D. Garcia C., Esq. Domino s Pizza LLC Executive Vice President & General Counsel 30 Frank Lloyd Wright Drive Ann Arbor, Michigan 48106 Telephone: (734) 930-3030 Telecopy: (734) 747-6210	Gerald S. Tanenbaum, Esq. Cahill Gordon & Reindel LLP 80 Pine Street New York, New York 10005 Telephone: (212) 701-3000 Telecopy: (212) 269-5420

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, par value $.01 per share	$ 300,000,000	$ 38,010

(1) TISM, Inc., a Michigan corporation, will reincorporate in Delaware in connection with this offering by way of merger into its wholly-owned subsidiary, Domino s Pizza, Inc., a Delaware corporation, which expressly adopts this Registration Statement for all purposes under the Securities Act.
(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated April 13, 2004

Prospectus

shares

Domino s Pizza, Inc.

Common stock

Domino s Pizza, Inc. is selling shares of common stock, and the selling stockholders identified in this prospectus are selling an additional shares. We will not receive any of the proceeds from the sale of the shares by the selling stockholders. This is the initial public offering of our common stock. The estimated initial public offering price is between $ and $ per share.

Prior to this offering, there has been no public market for our common stock. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol DPZ.

	Per share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds to Domino s Pizza, Inc., before expenses	$	$
Proceeds to selling stockholders, before expenses	$	$

The selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to additional shares of our common stock on the same terms and conditions set forth above to cover overallotments, if any.

Investing in our common stock involves a high degree of risk. See Risk factors beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on , 2004.

Joint book-running managers

JPMorgan

Citigroup

Bear, Stearns & Co. Inc.

Credit Suisse First Boston

Lehman Brothers

, 2004

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In this prospectus, we use the terms Domino s Pizza, Domino s, we, us and our to refer to TISM, Inc. and its subsidiaries prior to TISM, Inc. s reincorporation by way of merger into its wholly-owned subsidiary, Domino s Pizza, Inc., and we also use such references to mean Domino s Pizza, Inc. and its subsidiaries after the merger.

Our wholly-owned subsidiary, Domino s, Inc., files reports and other information with the Securities and Exchange Commission, but our common stock is not publicly traded. You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. We are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate as of the date on the front cover of this prospectus. Our business, financial condition, results of operations or prospects may have changed since the date of this prospectus, which could cause the information in this prospectus to be inaccurate as of such future date, and this prospectus will not be updated to reflect such change.

The Domino s® and Domino s Pizza® names and logos are trademarks that are federally registered in the United States. The titles and logos associated with our products appearing in this prospectus, including Domino s HeatWave®, Cinna Stix®, Buffalo Chicken Kickers® and Domino s PULSE™, are either federally registered trademarks or are subject to pending applications for registration. Our trademarks may also be registered in other jurisdictions. All other trademarks or trade names appearing elsewhere in this prospectus are the property of their respective owners.

In this prospectus, we rely on and refer to information regarding the U.S. quick service restaurant, or QSR, sector, the U.S. QSR pizza category and its channels and competitors (including us) from the CREST report prepared by NPD Foodworld®, a division of the NPD Group, or Crest, as well as market research reports, analyst reports and other publicly-available information. Although we believe this information to be reliable, we have not independently verified it. Domestic sales information relating to the U.S. QSR sector, the U.S. QSR pizza category and the U.S. pizza delivery and carry-out channels represent reported consumer spending by Crest.

Presentation of financial and other data

Our fiscal year is a 52- or 53-week year ending on the Sunday on or nearest to December 31. Our fiscal years 1999, 2000, 2001, 2002 and 2003 ended on January 2, 2000, December 31, 2000, December 30, 2001, December 29, 2002 and December 28, 2003, respectively. Fiscal years are identified in this prospectus according to the calendar year that they most accurately represent. For example, the fiscal year ended January 2, 2000 is referred to herein as fiscal 1999 or 1999.

Our convention with respect to reporting periodic financial data is such that each of our first three fiscal quarters consist of twelve weeks while our last fiscal quarter consists of sixteen or seventeen weeks.

Throughout this prospectus:

unless otherwise indicated or the context otherwise requires, we refer to our common stock and non-voting common stock following the reclassification described under The reclassification collectively as our common stock;

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unless otherwise indicated, store counts are as of December 28, 2003; and

all share data assumes a per share Class L preference amount of $, which is the per share Class L preference amount that we used to estimate the number of shares of common stock issuable upon the conversion of our Class L common stock into our common stock as described under The reclassification.

Until , 2004 (25 days after the date of this prospectus), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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Summary

This summary highlights information contained elsewhere in this prospectus. Because this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus carefully, especially Risk factors beginning on page 10 and our consolidated financial statements and related notes, before deciding to invest in our common stock. Except as otherwise noted, all information in this prospectus assumes no exercise of the underwriters option to purchase additional shares of our common stock, assumes an initial public offering price of $ per share, which is the mid-point of the range set forth on the front cover of this prospectus, and reflects (i) a two-for-three reverse stock split of our existing common stock, (ii) our reincorporation in Delaware, (iii) an amendment to our Delaware certificate of incorporation and (iv) the reclassification of all of our classes of common stock into one new class of common stock, all of which have occurred in connection with this offering.

Domino s Pizza, Inc.

We are the number one pizza delivery company in the United States with a leading presence internationally. We pioneered the pizza delivery channel and have built the Domino s Pizza® brand into one of the most widely-recognized consumer brands in the world. We operate through a network of more than 7,400 company-owned and franchise stores, located in all 50 states and in more than 50 countries. In addition, we operate 18 regional dough manufacturing and distribution centers in the contiguous United States and eight dough manufacturing and distribution centers outside the contiguous United States. The foundation of our system-wide success and leading market position is our strong relationship with our franchisees, comprised of nearly 2,000 owner-operators dedicated to the success of our company and the Domino s Pizza® brand.

Over our 44-year history, we have developed a simple, high-return business model focused on our core strength of delivering high-quality pizza in a timely manner. This business model includes a delivery-oriented store design with low capital requirements, a focused menu of high-quality, affordable pizza and complementary side items, highly-committed owner-operator franchisees and a vertically-integrated distribution system. Our earnings are driven largely from retail sales at our franchise stores, which generate royalty payments and distribution revenues to us. We also generate earnings through retail sales at our company-owned stores.

In 2003, our franchise stores generated retail sales of approximately $3.8 billion, of which approximately $1.2 billion were international retail sales, while our company-owned stores generated retail sales of $381.4 million. In 2003, our domestic same store sales increased 1.3%, marking the third straight year that we outperformed our two national competitors in this key metric. Same store sales at our international stores increased 4.0% in 2003, marking the 10th consecutive year of same store sales growth. We believe that strong sales volume, combined with our efficient store and business models, generates superior store-level economics and company-level returns.

We operate our business in three segments: domestic stores, domestic distribution and international.

Domestic stores. The domestic stores segment, comprised of 4,327 franchise stores and 577 company-owned stores, generated revenues of $519.9 million and income from operations of $127.1 million during fiscal 2003.

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Domestic distribution. Our domestic distribution segment, which distributes food, equipment and supplies to all of our domestic company-owned stores and approximately 98% of our domestic franchise stores, generated revenues of $717.1 million and income from operations of $45.9 million during fiscal 2003.

International. Our international segment, which oversees 2,506 franchise stores and operates 17 company-owned stores outside the contiguous United States and also distributes food and supplies in a limited number of these markets, generated revenues of $96.4 million and income from operations of $28.1 million during fiscal 2003.

On a consolidated basis, we generated revenues of more than $1.3 billion and income from operations, after deducting $41.7 million of unallocated corporate and other expenses, of $159.5 million in fiscal 2003, which was more than double our income from operations in fiscal 1999, our first full fiscal year following our recapitalization led by investment funds affiliated with Bain Capital, LLC. We have been able to grow our earnings through strong domestic and international same store sales growth over the past five years, the addition of more than 1,200 stores worldwide over that time and strong performance by our distribution business. This growth was achieved with limited capital expenditures by us, since a significant portion of our earnings is derived from retail sales by our franchisees.

Industry overview

The U.S. QSR pizza category is large, growing and highly fragmented. With sales of $32.3 billion in the twelve months ended November 2003, the U.S. QSR pizza category is the second largest category within the $180.2 billion QSR sector. We operate primarily within the $11.7 billion U.S. pizza delivery channel, which accounted for 36% of total U.S. QSR pizza category sales in the twelve months ended November 2003. The U.S. pizza delivery channel grew at a compound annual rate of 1.1% from 2000 through 2003. We believe that this growth is the result of well-established demographic and lifestyle trends driving increased consumer emphasis on convenience. We and our top two competitors account for approximately 47% of the U.S. pizza delivery channel, with the remaining 53% of the channel held predominantly by small regional chains and individual establishments.

We also compete in the U.S. carry-out pizza channel, which together with the U.S. pizza delivery channel are the largest and fastest-growing channels in the U.S. QSR pizza category. The $12.4 billion U.S. carry-out pizza channel grew at a compound annual rate of 2.9% from 2000 through 2003. While our primary focus is on the pizza delivery channel, we are also favorably positioned to compete in the carry-out channel given our strong brand, convenient store locations and high-quality, affordable menu offerings.

Like the U.S. pizza delivery channel, we believe the international pizza delivery channel is large, growing and fragmented. By contrast, this channel is relatively underdeveloped, with only Domino s and one other competitor having a significant multinational presence. We believe that international growth will continue, driven by the growing demand for delivered pizza and by international consumers increasing emphasis on convenience.

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Our competitive strengths

We believe that our competitive strengths include the following:

Strong and proven growth and earnings model.

Over our 44-year history, we have developed a successful and focused growth and earnings model. This model is anchored by high-return, store-level economics, which provide an entrepreneurial incentive for our franchisees, generate demand for new franchises and are the foundation for the strength of our system. Our franchisees, in turn, have produced strong and consistent earnings for us through royalty payments and distribution revenues, with minimal associated capital expenditures by us. This enables us to both invest in the Domino s Pizza® brand and deliver strong returns to our stockholders.

#1 pizza delivery company in the United States with a leading international presence.

We are the number one pizza delivery company in the United States with a 19.8% share of the large, growing and highly-fragmented U.S. pizza delivery channel. We believe that our share position and scale allow us to leverage our purchasing power, distribution strength and advertising investment across our store base while effectively serving our customers demands for convenience and timely delivery. Internationally, we believe we have a leading presence in the key markets in which we compete.

Strong brand awareness.

We believe our Domino s Pizza® brand, routinely named a MegaBrand by *Advertising Age,* is one of the most widely-recognized consumer brands in the world. We, along with our franchisees, have supported the brand with an estimated $1.2 billion of domestic advertising investment over the past five years. We enhance the strength of our brand through marketing affiliations with other strong brands such as Coca-Cola® and NASCAR®. We believe that consumers associate our brand name with high-quality pizza delivered in a timely manner, which has contributed to our success.

Our internal distribution system.

Our vertically-integrated distribution system generates significant revenues and earnings for us. We believe this system also enhances the quality and consistency of our products, enhances our relationships with franchisees, leverages economies of scale to offer lower costs to our stores and allows our store managers to better focus on store operations and customer service. We believe that the advantages and efficiencies that this system affords are evidenced by approximately 98% of our domestic franchise stores purchasing all of their food and supplies from us.

Strong leadership team with significant ownership.

We have a strong, knowledgeable leadership team with significant industry expertise. In addition, the members of our leadership team have meaningful equity ownership in our company, which effectively aligns their interests with those of our stockholders. This alignment of interests extends beyond the leadership team to the more than 185 additional team members who currently own our stock or hold options to purchase our stock.

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Our business strategy

We intend to achieve further growth and strengthen our competitive position through the continued implementation of our business strategy, which includes the following key elements:

Continue to execute on our mission statement.

Our mission statement is Exceptional people on a mission to be the best pizza delivery company in the world. We undertake this mission by focusing on four strategic initiatives: PeopleFirst, Build the Brand, Maintain High Standards and Flawless Execution. We intend to adhere to our guiding principles by focusing on operational excellence, brand recognition, the timely delivery of high-quality food products and our continuing initiative to attract and retain exceptional people throughout our system.

Grow our leading position in an attractive industry.

The highly-fragmented U.S. pizza delivery and carry-out channels are the largest and fastest-growing channels in the U.S. QSR pizza category. As the clear leader in the U.S. pizza delivery channel, we believe that our convenient store locations, simple operating model, widely-recognized brand and efficient distribution system are competitive advantages that position us to capitalize on future growth.

Leverage our strong brand awareness.

We believe that the strength of our Domino s Pizza® brand makes us one of the first choices of consumers seeking a convenient, high-quality and affordable meal. We intend to continue to promote our brand name and enhance our reputation as the clear leader in pizza delivery. We also believe that our strong brand offers significant opportunities to drive incremental sales of innovative, consumer-tested and profitable new pizza varieties and complementary side items. We believe these opportunities, when coupled with our scale and industry leadership, will allow us to increase our market share in the highly-fragmented U.S. pizza delivery channel.

Expand and optimize our domestic store base.

We plan to continue expanding our base of domestic stores to take advantage of the attractive growth opportunities in the highly-fragmented U.S. pizza delivery channel. Our franchise-oriented business model allows us to expand our store base with limited capital expenditures and working capital requirements. While we plan to expand our traditional domestic store base primarily through opening new franchise stores, we will also continually evaluate our mix of company-owned and franchise stores and strategically acquire franchise stores and refranchise company-owned stores.

Continue to grow our international business.

We believe that pizza has global appeal and that there is strong and growing international demand for delivered pizza. We have successfully built a leading international platform, almost exclusively through our master franchise model, as evidenced by our more than 2,500 international stores in more than 50 countries. We believe we will achieve continued growth internationally due to the strong unit economics of our business model and strong global recognition of the Domino s Pizza® brand.

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The offering

Common stock offered:

By us	shares
By the selling stockholders	shares
Total offered hereby	shares
Common stock to be outstanding immediately after this offering	shares

The common stock to be outstanding after this offering is based on the number of shares outstanding after our reclassification and excludes:

shares of our non-voting common stock issuable upon the exercise of outstanding options granted under our stock option plan at a weighted average exercise price equal to $ per share, of which options to purchase shares were exercisable as of December 28, 2003; and

additional shares of our common stock that will be reserved for future grants, awards or sale under our new equity incentive plans.

Use of proceeds

We intend to use the approximately $ million of net proceeds to us from this offering to redeem, at 108.25% of the principal amount thereof plus accrued and unpaid interest, $ aggregate principal amount of our outstanding 8¼% senior subordinated notes.

We will not receive any of the net proceeds from the sale of shares of common stock by the selling stockholders.

Proposed New York Stock Exchange symbol: DPZ

Dividend policy

Our board of directors currently intends to authorize the payment of a quarterly cash dividend on our common stock, beginning in the quarter of 2004. However, any determination to pay dividends will be at the discretion of our board of directors and will be dependent upon our results of operations and cash flows, our financial position and capital requirements, general business conditions, legal, tax, regulatory and any contractual restrictions on the payment of dividends, including the restrictions contained in the agreements governing our outstanding indebtedness, and any other factors our board of directors deems relevant.

Risk factors

See Risk factors and the other information included in this prospectus for a discussion of the factors you should consider carefully before deciding to invest in shares of our common stock.

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Our corporate information

Our company was founded in 1960. TISM, Inc., a Michigan corporation and our predecessor, operated through its wholly-owned subsidiary, Domino s Pizza LLC, a Michigan limited liability company. In connection with this offering, we reincorporated in Delaware under the name Domino s Pizza, Inc. See The reclassification. Our principal executive office is located at 30 Frank Lloyd Wright Drive, Ann Arbor, Michigan 48106, and our telephone number at that address is (734) 930-3030. We maintain a website on the Internet at *www.dominos.com*. Our website, and the information contained therein, is not a part of this prospectus.

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Summary consolidated financial data

The summary consolidated financial data set forth below should be read in conjunction with Management s discussion and analysis of financial condition and results of operations and the consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated balance sheet data as of December 28, 2003 and the summary consolidated income statement data for each of the three years then ended, other than the pro forma data, have been derived from our audited consolidated financial statements included elsewhere herein. The historical data are not necessarily indicative of results to be expected for any future period.

Fiscal year (in millions, except share and per share amounts)	**2001**	**2002**	**2003[(2)]**
Income statement data:			
Revenues	$ 1,258.3	$ 1,275.0	$ 1,333.3
Income from operations	127.1	157.8	159.5
Interest expense, net	66.6	59.8	74.3
Net income	36.8	60.5	39.0
Pro forma income statement data[(1)]:			
Pro forma net income			$
Pro forma net income per share:			
Basic			$
Diluted			$
Pro forma weighted average shares outstanding:			
Basic			
Diluted			
Other financial data:			
Capital expenditures	$ 40.6	$ 53.9	$ 29.2

As of December 28, 2003 (in millions)	**Actual**	**As adjusted[(3)]**
Balance sheet data:		
Cash and cash equivalents	$ 42.9	
Working capital (deficit)	(1.3)	
Total assets	448.6	
Long-term debt, less current portion	941.2	
Total debt	959.7	
Total stockholders deficit	(718.0)	

(1) The pro forma income statement data give effect to: (i) the reclassification of our Class A common stock and Class L common stock into our common stock; (ii) the issuance by us of shares of our common stock in this offering and the application of the net proceeds therefrom to redeem $ million aggregate principal amount of our outstanding 8¼% senior subordinated notes, resulting in a reduction of annual interest expense of approximately $ million ($ million after-tax); and (iii) the termination of our management agreement with Bain Capital Partners VI, L.P., an affiliate of our principal stockholder, resulting in the elimination of annual expenses of $2.0 million ($1.3 million after-tax).

(2) In connection with our recapitalization in 2003, we expensed $16.4 million of related general and administrative expenses, primarily comprised of compensation expenses, wrote-off $15.6 million of deferred financing costs to interest expense and expensed $20.4 million of bond tender

fees in other expense.

(3) As adjusted gives effect to this offering and the application of the net proceeds to us therefrom to redeem $ aggregate principal amount of our outstanding 8 1/4% senior subordinated notes, at 108.25% of the principal amount thereof plus accrued interest. It also gives effect to: (i) the use of approximately $ million of general funds to prepay contingent notes held by our former majority stockholder and his spouse; (ii) the payment of approximately $10.0 million out of general funds to Bain Capital Partners VI, L.P. in connection with the termination of its management agreement with us; and (iii) the payment of $500,000 out of general funds to each of two executive officers under the terms of our senior executive deferred bonus plan.

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Summary segment data

The following table presents segment financial and other data for fiscal 2001, 2002 and 2003. Revenues and income from operations are derived from our audited consolidated financial statements.

Fiscal year (dollars in millions)	2001	2002	2003
Revenues[1]:			
Domestic stores	$ 496.4	$ 517.2	$ 519.9
Domestic distribution	691.9	676.0	717.1
International	70.0	81.8	96.4
Total revenues	$ 1,258.3	$ 1,275.0	$ 1,333.3
Income from operations:			
Domestic stores	$ 114.3	$ 126.7	$ 127.1
Domestic distribution	38.1	43.2	45.9
International	15.2	25.1	28.1
Corporate and other[2]	(40.4)	(37.2)	(41.7)
Consolidated income from operations	$ 127.1	$ 157.8	$ 159.5
Same store sales growth[3]:			
Domestic company-owned stores	7.3%	0.0%	(1.7%)
Domestic franchise stores	3.6%	3.0%	1.7%
Domestic stores	4.0%	2.6%	1.3%
International stores	6.4%	4.1%	4.0%
Store counts (at end of period):			
Domestic company-owned stores	519	577	577
Domestic franchise stores	4,294	4,271	4,327
Domestic stores	4,813	4,848	4,904
International stores	2,259	2,382	2,523
Total stores	7,072	7,230	7,427

(1) Our royalty revenues, which are included in domestic stores and international revenues, are derived from retail sales by our franchise stores and are calculated by multiplying the applicable royalty rate by the retail sales at our franchise stores. Franchise retail sales are reported to us by our franchisees.

The following table presents retail sales from our franchise stores, which are not included in our revenues:

Fiscal year (in millions)	2001	2002	2003
Franchise retail sales:			
Domestic	$ 2,454.5	$ 2,550.2	$ 2,628.0
International	967.1	1,030.7	1,183.0
Total franchise retail sales	$ 3,421.6	$ 3,580.9	$ 3,811.0

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The following table presents retail sales from our company-owned stores, which are included in our revenues:

Fiscal year (in millions)	2001	2002	2003
Company-owned retail sales:			
Domestic	$ 362.2	$ 376.5	$ 375.4
International	0.8	4.3	6.0
Total company-owned retail sales	$ 363.0	$ 380.8	$ 381.4

We refer to total worldwide retail sales at all of our company-owned and franchise stores collectively as system-wide sales.

(2) Corporate and other costs include corporate administrative expenses. Reflected in the income from operations amount in 2003 is $16.4 million of general and administrative expenses incurred in connection with our 2003 recapitalization.

(3) Same store sales growth is calculated on a weekly basis including only sales from stores that also had sales in the same week of the prior year but excluding sales from certain seasonal locations such as stadiums and concert arenas. International same store sales growth is calculated similarly to domestic same store sales growth, on a constant dollar basis. Changes in international same store sales on a constant dollar basis reflect changes in international local currency sales.

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Risk factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following factors, as well as other information contained in this prospectus, before deciding to invest in shares of our common stock. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. These risks could have a material and negative effect on our business, financial condition or results of operations. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment in our common stock.

Risks relating to our business and industry

The pizza category is highly competitive, and such competition could adversely affect our operating results.

We compete in the United States against two national chains, as well as many regional and local businesses. We could experience increased competition from existing or new companies in the pizza category, which could create increasing pressures to grow our business in order to maintain our market share. If we are unable to maintain our competitive position, we could experience downward pressure on prices, lower demand for our products, reduced margins, the inability to take advantage of new business opportunities and the loss of market share, all of which would have an adverse effect on our operating results.

We also compete on a broader scale with quick service and other international, national, regional and local restaurants. The overall food service market and the quick service restaurant sector are intensely competitive with respect to food quality, price, service, convenience and concept, and are often affected by changes in:

- consumer tastes;
- national, regional or local economic conditions;
- disposable purchasing power;
- demographic trends; and
- currency fluctuations to the extent international operations are involved.

We compete within the food service market and the QSR sector not only for customers, but also for management and hourly employees, suitable real estate sites and qualified franchisees. Our domestic distribution segment is also subject to competition from outside suppliers. If other suppliers, who meet our qualification standards, were to offer lower prices or better service to our franchisees for their ingredients and supplies and, as a result, our franchisees chose not to purchase from our domestic distribution centers, our financial condition, business and results of operations would be adversely affected.

If we fail to successfully implement our growth strategy, which includes opening new domestic and international stores, our ability to increase our revenues and operating profits could be adversely affected.

A significant component of our growth strategy is opening new domestic and international franchise stores. We and our franchisees face many challenges in opening new stores, including, among others:

- selection and availability of suitable store locations;

negotiation of acceptable lease or financing terms;

securing required domestic or foreign governmental permits and approvals; and

employment and training of qualified personnel.

The opening of additional franchise stores also depends, in part, upon the availability of prospective franchisees who meet our criteria. Our failure to add a significant number of new stores would adversely affect our ability to increase revenues and operating income.

We are currently planning to expand our international operations in markets where we currently operate and in selected new markets. This may require considerable management time as well as start-up expenses for market development before any significant revenues and earnings are generated. Operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may by affected by local economic and market conditions. Therefore, as we expand internationally, we may not experience the operating margins we expect, our results of operations may be negatively impacted and our common stock price may decline.

We may also pursue strategic acquisitions as part of our business. If we are able to identify acquisition candidates, such acquisitions may be financed, to the extent permitted under our debt agreements, with substantial debt or with potentially dilutive issuances of equity securities.

The food service market is affected by consumer preferences and perceptions. Changes in these preferences and perceptions may lessen the demand for our products, which would reduce sales and harm our business.

Food service businesses are affected by changes in consumer tastes, national, regional and local economic conditions, and demographic trends. For instance, if prevailing health or dietary preferences cause consumers to avoid pizza and other products we offer in favor of foods that are perceived as more healthy, our business and operating results would be harmed. Moreover, because we are primarily dependent on a single product, if consumer demand for pizza should decrease, our business would suffer more than if we had a more diversified menu, as many other food service businesses do.

Increases in food, labor and other costs could adversely affect our profitability and operating results.

An increase in our operating costs could adversely affect our profitability. Factors such as inflation, increased food costs, increased labor and employee benefit costs and increased energy costs may adversely affect our operating costs. Most of the factors affecting costs are beyond our control and, in many cases, we may not be able to pass along these increased costs to our customers or franchisees. Most ingredients used in our pizza, particularly cheese, are subject to significant price fluctuations as a result of seasonality, weather, demand and other factors. The cheese block price per pound averaged $1.31 in 2003, and the estimated increase in company-owned store food costs from a hypothetical $0.20 adverse change in the average cheese block price per pound would have been approximately $3.5 million in 2003. The cheese block price increased to over $2.00 per pound early in the second quarter of 2004. Labor costs are largely a function of the minimum wage for a majority of our store and distribution center personnel and, generally, are a function of the availability of labor. Food, including cheese costs, and labor represent approximately 45% to 60% of a typical company-owned store s cost of sales.

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Our substantial indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business.

In connection with our 1998 and 2003 recapitalizations, we incurred a significant amount of indebtedness and we are currently highly leveraged. As of December 28, 2003, our consolidated indebtedness was approximately $959.7 million. Our substantial indebtedness and the fact that a large portion of our cash flow from operations must be used to make principal and interest payments on our indebtedness could have important consequences to you. For example, they could:

make it more difficult for us to satisfy our obligations with respect to our debt agreements;

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate thereby placing us at a competitive disadvantage compared to our competitors that may have less debt;

limit, by the financial and other restrictive covenants in our debt agreements, our ability to borrow additional funds; and

have a material adverse effect on us if we fail to comply with the covenants in our debt agreements, because such failure could result in an event of default which, if not cured or waived, could result in a substantial amount of our indebtedness becoming immediately due and payable.

In addition, our senior secured credit facility and the indenture governing our senior subordinated notes permit us to incur substantial additional indebtedness in the future, including up to an additional $125.0 million under our revolving credit facility. As of December 28, 2003, we had $125.0 million available to us for additional borrowing under the revolving credit facility portion of our senior secured credit facility (excluding outstanding letters of credit of $25.4 million). If new indebtedness is added to our and our subsidiaries current debt levels, the risks described above would intensify.

We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, which would adversely affect our financial condition and results of operations.

Our ability to make principal and interest payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, if currently anticipated cost savings and operating improvements are not realized on schedule, in the amounts projected or at all, or if future borrowings are not available to us under our senior secured credit facility in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs, our financial condition and results of operations may be adversely affected. If we cannot generate sufficient cash flow from operations to make scheduled principal and interest payments on our debt obligations in the future, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, delay capital expenditures or seek additional equity. If we are unable to refinance any of our indebtedness on commercially reasonable terms or at all or to effect any other action relating to our indebtedness on satisfactory terms or at all, our business may be harmed.

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The terms of the Domino s, Inc. senior secured credit facility and senior subordinated notes have restrictive terms and our failure to comply with any of these terms could put us in default, which would have an adverse effect on our business and prospects.

The senior secured credit facility and the indenture governing the senior subordinated notes, in each case where our wholly-owned subsidiary Domino s, Inc. is the borrower, contain a number of significant covenants. These covenants limit our ability and the ability of our restricted subsidiaries to, among other things:

- incur additional indebtedness and issue restricted subsidiary preferred stock;
- make capital expenditures and other investments;
- merge, consolidate or dispose of our assets or the capital stock or assets of any restricted subsidiary;
- pay dividends, make distributions or redeem capital stock;
- change our line of business;
- enter into transactions with our affiliates; and
- grant liens on our assets or the assets of our restricted subsidiaries.

The senior secured credit facility also requires us to maintain specified financial ratios and satisfy financial condition tests at the end of each fiscal quarter. These restrictions could affect our ability to pay dividends. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not meet those tests. A breach of any of these covenants could result in a default under the senior secured credit facility. If the banks accelerate amounts owing under the senior secured credit facility because of a default under the senior secured credit facility and we are unable to pay such amounts, the banks have the right to foreclose on substantially all of our assets.

Upon the occurrence of specific kinds of change of control events, Domino s, Inc. must offer to repurchase all of its outstanding senior subordinated notes. It is possible, however, that we will not have sufficient funds at the time of the change of control to make the required repurchase of the senior subordinated notes or that restrictions in the senior credit facility will not allow such repurchase. The occurrence of some of the events that would constitute a change of control under the indenture would also constitute a default under the senior credit facility. Moreover, the exercise by the holders of the senior subordinated notes of their right to require Domino s, Inc. to repurchase the senior subordinated notes could cause a default under such senior indebtedness, even if the change of control itself does not, due to the financial effect on us of such repurchase. A default under the indenture or the senior credit facility may have a material adverse effect on our business, financial condition and results of operations.

We do not have long-term contracts with many of our suppliers, and as a result they could seek to significantly increase prices or fail to deliver.

We typically do not have written contracts or long-term arrangements with our suppliers. Although in the past we have not experienced significant problems with our suppliers, our suppliers may implement significant price increases or may not meet our requirements in a timely fashion, if at all. The occurrence of any of the foregoing could have a material adverse effect on our results of operations.

Shortages or interruptions in the supply or delivery of fresh food products could adversely affect our operating results.

We and our franchisees are dependent on frequent deliveries of fresh food products that meet our specifications. Shortages or interruptions in the supply of fresh food products caused by unanticipated demand, problems in production or distribution, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients, which would adversely affect our operating results.

Any prolonged disruption in the operations of any of our dough manufacturing and distribution centers could harm our business.

We operate 18 regional dough manufacturing and distribution centers in the contiguous United States and dough manufacturing and distribution centers in Alaska, Hawaii, Canada, the Netherlands and France. Our domestic dough manufacturing and distribution centers service all of our company-owned stores and approximately 98% of our domestic franchise stores. As a result, any prolonged disruption in the operations of any of these facilities, whether due to technical or labor difficulties, destruction or damage to the facility, real estate issues or other reasons, could adversely affect our business and operating results.

We face risks of litigation from customers, franchisees, employees and others in the ordinary course of business, which diverts our financial and management resources. Any adverse litigation or publicity may negatively impact our financial condition and results of operations.

Claims of illness or injury relating to food quality or food handling are common in the food service industry. In addition, class action lawsuits have been filed, and may continue to be filed, against various QSRs alleging, among other things, that QSRs have failed to disclose the health risks associated with high-fat foods and that QSR marketing practices have encouraged obesity. In addition to decreasing our sales and profitability and diverting our management resources, adverse publicity or a substantial judgment against us could negatively impact our financial condition, results of operations and brand reputation, hindering our ability to attract and retain franchisees and grow our business.

Further, we may be subject to employee, franchisee and other claims in the future based on, among other things, discrimination, harassment, wrongful termination and wage, rest break and meal break issues, including those relating to overtime compensation. We have been subject to these types of claims in the past, and we are currently subject to a purported class action claim of this type in California relating to rest break and meal break compensation, and if one or more of these claims were to be successful or if there is a significant increase in the number of these claims, our business, financial condition and operating results could be harmed.

Loss of key personnel or our inability to attract and retain new qualified personnel could hurt our business and inhibit our ability to operate and grow successfully.

Our success in the highly competitive pizza delivery channel will continue to depend to a significant extent on our leadership team and other key management personnel. Other than with our chairman and chief executive officer, David A. Brandon, we do not have long-term employment agreements with any of our executive officers. As a result, we may not be able to retain our executive officers and key personnel or attract additional qualified management. Our success also will continue to depend on our ability to attract and retain qualified personnel to

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operate our stores, dough manufacturing and distribution centers and international operations. The loss of these employees or our inability to recruit and retain qualified personnel could have a material adverse effect on our operating results.

Our international operations subject us to additional risks, which risks and costs may differ in each country in which we do business, and may cause our profitability to decline due to increased costs.

We conduct a portion of our business outside the United States. Our financial condition and results of operations may be adversely affected if global markets in which our company-owned and franchise stores compete are affected by changes in political, economic or other factors. These factors, over which neither we nor our franchisees have control, may include:

- recessionary or expansive trends in international markets;
- changing labor conditions and difficulties in staffing and managing our foreign operations;
- increases in the taxes we pay and other changes in applicable tax laws;
- legal and regulatory changes and the burdens and costs of our compliance with a variety of foreign laws;
- changes in inflation rates;
- changes in exchange rates and the imposition of restrictions on currency conversion or the transfer of funds;
- difficulty in collecting our royalties and longer payment cycles;
- expropriation of private enterprises;
- political and economic instability; and
- other external factors.

Fluctuations in the value of the U.S. dollar in relation to other currencies may lead to lower revenues and earnings.

Exchange rate fluctuations could have an adverse effect on our results of operations. Approximately 5.6% of our revenues in 2001, 6.4% in 2002 and 7.2% in 2003 were derived from our international segment, a majority of which were denominated in foreign currencies. Sales made by our stores outside the United States are denominated in the currency of the country in which the store is located, and this currency could become less valuable prior to conversion to U.S. dollars as a result of exchange rate fluctuations. Unfavorable currency fluctuations could lead to increased prices to customers outside the United States or lower profitability to our franchisees outside the United States, or could result in lower revenues for us, on a U.S. dollar basis, from such customers and franchisees.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and branded products and adversely affect our business.

We depend in large part on our brand and branded products and believe that they are very important to our business. We rely on a combination of trademarks, copyrights, service marks, trade secrets and similar intellectual property rights to protect our brand and branded products.

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The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We have registered certain trademarks and have other trademark registrations pending in the United States and foreign jurisdictions. Not all of the trademarks that we currently use have been registered in all of the countries in which we do business, and they may never be registered in all of these countries. We may not be able to adequately protect our trademarks, and our use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. All of the steps we have taken to protect our intellectual property in the United States and in foreign countries may not be adequate. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Further, through acquisitions of third parties, we may acquire brands and related trademarks that are subject to the same risks as the brands and trademarks we currently own.

We may from time to time be required to institute litigation to enforce our trademarks or other intellectual property rights, or to protect our trade secrets. Such litigation could result in substantial costs and diversion of resources and could negatively affect our sales, profitability and prospects regardless of whether we are able to successfully enforce our rights.

Our earnings and business growth strategy depends on the success of our franchisees, and we may be harmed by actions taken by our franchisees that are outside of our control.

A significant portion of our earnings comes from royalties generated by our franchise stores. Franchisees are independent operators, and their employees are not our employees. We provide limited training and support to franchisees, but the quality of franchise store operations may be diminished by any number of factors beyond our control. Consequently, franchisees may not successfully operate stores in a manner consistent with our standards and requirements, or may not hire and train qualified managers and other store personnel. If they do not, our image and reputation may suffer, and revenues could decline. While we try to ensure that our franchisees maintain the quality of our brand and branded products, our franchisees may take actions that adversely affect the value of our intellectual property or reputation. As of December 28, 2003, we had 1,300 domestic franchisees operating over 4,300 domestic stores. Four of these franchisees each operate over 50 domestic stores, including our largest domestic franchisee who operates 160 stores, and the average franchisee operates three stores. In addition, our international master franchisees are generally responsible for the development of significantly more stores than our domestic franchisees. As a result, our international operations are more closely tied to the success of a smaller number of franchisees than our domestic operations. Our largest international master franchisee operates 504 stores, which accounts for approximately 20% of our total international store count. Our domestic and international franchisees may not operate their franchises successfully. If one or more of our key franchisees were to become insolvent or otherwise were unable or unwilling to pay us our royalties, our business and results of operations would be adversely affected.

We are subject to extensive government regulation, and our failure to comply with existing or increased regulations could adversely affect our business and operating results.

We are subject to numerous federal, state, local and foreign laws and regulations, including those relating to:

- the preparation and sale of food;
- building and zoning requirements;

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environmental protection;

minimum wage, overtime and other labor requirements;

compliance with the Americans with Disabilities Act; and

working and safety conditions.

We may become subject to legislation or regulation seeking to tax and/or regulate high-fat foods. If we fail to comply with existing or future laws and regulations, we may be subject to governmental or judicial fines or sanctions. In addition, our capital expenditures could increase due to remediation measures that may be required if we are found to be noncompliant with any of these laws or regulations.

We are also subject to a Federal Trade Commission rule and to various state and foreign laws that govern the offer and sale of franchises. Additionally, these laws regulate various aspects of the franchise relationship, including terminations and the refusal to renew franchises. The failure to comply with these laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales, fines or other penalties or require us to make offers of rescission or restitution, any of which could adversely affect our business and operating results.

Our current insurance coverage may not be adequate, and insurance premiums for such coverage may increase and we may not be able to obtain insurance at acceptable rates, or at all.

We are partially self-insured for workers compensation, general liability and owned and non-owned automobile liabilities. We are generally responsible for up to $1.0 million per occurrence under these retention programs for workers compensation and general liability. We are also generally responsible for between $500,000 and $3.0 million per occurrence under these retention programs for owned and non-owned automobile liabilities. Total insurance limits under these retention programs vary depending upon the period covered and range up to $108.0 million per occurrence for general liability and owned and non-owned automobile liabilities and up to the applicable statutory limits for workers compensation. These insurance policies may not be adequate to protect us from liabilities that we incur in our business. In addition, in the future our insurance premiums may increase and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any such inadequacy of, or inability to obtain, insurance coverage could have a material adverse effect on our business, financial condition and results of operations. We are not required to, and do not, specifically set aside funds for our self-insurance programs.

Our annual and quarterly financial results are subject to significant fluctuations depending on various factors, many of which are beyond our control, and if we fail to meet the expectations of securities analysts or investors, our share price may decline significantly.

Our sales and operating results can vary significantly from quarter to quarter and year to year depending on various factors, many of which are beyond our control. These factors include:

variations in the timing and volume of our sales and our franchisees sales;

the timing of expenditures in anticipation of future sales;

sales promotions by us and our competitors;

changes in competitive and economic conditions generally;

changes in the cost or availability of our ingredients or labor; and

foreign currency exposure.

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As a result, our results of operations may decline quickly and significantly in response to changes in order patterns or rapid decreases in demand for our products. We anticipate that fluctuations in operating results will continue in the future.

Risks relating to this offering

Our current principal stockholders will continue to have significant influence over us after this offering, and they could delay, deter or prevent a change of control or other business combination or otherwise cause us to take action with which you may disagree.

Upon the closing of this offering, investment funds affiliated with Bain Capital, LLC will together beneficially own approximately % of our outstanding common stock. In addition, two of our directors following this offering will be representatives of investment funds affiliated with Bain Capital, LLC. As a result, these investment funds affiliated with Bain Capital, LLC will have significant influence over our decision to enter into any corporate transaction and may have the ability to prevent any transaction that requires the approval of stockholders regardless of whether or not other stockholders believe that such transaction is in their own best interests. Such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders.

Our common stock has no prior public market, and our stock price may decline after this offering.

Prior to this offering, there has been no public market for our common stock. We cannot assure you that an active trading market for our common stock will develop or be sustained after this offering. The initial public offering price for our common stock will be determined by negotiations between the representatives of the underwriters and us. The initial public offering price may not correspond to the price at which our common stock will trade in the public market subsequent to this offering, and the price of our common stock available in the public market may not reflect our actual financial performance. The market price of our common stock could be subject to significant fluctuations after this offering. Among the factors that could affect our stock price are:

variations in our operating results;

changes in revenues or earnings estimates or publication of research reports by analysts;

speculation in the press or investment community;

strategic actions by us or our competitors, such as sales promotions, acquisitions or restructurings;

actions by institutional and other stockholders;

changes in our dividend policy;

changes in the market values of public companies that operate in our business segments;

general market conditions; and

domestic and international economic factors unrelated to our performance.

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The stock markets in general have recently experienced volatility that has sometimes been unrelated to the operating performance of particular companies. These broad market fluctuations may cause the trading price of our common stock to decline. In particular, you may not be able to resell your shares at or above the initial public offering price.

Shares eligible for public sale after this offering could adversely affect our stock price.

Sales of our common stock by existing investors may begin shortly after the closing of this offering, which could cause our stock price to decline. Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. The shares of our common stock outstanding prior to this offering will be eligible for sale in the public market at various times in the future. We, all of our officers and directors and holders of substantially all of our common stock have agreed, subject to limited exceptions, not to sell any shares of our common stock for a period of 180 days after the date of this prospectus without the prior written consent of J.P. Morgan Securities Inc. and Citigroup Global Markets Inc. Upon expiration of the lock-up period described above, up to approximately additional shares of common stock may be eligible for sale in the public market without restriction, and up to approximately shares of common stock held by affiliates may become eligible for sale, subject to the restrictions under Rule 144. In addition, some of our existing stockholders have the right to require us to register their shares.

Because we have a negative net tangible book value prior to this offering, the initial public offering price will be significantly higher than the book value attributable to our common stock, and you will experience immediate and substantial dilution in the book value of your investment.

The initial public offering price per share will significantly exceed our net tangible book value (deficiency) per share. Investors purchasing shares in this offering will suffer immediate and substantial dilution of $ per share. As a result, your share of our net tangible book value (deficiency) immediately following this offering will be less than the price that you paid for our common stock in this offering. Consequently, unless we are able to increase our net tangible book value per share through income from operations or otherwise, upon a liquidation of our company at net tangible book value, you would receive less than the price that you paid for our common stock in this offering while our existing stockholders may receive more than the price that they paid for their shares of our common stock.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Following the closing of this offering, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote, and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

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Special note regarding forward-looking statements

The matters discussed in this prospectus that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as aim, anticipate, believe, could, estimate, expect, intend, may, plan, should, will be, will continue, will likely result, would and other words and terms of similar meaning in conjunction with a discuss of future operating or financial performance. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other forward-looking information.

We believe that it is important to communicate our future expectations to our investors. However, there are events in the future that we are not able to accurately predict or control. The factors listed under Risk factors, as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, actual results may differ materially from those in the forward looking statements as a result of various factors, including, but not limited to, those described above under the heading Risk factors, which include, but are not limited to, the following:

Our ability to maintain good relationships with our franchisees;

Our ability to successfully implement cost-saving strategies;

Increases in our operating costs, including cheese, fuel and other commodity costs and the minimum wage;

Our ability to compete domestically and internationally in our intensely competitive industry;

Our ability to retain or replace our executive officers and other key members of management and our ability to adequately staff our stores and distribution centers with qualified personnel;

Our ability to pay principal and interest on our substantial debt;

Our ability to borrow in the future;

Our ability to find and/or retain suitable real estate for our stores and distribution centers;

Adverse legislation or regulation;

Adverse legal judgments or settlements;

Our ability to pay dividends;

Changes in consumer taste, demographic trends and traffic patterns;

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Our ability to sustain or increase historical revenues and profit margins;

Continuation of certain trends and general economic conditions in the industry; and

Adequacy of insurance coverage.

Before you invest in our common stock, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this prospectus could have an adverse effect on our business, results of operations and financial position. You should read this prospectus completely and with the understanding that our actual future results may be materially different from what we expect.

Forward-looking statements speak only as of the date of this prospectus. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission, we do not have any intention, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this prospectus, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements included in this prospectus or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

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The reclassification

In connection with this offering, we reincorporated in Delaware through a merger into our wholly-owned subsidiary, Domino s Pizza, Inc., and effected a two-for-three reverse split of our outstanding common stock. Immediately prior to this offering, we had two classes of common stock outstanding, Class A common stock and Class L common stock. Our Class A common stock was further divided into two series, voting common stock and non-voting common stock, identical in all respects, except that the non-voting common stock was non-voting and was convertible upon transfer on a share-for-share basis into voting common stock. The Class L common stock was identical to the Class A common stock, except that the Class L common stock was non-voting and was convertible into shares of our Class A voting common stock as described below, and each share of Class L common stock was entitled to a preferential payment upon any distribution by us to holders of our capital stock (whether by dividend, liquidating distribution or otherwise) equal to the base amount for such share ($71.75) plus an amount which accrued from June 25, 2003, the date the base amount was reset in connection with our 2003 recapitalization, at a rate of 12.0% per annum, compounded quarterly. After payment of this preference amount, each share of Class A common stock and Class L common stock shared equally in all distributions by us to holders of our common stock. As of December 28, 2003, the preference amount was $76.20 per share of Class L common stock.

Immediately prior to this offering, we:

converted each outstanding share of Class L common stock into one share of Class A voting common stock plus an additional number of shares of Class A voting common stock determined by dividing the Class L preference amount by the value of a share of our Class A voting common stock based on the initial public offering price; and

reclassified our Class A voting common stock and our Class A non-voting common stock into our common stock and non-voting common stock, respectively.

References to the reclassification throughout this prospectus refer to our reincorporation in Delaware, our two-for-three reverse stock split, the conversion of our Class L common stock into our Class A common stock and the reclassification of our Class A common stock into our common stock and non-voting common stock.

Following the reclassification, all of our outstanding capital stock will be voting common stock except for shares held by an affiliate of J.P. Morgan Securities Inc., one of the underwriters of this offering. In addition, shares of common stock issuable upon the exercise of options granted prior to this offering will be non-voting. All such shares, including those held by the affiliate of J.P. Morgan Securities Inc., will be convertible into shares of our voting common stock upon transfer to a non-affiliate of the holder or otherwise in a brokerage transaction. Following this offering, we do not expect to issue any additional shares of non-voting common stock, except upon the exercise of options granted prior to this offering.

Assuming an initial public offering price of $ per share, which is the midpoint of the range set forth on the front cover of this prospectus, shares of common stock (including shares of non-voting common stock) will be outstanding immediately after the reclassification but before this offering. The actual number of shares of common stock that will be issued as a result of the reclassification is subject to change based on the actual initial public offering price and the closing date of this offering. See Description of capital stock, certificate of incorporation and by-laws.

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Use of proceeds

We estimate that the net proceeds to us from this offering will be approximately $ million. We will not receive any of the net proceeds from the sale of shares of common stock by the selling stockholders, which are estimated to be approximately $ million, or $ million if the underwriters over-allotment option is exercised in full. See Principal and selling stockholders.

We intend to use the net proceeds to us from this offering to redeem approximately $ aggregate principal amount of our 8¼% senior subordinated notes. Pending such use, we will invest such proceeds in short-term, investment-grade securities.

Our 8 1/4% senior subordinated notes were issued in the aggregate principal amount at maturity of $403.0 million in connection with our 2003 recapitalization and mature on July 1, 2011. These notes bear interest at the rate of 8¼% per annum. Under the terms of the indenture relating to the notes, we may use the net proceeds from this offering to redeem up to 40% of the outstanding notes at a price equal to 108.25% of the principal amount thereof plus accrued and unpaid interest.

Dividend policy

On June 25, 2003, we paid a cash dividend of $188.3 million on the outstanding shares of our common stock. At the same time, we paid a special bonus, referred to as a compensatory make-whole payment, of $12.6 million to our option holders. This compensatory make-whole payment was recorded as compensation expense during the third quarter of 2003.

Our board of directors currently intends to authorize the payment of a quarterly cash dividend on our common stock, beginning in the quarter of 2004. However, any determination to pay dividends will be at the discretion of the board of directors and will be dependent upon our results of operations and cash flows, our financial position and capital requirements, general business conditions, legal, tax, regulatory and any contractual restrictions on the payment of dividends, including the restrictions contained in the agreements governing our outstanding indebtedness, and any other factors our board of directors deems relevant.

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Capitalization

The following table sets forth our cash and cash equivalents and our consolidated capitalization as of December 28, 2003:

on an actual basis; and

on an as adjusted basis to reflect:

(1) the reclassification as if it had occurred on December 28, 2003;

(2) this offering and the application of the net proceeds to us therefrom as described in Use of proceeds;

(3) the use of approximately $ million of general funds to prepay contingent notes held by our former majority stockholder and his spouse;

(4) the payment of approximately $10.0 million out of general funds to Bain Capital Partners VI, L.P., an affiliate of our principal stockholder, in connection with the termination of its management agreement with us; and

(5) the payment of $500,000 out of general funds to each of two executive officers under the terms of our senior executive deferred bonus plan.

As of December 28, 2003 (in thousands, except share and per share amounts)	Actual	As adjusted
Cash and cash equivalents	$ 42,852	$
Long-term debt, including current portion of $18.6 million:		
Revolving credit facility	$	$
Term loans	538,013	
10 3/8% senior subordinated notes due 2009(1)	11,234	
8 1/4% senior subordinated notes due 2011	403,901	
Capital lease obligation	6,152	
Other long-term debt	437	
Total long-term debt	959,737	
Stockholders deficit:		
Preferred stock, no shares authorized on an actual basis; $0.01 par value, shares authorized on an as adjusted basis; no shares issued and outstanding on an actual or as adjusted basis		
Class L common stock, $0.01 par value, 8,000,000 shares authorized; 3,614,466 shares issued and outstanding on an actual basis; no shares authorized, issued and outstanding on an as adjusted basis	36	
Class A common stock, $0.01 par value, 74,000,000 shares authorized; 32,705,966 shares issued and outstanding on an actual basis; no shares authorized, issued and outstanding on an as adjusted basis	327	
Common stock, $0.01 par value, no shares authorized or issued and outstanding on an actual basis; shares authorized and shares issued and outstanding on an as adjusted basis		

Additional paid-in capital	181,897	
Retained deficit[2]	(900,232)	
Accumulated other comprehensive income	9	
Total stockholders deficit	(717,963)	
Total capitalization	$ 241,774	$

(1) All of our then outstanding 10 3/8% senior subordinated notes were redeemed in January 2004.
(2) In connection with the redemption of a portion of our 8 1/4% senior subordinated notes with the net proceeds to us from the offering, retained deficit will be increased to reflect a non-recurring charge of approximately $ million relating to the redemption at a premium to their principal amount of approximately $ million and the elimination of approximately $ million of deferred financing costs associated with the notes being redeemed.

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Dilution

Our net tangible book value deficiency as of December 28, 2003 was $791.8 million, or $ per share of common stock, pro forma for our reclassification. Pro forma net tangible book value deficiency per share is determined by dividing our tangible stockholders deficit, which is total tangible assets less total liabilities, by the aggregate number of shares of common stock outstanding, assuming that the reclassification had taken place on December 28, 2003. Tangible assets represent total assets excluding goodwill and other intangible assets. Dilution in net tangible book value deficiency per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value deficiency per share of our common stock immediately afterwards. After giving effect to our sale of shares of common stock in this offering and the effect on stockholders deficit of the transaction referred to in note (2) under Capitalization, our pro forma as adjusted net tangible book value deficiency at December 28, 2003 would have been $ million, or $ per share. This represents an immediate reduction in net tangible book value deficiency of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution per share:

Assumed initial public offering price per share of common stock		$
Pro forma net tangible book value deficiency per share as of December 28, 2003	$ ( )	
Reduction per share attributable to new investors		
Pro forma net tangible book value deficiency per share after the offering		( )
Dilution per share to new investors		$

The following table summarizes, as of December 28, 2003, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering, before deducting the underwriting discount and estimated offering expenses payable by us.

	Shares purchased(1)		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100.0%		100.0%	

(1) The number of shares disclosed for the existing stockholders includes shares being sold by the selling stockholders in this offering. The number of shares disclosed for the new investors does not include those shares.

To the extent any outstanding options are exercised or any additional options are granted and exercised, there may be economic dilution to new investors.

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Selected consolidated financial data

The selected consolidated financial data set forth below should be read in conjunction with Management s discussion and analysis of financial condition and results of operations and the consolidated financial statements and related notes included elsewhere in this prospectus. The selected consolidated balance sheet data as of the end of each fiscal year presented below, and the selected consolidated income statement data for each of the years then ended, other than the pro forma data, have been derived from our audited consolidated financial statements included elsewhere herein. The historical per share data has been adjusted to reflect the two-for-three reverse stock split effective as part of our reclassification. The historical data are not necessarily indicative of results to be expected for any future period.

Fiscal year ended (dollars in millions, except per share data)	**January 2, 2000**	**December 31, 2000**	**December 30, 2001**	**December 29, 2002**	**December 28, 2003[7]**
Income statement data:					
Revenues[1]:					
Domestic company-owned stores	$ 378.1	$ 378.0	$ 362.2	$ 376.5	$ 375.4
Domestic franchise	116.7	120.6	134.2	140.7	144.5
Domestic stores	494.8	498.6	496.4	517.2	519.9
Domestic distribution	603.4	604.1	691.9	676.0	717.1
International	58.4	63.4	70.0	81.8	96.4
Total revenues	1,156.6	1,166.1	1,258.3	1,275.0	1,333.3
Cost of sales	854.2	862.2	937.9	939.0	992.1
General and administrative expense[2]	219.3	191.6	193.3	178.2	181.8
Restructuring expense[3]	7.6				
Income from operations	75.6	112.4	127.1	157.8	159.5
Interest expense, net	73.1	71.7	66.6	59.8	74.3
Other		(0.9)	0.2	1.8	22.7
Income before provision for income taxes	2.6	41.5	60.3	96.2	62.4
Provision for income taxes	0.4	16.2	23.5	35.7	23.4
Net income	$ 2.1	$ 25.3	$ 36.8	$ 60.5	$ 39.0
Net income (loss) available to common stockholders	$ (11.0)	$ 10.8	$ 20.7	$ 43.0	$ (4.0)
Allocation of net income (loss) available to common stockholders:					
Class L	$ 28.1	$ 31.7	$ 35.6	$ 39.8	$ 37.1
Class A	(39.1)	(20.9)	(14.8)	3.2	(41.1)
Net income (loss) available to common stockholders per share:					

Class L basic	$ 7.63	$ 8.59	$ 9.67	$ 10.97	$ 10.26
Class L diluted	7.63	8.58	9.65	10.96	10.25
Class A basic	$ (1.17)	$ (0.62)	$ (0.45)	$ 0.10	$ (1.26)
Class A diluted	(1.17)	(0.62)	(0.45)	0.09	(1.26)
Weighted average shares of common stock outstanding:					
Class L basic	3,684,304	3,692,103	3,678,474	3,622,930	3,614,629
Class L diluted	3,686,830	3,695,723	3,682,463	3,628,126	3,618,258
Class A basic	33,291,638	33,449,684	33,239,761	32,767,099	32,707,435
Class A diluted	33,291,638	33,449,684	33,239,761	35,623,365	32,707,435
Pro forma income statement data[4]:					
Pro forma net income					$
Pro forma net income per share:					
Basic					$
Diluted					$
Pro forma weighted average shares outstanding:					
Basic					
Diluted					

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Fiscal year ended (dollars in millions)	January 2, 2000	December 31, 2000	December 30, 2001	December 29, 2002	December 28, 2003(7)
Income from operations by segment:					
Domestic stores	$ 116.4	$ 109.7	$ 114.3	$ 126.7	$ 127.1
Domestic distribution	24.7	30.1	38.1	43.2	45.9
International	10.7	14.4	15.2	25.1	28.1
Corporate and other	(76.2)	(41.9)	(40.4)	(37.2)	(41.7)
Consolidated income from operations	$ 75.6	$ 112.4	$ 127.1	$ 157.8	$ 159.5
Balance sheet data (at end of period):					
Cash and cash equivalents	$ 35.9	$ 39.9	$ 55.2	$ 22.6	$ 42.9
Working capital (deficit)	(4.2)	(11.2)	(24.6)	(10.2)	(1.3)
Total assets	386.8	384.4	402.7	422.7	448.6
Total long-term debt, less current portion	696.1	664.6	611.5	599.2	941.2
Total debt	717.6	686.1	654.7	602.0	959.7
Cumulative preferred stock	99.0	99.5	99.2	98.0	
Total stockholders deficit	(576.4)	(552.8)	(523.9)	(473.4)	(718.0)
Other financial data:					
Capital expenditures	$ 27.9	$ 37.9	$ 40.6	$ 53.9	$ 29.2
Same store sales growth(5):					
Domestic company-owned stores	1.7%	(0.9)%	7.3%	0.0%	(1.7)%
Domestic franchise stores	2.9%	0.1%	3.6%	3.0%	1.7%
Domestic stores	2.8%	0.0%	4.0%	2.6%	1.3%
International stores	3.6%	3.7%	6.4%	4.1%	4.0%
Store counts (at end of period):					
Domestic company-owned stores	656	626	519	577	577
Domestic franchise stores(6)	3,973	4,192	4,294	4,271	4,327
Domestic stores	4,629	4,818	4,813	4,848	4,904
International stores	1,930	2,159	2,259	2,382	2,523
Total stores	6,559	6,977	7,072	7,230	7,427

(1) Our royalty revenues, which are included in domestic franchise and international revenues, are derived from retail sales by our franchise stores and are calculated by multiplying the applicable royalty rate by the retail sales at our franchise stores. Franchise retail sales are reported to us by our franchisees.

The following table presents retail sales from our franchise stores, which are not included in our revenues:

Fiscal year ended (in millions)	January 2, 2000	December 31, 2000	December 30, 2001	December 29, 2002	December 28, 2003
Franchise retail sales:					
Domestic	$ 2,185.2	$ 2,269.2	$ 2,454.5	$ 2,550.2	$ 2,628.0
International	800.1	895.2	967.1	1,030.7	1,183.0
Total franchise retail sales	$ 2,985.3	$ 3,164.4	$ 3,421.6	$ 3,580.9	$ 3,811.0

The table below presents retail sales from our company-owned stores, which are included in our revenues:

Fiscal year ended (in millions)	**January 2, 2000**	**December 31, 2000**	**December 30, 2001**	**December 29, 2002**	**December 28, 2003**
Company-owned retail sales:					
Domestic	$ 378.1	$ 378.0	$ 362.2	$ 376.5	$ 375.4
International	0.9	1.1	0.8	4.3	6.0
Total company-owned retail sales	$ 379.0	$ 379.1	$ 363.0	$ 380.8	$ 381.4

We refer to total worldwide retail sales at all of our company-owned and franchise stores, collectively, as system-wide sales.

(2) Included in general and administrative expense is amortization expense related to a covenant not-to-compete with our founder and former majority stockholder of approximately $32.5 million, $10.9 million and $5.3 million in 1999, 2000 and 2001, respectively.
(3) In 1999, we recognized $7.6 million in restructuring charges comprised primarily of staff reduction costs.
(4) The pro forma income statement data give effect to: (i) the reclassification of our Class A common stock and Class L common stock into our common stock; (ii) the issuance by us of shares of common stock in this offering and the application of the net proceeds therefrom to redeem $ million aggregate principal amount of our outstanding 8¼% senior subordinated notes, resulting in a reduction of annual interest expense of approximately $ million ($ million after-tax); and (iii) the termination of our management agreement with Bain Capital Partners VI, L.P., an affiliate of our principal stockholder, resulting in the elimination of annual expenses of $2.0 million ($1.3 million after-tax).
(5) Same store sales growth is calculated on a weekly basis including only sales from stores that also had sales in the same week of the prior year but excluding sales from certain seasonal locations such as stadiums and concert arenas. International same store sales growth is calculated similarly to domestic same store sales growth, on a constant dollar basis. Changes in international same store sales on a constant dollar basis reflect changes in international local currency sales.
(6) Includes a 51 store reduction as a result of our revised definition of a store in 2001. During 2001, we revised our store definition and excluded from our total store count any retail location that was open less than 52 weeks and had annual sales of less than $100,000 from our total store count. Although these units are no longer included in our store counts, revenues and profits generated from these units are recognized in our operating results. The 1999 and 2000 store count information has not been adjusted to reflect this change in store count methodology.
(7) In connection with our recapitalization in 2003, we issued and sold $403.0 million aggregate principal amount at maturity of senior subordinated notes at a discount resulting in gross proceeds of $400.1 million and borrowed $610.0 million in term loans. We used the proceeds from the senior subordinated notes, borrowings from our term loans and cash from operations to retire $206.7 million principal amount of our then outstanding senior subordinated notes plus accrued interest and bond tender fees for $236.9 million, repay all amounts outstanding under our previous senior credit facility, redeem all of our outstanding preferred stock for $200.5 million and pay a dividend on our outstanding common stock of $188.3 million. Additionally, we expensed $16.4 million of related general and administrative expenses, primarily comprised of compensation expenses, wrote-off $15.6 million of deferred financing costs to interest expense and expensed $20.4 million of bond tender fees in other expense. Total recapitalization related expenses were $52.4 million (pre-tax). We also recorded a $20.4 million deferred financing cost asset.

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Management s discussion and analysis of financial condition and results of operations

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Risk factors, Special note regarding forward-looking statements and elsewhere in this prospectus.

Overview

We are the number one pizza delivery company in the United States with a 19.8% share of the U.S. pizza delivery channel. We also have a leading international presence. We operate through a network of 594 company-owned stores, substantially all of which are in the United States, 4,350 franchise stores located in all 50 states and 2,483 franchise stores located in more than 50 other countries. In addition, we operate 18 regional dough manufacturing and distribution centers in the contiguous United States as well as eight dough manufacturing and distribution centers outside the contiguous United States.

Our financial results are driven largely by changes in retail sales at our company-owned and franchise stores. We refer to total worldwide retail sales at all of our company-owned and franchise stores, collectively, as system-wide sales. Changes in system-wide sales are driven by changes in same store sales and store counts. We monitor both of these metrics very closely, as they directly impact our revenues and profits, and strive to consistently increase the related amounts. System-wide sales drive company-owned store revenues, royalty payments from franchisees and distribution revenues. System-wide sales are primarily impacted by the strength of the Domino s Pizza® brand, the success of our marketing promotions and our ability to flawlessly execute our store operating model and other business strategies.

We earn a significant portion of our income from our franchisees through royalty payments and distribution earnings as well as earnings from our company-owned stores. We pay particular attention to the unit economics of both our company-owned and franchise stores. We believe that our system s unit economics benefit from the relatively small investment required to open and operate a Domino s Pizza store. We believe these favorable investment requirements, coupled with a strong brand message supported by significant advertising spending, as well as high-quality and focused menu offerings, drive favorable unit economics, which in turn drives same store sales growth and demand for new stores.

We devote significant attention to our brand-building efforts, which is evident in our estimated $1.2 billion of domestic advertising spending over the past five years and our frequent designation as a MegaBrand by *Advertising Age*. We plan on continuing to build our brand by satisfying customers worldwide with our pizza delivery offerings and by continuing to invest significant amounts in the advertising and marketing of the Domino s Pizza® brand.

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Critical accounting policies and estimates

The following discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, our management evaluates its estimates, including those related to revenue recognition, allowance for uncollectible receivables, long-lived and intangible assets, insurance and legal matters and income taxes. We base our estimates on historical experience and on various other assumptions that we believe are 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 those estimates. Changes in our estimates could materially impact our results of operations and financial condition for any particular period. We believe that our most critical accounting policies are:

Revenue recognition. We earn revenues through our network of domestic company-owned and franchise stores, dough manufacturing and distribution centers and international operations. Retail sales from company-owned stores and royalty revenues resulting from the retail sales from franchise stores are recognized as revenues when the items are delivered to or carried out by customers. Sales of food from our distribution centers are recognized as revenues upon delivery of the food to franchisees while sales of equipment and supplies from our distribution centers are generally recognized as revenues upon shipment of the related products to franchisees.

Allowance for uncollectible receivables. We closely monitor our accounts and notes receivable balances and provide allowances for uncollectible amounts as a result of our reviews. These estimates are based on, among other factors, historical collection experience and a review of our receivables by aging category. Additionally, we may also provide allowances for uncollectible receivables based on specific customer collection issues that we have identified. While write-offs of bad debts have historically been within our expectations and the provisions established, management cannot guarantee that future write-offs will not exceed historical rates. Specifically, if the financial condition of our franchisees were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required.

Long-lived and intangible assets. We record long-lived assets, including property, plant and equipment and capitalized software, at cost. For acquisitions of franchise operations, we estimate the fair values of the assets and liabilities acquired based on physical inspection of assets, historical experience and other information available to us regarding the acquisition. We depreciate and amortize long-lived assets using useful lives determined by us based on historical experience and other information available to us, including industry practice. We review long-lived assets for impairment when events or circumstances indicate that the related amounts might be impaired. We perform related impairment tests on a market level basis for company-owned stores. At December 28, 2003, we determined that our long-lived assets were not impaired. However, if our future operating performance were to deteriorate, we may be required to recognize an impairment charge.

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We evaluate goodwill for impairment on an annual basis by comparing the fair value of our reporting units to their carrying values. A significant portion of our goodwill relates to acquisitions of domestic franchise stores and is included in our domestic stores segment. At December 28, 2003, the fair value of our company-owned stores exceeded its recorded carrying value, including the related goodwill. However, if the future performance of our domestic company-owned stores were to deteriorate, we may be required to recognize a goodwill impairment charge.

Insurance and legal matters. We are a party to lawsuits and legal proceedings arising in the ordinary course of business. Management closely monitors these legal matters and estimates the probable costs for the resolution of such matters. These estimates are primarily determined by consulting with both internal and external parties handling the matters and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. If our estimates relating to legal matters proved inaccurate for any reason, we may be required to increase or decrease the related expense in future periods.

For certain periods prior to December 1998 and for periods after December 2001 we maintain insurance coverage for workers compensation, general liability and owned and non-owned auto liability under insurance policies requiring payment of a deductible for each occurrence up to between $500,000 and $3.0 million, depending on the policy year and line of coverage. The related insurance reserves are determined using actuarial estimates, which are based on historical information along with assumptions about future events. Changes in assumptions for such factors as medical costs and legal actions, as well as changes in actual experience, could cause these estimates to change in the near term which could result in an increase or decrease in the related expense in future periods.

Income taxes. Our net deferred tax assets assume that we will generate sufficient taxable income in specific tax jurisdictions, based on estimates and assumptions. The amounts relating to taxes recorded on the balance sheet, including tax reserves, also consider the ultimate resolution of revenue agent reviews based on estimates and assumptions. If these estimates and assumptions change in the future, we may be required to adjust our valuation allowance or other tax reserves resulting in additional income tax expense or benefit in future periods.

Same store sales growth

The following is a summary of our same store sales growth for 2001, 2002 and 2003:

	2001	2002	2003
Domestic company-owned stores	7.3%	0.0%	(1.7)%
Domestic franchise stores	3.6%	3.0%	1.7%
Domestic stores	4.0%	2.6%	1.3%
International stores	6.4%	4.1%	4.0%

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Store growth activity

The following is a summary of our store growth activity for fiscal 2001, 2002 and 2003:

	Domestic company-owned stores	Domestic franchise stores	Domestic stores	International stores	Total
Store count at December 31, 2000	626	4,192	4,818	2,159	6,977
Openings	15	183	198	215	413
Closings	(27)	(176)[(1)]	(203)	(115)	(318)
Transfers	(95)	95			
Store count at December 30, 2001	519	4,294	4,813	2,259	7,072
Openings	5	140	145	220	365
Closings	(16)	(94)	(110)	(97)	(207)
Transfers	69	(69)			
Store count at December 29, 2002	577	4,271	4,848	2,382	7,230
Openings	5	127	132	224	356
Closings	(4)	(72)	(76)	(83)	(159)
Transfers	(1)	1			
Store count at December 28, 2003	577	4,327	4,904	2,523	7,427

(1) Includes a 51 store reduction as a result of our revised definition of an operating store in 2001. During 2001, we revised our store definition and excluded from our total store count any retail location that was open less than 52 weeks and had annual sales of less than $100,000 from our total store count. Although these units are no longer included in our store counts, revenues and profits generated from these units are recognized in our operating results.

System-wide sales

Retail sales, which generate royalty payments by our franchisees, revenues from our company-owned stores and revenues to our distribution business, are driven by same store sales growth and store counts. The following table sets forth worldwide retail sales for our franchise and company-owned stores for 2001, 2002 and 2003. We refer to total worldwide retail sales, including retail sales at both our franchise and company-owned stores, as system-wide sales. Franchise retail sales are reported to us by our franchisees and are not included in our revenues.

(dollars in millions)	2001		2002		2003	
Franchise retail sales:						
Domestic	$ 2,454.5	71.7%	$ 2,550.2	71.2%	$ 2,628.0	69.0%
International	967.1	28.3%	1,030.7	28.8%	1,183.0	31.0%
Total franchise retail sales	$ 3,421.6	100.0%	$ 3,580.9	100.0%	$ 3,811.0	100.0%

(dollars in millions)	2001		2002		2003	
Company-owned retail sales:						
Domestic	$ 362.2	99.8%	$ 376.5	98.9%	$ 375.4	98.4%
International	0.8	0.2%	4.3	1.1%	6.0	1.6%
Total company-owned retail sales	$ 363.0	100.0%	$ 380.8	100.0%	$ 381.4	100.0%

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Revenues

We derive our revenues principally from retail sales at company-owned stores, royalty revenues which are derived from retail sales at our franchise stores and sales of food and supplies to franchise stores by our distribution business. The following table sets forth our revenues for 2001, 2002 and 2003:

(dollars in millions)	2001		2002		2003	
Revenues:						
Domestic company-owned stores	$ 362.2	28.8%	$ 376.5	29.5%	$ 375.4	28.2%
Domestic franchise	134.2	10.7%	140.7	11.1%	144.5	10.8%
Domestic stores	496.4	39.5%	517.2	40.6%	519.9	39.0%
Domestic distribution	691.9	55.0%	676.0	53.0%	717.1	53.8%
International	70.0	5.5%	81.8	6.4%	96.4	7.2%
Total revenues	$ 1,258.3	100.0%	$ 1,275.0	100.0%	$ 1,333.3	100.0%

Income statement data

The following tables set forth income statement data expressed in dollars and as a percentage of revenues for 2001, 2002 and 2003:

(dollars in millions)	2001		2002		2003	
Revenues	$ 1,258.3	100.0%	$ 1,275.0	100.0%	$ 1,333.3	100.0%
Cost of sales	937.9	74.5%	939.0	73.6%	992.1	74.4%
General and administrative	193.3	15.4%	178.2	14.0%	181.8	13.6%
Income from operations	127.1	10.1%	157.8	12.4%	159.5	12.0%
Interest expense, net	66.6	5.3%	59.8	4.7%	74.3	5.6%
Other	0.2	0.0%	1.8	0.1%	22.7	1.7%
Income before provision for income taxes	60.3	4.8%	96.2	7.5%	62.4	4.7%
Provision for income taxes	23.5	1.9%	35.7	2.8%	23.4	1.8%
Net income	$ 36.8	2.9%	$ 60.5	4.7%	$ 39.0	2.9%

2003 compared to 2002

(tabular amounts in millions, except percentages)

Revenues. Revenues primarily include retail sales by company-owned stores, royalties from domestic and international franchise stores and sales of food, equipment and supplies by our distribution centers to franchise stores.

Consolidated revenues increased $58.3 million or 4.6% in 2003 to $1.33 billion, from $1.27 billion in 2002. This increase in revenues was due primarily to increases in revenues from domestic distribution operations and international operations. These increases in revenues are more fully described below.

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Domestic stores. Domestic stores revenues are comprised of revenues from domestic company-owned store operations and domestic franchise store operations, as summarized in the following table:

	2002		2003	
Domestic company-owned stores	$ 376.5	72.8%	$ 375.4	72.2%
Domestic franchise	140.7	27.2%	144.5	27.8%
Total domestic stores revenues	$ 517.2	100.0%	$ 519.9	100.0%

Domestic stores revenues increased $2.7 million or 0.5% to $519.9 million in 2003, from $517.2 million in 2002. This increase was due primarily to increases in royalty revenues from our franchise stores, offset in part by a decrease in revenues at our company-owned stores. These changes are more fully described below.

Domestic company-owned stores. Revenues from domestic company-owned store operations decreased $1.1 million or 0.3% to $375.4 million in 2003, from $376.5 million in 2002. This decrease was due primarily to a decrease in same store sales. Same store sales for domestic company-owned stores decreased 1.7% in 2003 compared to 2002. There were 577 domestic company-owned stores in operation as of December 29, 2002 and December 28, 2003, respectively.

Domestic franchise. Revenues from domestic franchise operations increased $3.8 million or 2.7% to $144.5 million in 2003, from $140.7 million in 2002. This increase was due primarily to an increase in same store sales and an increase in the average number of domestic franchise stores open during 2003. Same store sales for domestic franchise stores increased 1.7% in 2003 compared to 2002. There were 4,271 and 4,327 domestic franchise stores in operation as of December 29, 2002 and December 28, 2003, respectively.

Domestic distribution. Revenues from domestic distribution operations increased $41.1 million or 6.1% to $717.1 million in 2003, from $676.0 million in 2002. This increase was due primarily to an increase in volumes relating to increases in domestic franchise retail sales and a market increase in overall food prices, primarily cheese.

International. Revenues from international operations increased $14.6 million or 17.9% to $96.4 million in 2003, from $81.8 million in 2002. This increase was due primarily to an increase in same store sales, an increase in the average number of international stores open during 2003 and a related increase in revenues from our international distribution operations. On a constant dollar basis, same store sales increased 4.0% in 2003 compared to 2002. On a historical dollar basis, same store sales increased 8.0% in 2003 compared to 2002, reflecting a generally weaker U.S. dollar in those markets in which we compete. There were 2,382 and 2,523 international stores in operation as of December 29, 2002 and December 28, 2003, respectively.

Cost of sales / Operating margin. Consolidated cost of sales is comprised primarily of company-owned store and domestic distribution costs incurred to generate related revenues. Components of consolidated cost of sales primarily include food, labor and occupancy costs.

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The consolidated operating margin, which we define as revenues less cost of sales, increased $5.2 million or 1.6% to $341.2 million in 2003, from $336.0 million in 2002, as summarized in the following table.

	2002		2003	
Consolidated revenues	$ 1,275.0	100.0%	$ 1,333.3	100.0%
Consolidated cost of sales	939.0	73.6%	992.1	74.4%
Consolidated operating margin	$ 336.0	26.4%	$ 341.2	25.6%

The $5.2 million increase in consolidated operating margin was due primarily to increases in the operating margin from both our domestic franchise operations and our international operations, offset in part by a decrease in our domestic company-owned store operating margin. Franchise revenues do not have a cost of sales component and, as a result, increases in related franchise revenues have a disproportionate effect on the consolidated operating margin.

As a percentage of total revenues, our consolidated operating margin decreased primarily as a result of increased costs at our domestic company-owned stores, offset in part by the aforementioned increases in domestic franchise and international operation margins. Changes in the operating margin at our domestic company-owned store operations and our domestic distribution operations are more fully described below.

Domestic company-owned stores. The domestic company-owned store operating margin decreased $8.4 million or 9.9% to $75.8 million in 2003, from $84.2 million in 2002, as summarized in the following table.

	2002		2003	
Revenues	$ 376.5	100.0%	$ 375.4	100.0%
Cost of sales	292.4	77.6%	299.6	79.8%
Store operating margin	$ 84.2	22.4%	$ 75.8	20.2%

The $8.4 million decrease in the domestic company-owned store operating margin is primarily due to increases in food and occupancy costs.

As a percentage of store revenues, food costs increased 1.1 percentage points to 27.3% in 2003, from 26.2% in 2002, due primarily to a market increase in food prices, including cheese. The cheese block price per pound averaged $1.31 in 2003 compared to $1.19 in 2002. As a percentage of store revenues, occupancy costs, which include rent, telephone, utilities and other related costs, including depreciation and amortization, increased 0.9 percentage points to 11.2% in 2003, from 10.3% in 2002. This increase in occupancy costs was due primarily to an increase in depreciation as a result of recent investments in our stores including the implementation of a new point-of-sale system. As a percentage of store revenues, labor costs remained relatively flat, decreasing 0.1 percentage points to 30.1% in 2003, from 30.2% in 2002.

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Domestic distribution. The domestic distribution operating margin increased $0.8 million or 1.1% to $76.6 million in 2003, from $75.8 million in 2002, as summarized in the following table.

	2002		2003	
Revenues	$ 676.0	100.0%	$ 717.1	100.0%
Cost of sales	600.2	88.8%	640.4	89.3%
Distribution operating margin	$ 75.8	11.2%	$ 76.6	10.7%

The $0.8 million increase in the domestic distribution operating margin was due primarily to increases in volumes and efficiencies in the areas of operations and purchasing.

As a percentage of distribution revenues, our distribution operating margin decreased primarily as a result of rising food prices, including cheese, offset in part by the aforementioned increase in volumes, and operational and purchasing efficiencies. Increases in certain food prices, including cheese, have a negative effect on the distribution operating margin due to the fixed dollar margin earned by domestic distribution on certain food items, including cheese. Had cheese prices remained constant with fiscal 2002 levels, the distribution operation margin would have increased to approximately 10.9% of distribution revenues, or 0.2 percentage points higher than the reported amount.

General and administrative expenses. General and administrative expenses increased $3.6 million or 2.0% to $181.8 million in 2003, from $178.2 million in 2002. As a percentage of total revenues, general and administrative expenses decreased 0.4 percentage points to 13.6% in 2003, from 14.0% in 2002. This increase in total general and administrative expenses was due primarily to an $11.6 million increase in labor, offset in part by a $5.5 million decrease in net gains (losses) on sale/disposal of assets in 2003. The increase in general and administrative labor was due primarily to $15.7 million of compensation expenses incurred as part of our recapitalization in June 2003. The decrease in net gains (losses) on sales/disposal of assets was due primarily to $5.3 million of certain capitalized software costs expensed in 2002.

Interest expense. Interest expense increased $14.4 million or 23.8% to $74.7 million in 2003, from $60.3 million in 2002. This increase was due primarily to a $15.6 million write-off of financing fees in connection with our recapitalization in June 2003. The increase in total interest expense was also due in part to higher average debt levels compared to 2002. These increases were offset in part by a reduction in our overall borrowing rates, primarily as a result of our recapitalization in June 2003.

Other. Other expenses increased $20.9 million to $22.7 million in 2003, from $1.8 million in 2002. This increase was due primarily to $20.4 million of bond tender fees expensed as part of our recapitalization in June 2003.

Provision for income taxes. Provision for income taxes decreased $12.3 million to $23.4 million in 2003, from $35.7 million in 2002. This increase was due primarily to a decrease in pre-tax income.

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Summary of recapitalization expenses. The following table presents total recapitalization-related expenses for 2003. These pre-tax expenses affect comparability of the 2003 and 2002 income statements.

	2003
General and administrative (primarily compensation expense)	$ 16.4
Interest (write-off of deferred financing fees)	15.6
Other (bond tender fees)	20.4
Total recapitalization-related expenses	$ 52.4

Segment income. The following table summarizes earnings before interest, taxes, depreciation, amortization, gains (losses) on sale/disposal of assets and other, which is the measure in which management allocates resources to its segments and, as required by SFAS No. 131, is disclosed in the notes to our consolidated financial statements included elsewhere in this prospectus. We refer to this measure as our Segment Income. Segment Income for each of our reportable segments for the fiscal years ended December 29, 2002 and December 28, 2003 are summarized in the following table:

	2002	2003
Domestic stores	$ 137.6	$ 140.1
Domestic distribution	50.0	54.6
International	25.9	29.1

Domestic stores. Domestic stores segment income increased $2.5 million or 1.8% to $140.1 million in 2003, from $137.6 million in 2002. This increase was due primarily to increases in franchise royalty revenues, as described more fully in the revenues discussion above and reductions in related office general and administrative costs. This increase was offset in part by increases in food costs in our company-owned stores, driven primarily by increases in cheese prices.

Domestic distribution. Domestic distribution segment income increased $4.6 million or 9.2% to $54.6 million in 2003, from $50.0 million in 2002. This increase was due primarily to increases in revenues, as described more fully in the revenues discussion above, and efficiencies in the areas of purchasing and operations.

International. International segment income increased $3.2 million or 12.4% to $29.1 million in 2003, from $25.9 million in 2002. This increase was due primarily to increases in revenues, as described more fully in the revenues discussion above. This increase was offset in part by the impact in 2002 of a favorable resolution of a contingent liability.

2002 compared to 2001

(tabular amounts in millions, except percentages)

Revenues. Consolidated revenues increased $16.7 million or 1.3% in 2002 to $1.27 billion, from $1.26 billion in 2001. This increase in revenues was due primarily to increases in revenues from domestic stores and international operations, offset in part by a decrease in revenues from domestic distribution operations. These increases in revenues are more fully described below.

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Domestic stores. Domestic stores revenues are comprised of revenues from domestic company-owned store operations and domestic franchise store operations, as summarized in the following table:

	2001		2002	
Domestic company-owned stores	$ 362.2	73.0%	$ 376.5	72.8%
Domestic franchise	134.2	27.0%	140.7	27.2%
Total domestic stores revenues	$ 496.4	100.0%	$ 517.2	100.0%

Domestic stores revenues increased $20.8 million or 4.2% to $517.2 million in 2002, from $496.4 million in 2001. This increase was due primarily to increases in revenues at both our franchise and company-owned stores. These increases are more fully described below.

Domestic company-owned stores. Revenues from domestic company-owned store operations increased $14.3 million or 4.0% to $376.5 million in 2002, from $362.2 million in 2001. This increase was due primarily to an increase in the average number of domestic company-owned stores open during 2002. There were 519 and 577 domestic company-owned stores in operation as of December 30, 2001 and December 29, 2002, respectively. This increase was due primarily to the purchase of 83 stores from our former franchisee in Arizona. Same store sales for domestic company-owned stores were flat in 2002 compared to 2001.

Domestic franchise. Revenues from domestic franchise operations increased $6.5 million or 4.8% to $140.7 million in 2002, from $134.2 million in 2001. This increase was due primarily to an increase in same store sales offset in part by a decrease in the average number of domestic franchise stores open during 2002. Same store sales for domestic franchise stores increased 3.0% in 2002 compared to 2001. There were 4,294 and 4,271 domestic franchise stores in operation as of December 30, 2001 and December 29, 2002, respectively. This decrease in store count was due primarily to the aforementioned acquisition of 83 domestic franchise stores in Arizona offset in part by net new store openings.

Domestic distribution. Revenues from domestic distribution operations decreased $15.9 million or 2.3% to $676.0 million in 2002, from $691.9 million in 2001. This decrease was due primarily to a market decrease in overall food prices, primarily cheese, and a decrease in the average number of domestic franchise stores open in 2002, offset in part by an increase in volumes relating to increases in domestic franchise same store sales.

International. Revenues from international operations increased $11.8 million or 16.8% to $81.8 million in 2002, from $70.0 million in 2001. This increase was due primarily to the acquisition of the Netherlands franchise operations, which included 39 franchise stores, 15 company-owned stores and a distribution center, in the fourth quarter of 2001 ($7.1 million year-over-year impact on revenues), as well as increases in same store sales and the average number of international stores open during 2002. On a constant dollar basis, same store sales increased 4.1% in 2002 as compared to 2001. On a historical dollar basis, same store sales increased 3.2% in 2002 compared to 2001, reflecting a generally stronger U.S. dollar in those markets in which we compete. There were 2,259 and 2,382 international stores in operation as of December 30, 2001 and December 29, 2002, respectively.

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Cost of sales / operating margin. The consolidated operating margin, which we define as revenues less cost of sales, increased $15.6 million or 4.9% to $336.0 million in 2002, from $320.4 million in 2001, as summarized in the following table.

	2001		2002	
Consolidated revenues	$ 1,258.3	100.0%	$ 1,275.0	100.0%
Consolidated cost of sales	937.9	74.5%	939.0	73.6%
Consolidated operating margin	$ 320.4	25.5%	$ 336.0	26.4%

The $15.6 million increase in consolidated operating margin was due to increases in the operating margin from all of our business segments.

As a percentage of total revenues, our consolidated operating margin increased primarily as a result of increases in domestic franchise and international operation margins and decreased costs at our domestic distribution operations. Changes in the operating margins at our domestic company-owned store operations and our domestic distribution operations are more fully described below.

Domestic company-owned stores. The domestic company-owned store operating margin increased $2.8 million or 3.3% to $84.2 million in 2002, from $81.4 million in 2001, as summarized in the following table.

	2001		2002	
Revenues	$ 362.2	100.0%	$ 376.5	100.0%
Cost of sales	280.8	77.5%	292.4	77.6%
Store operating margin	$ 81.4	22.5%	$ 84.2	22.4%

The $2.8 million increase in domestic company-owned store operating margin is primarily due to decreases in food costs, offset in part by increases in labor, insurance and occupancy costs.

As a percentage of store revenues, labor costs increased 0.4 percentage points to 30.2% in 2002, from 29.8% in 2001, reflecting increased average wage rates at our stores. As a percentage of store revenues, insurance costs increased 1.0 percentage points to 4.4% in 2002, from 3.4% in 2001. This increase in insurance costs was driven primarily by the increased cost of workers compensation and automobile liability premiums. As a percentage of store revenues, occupancy costs, which include rent, telephone, utilities and other related costs, including depreciation and amortization, increased 0.3 percentage points to 10.3% in 2002, from 10.0% in 2001. This increase in occupancy costs was due primarily to increases in rents.

These increases in cost of sales were offset in part by a decrease in food costs as a percentage of store revenues. Food costs decreased 1.7 percentage points to 26.2% in 2002, from 27.9% in 2001 due primarily to lower cheese prices during 2002 as compared to 2001. The cheese block price per pound averaged $1.19 in 2002 compared to $1.43 in 2001.

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Domestic Distribution. The domestic distribution operating margin increased $4.8 million or 6.7% to $75.8 million in 2002, from $71.0 million in 2001, as summarized in the following table.

	2001		2002	
Revenues	$ 691.9	100.0%	$ 676.0	100.0%
Cost of sales	620.9	89.7%	600.2	88.8%
Distribution operating margin	$ 71.0	10.3%	$ 75.8	11.2%

The $4.8 million increase in the domestic distribution operating margin was primarily due to increases in volumes and efficiencies in the areas of operations and purchasing.

As a percentage of distribution revenues, our distribution operating margin increased primarily as a result of the aforementioned increases in volumes and operational and purchasing efficiencies as well as decreases in food prices, including cheese. Reductions in certain food prices, including cheese, have a positive effect on the distribution operating margin as a percentage of revenues due to the fixed dollar margin earned by domestic distribution on certain food items, including cheese. Had cheese prices remained constant with fiscal 2001 levels, the distribution operation margin would have decreased to approximately 10.6% of distribution revenues, or 0.6 percentage points lower than the reported amount.

These increases in operating margin were offset in part by increases in workers compensation and automobile liability premiums.

General and administrative expenses. General and administrative expenses decreased $15.1 million or 7.8% to $178.2 million in 2002, from $193.3 million in 2001. As a percentage of total revenues, general and administrative expenses decreased 1.4 percentage points to 14.0% in 2002, from 15.4% in 2001. This improvement in general and administrative expenses as a percentage of revenues was due in part to management s continued focus on controlling overhead costs, and improved collections, as well as the following:

The absence of covenant not-to-compete amortization expense in 2002 relating to our covenant with our former majority stockholder ($5.3 million in 2001);

The reversal in 2002 of a $2.5 million reserve originally recorded in 2001 relating to an international contingent liability which was favorably resolved in 2002, as well as a related $1.4 million reserve for doubtful accounts receivable originally recorded in 2000 and 2001 which was reversed upon collection of the receivable in 2002 ($7.2 million year-over-year impact); and

The absence of goodwill expense in 2002 relating to our adoption of SFAS No. 142 ($2.0 million in 2001).

These decreases in general and administrative expenses in 2002 were offset in part by a $1.0 million increase in net losses on the sale/disposal of assets, which includes approximately $5.3 million of certain capitalized software costs that were expensed in 2002.

Interest expense. Interest expense decreased $8.1 million or 11.8% to $60.3 million in 2002, from $68.4 million in 2001. This decrease was due primarily to a decrease in variable interest rates and interest rate margins on our senior credit facility and reduced debt levels. We repaid approximately $52.7 million of debt in 2002. This decrease in interest expense was offset in part by a $4.5 million write-off of financing fees related to the refinancing of our senior credit facility.

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Other. Other expenses increased $1.6 million to $1.8 million in 2002, from $0.2 million in 2001. This increase was due to an increase in losses on senior subordinated debt retirements in 2002 compared to 2001.

Provision for income taxes. Provision for income taxes increased $12.2 million to $35.7 million in 2002, from $23.5 million in 2001. This increase was due primarily to an increase in pre-tax income.

Segment income. The following table summarizes segment income for each of our reportable segments for the fiscal years ended December 30, 2001 and December 29, 2002:

	2001	2002
Domestic stores	$ 126.6	$ 137.6
Domestic distribution	44.3	50.0
International	16.3	25.9

Domestic stores. Domestic stores segment income increased $11.0 million or 8.7% to $137.6 million in 2002, from $126.6 million in 2001. This increase was due primarily to increases in revenues, as described more fully in the revenues discussions above, reductions in food costs in our company-owned stores, driven primarily by decreases in cheese prices, and reductions in office overhead costs. These increases were offset in part by increases in insurance and rent costs.

Domestic distribution. Domestic distribution segment income increased $5.7 million or 12.7% to $50.0 million in 2002, from $44.3 million in 2001. This increase was due primarily to efficiencies in the areas of purchasing and operations. This increase was offset in part by increases in insurance costs.

International. International segment income increased $9.6 million or 58.5% to $25.9 million in 2002, from $16.3 million in 2001. This increase was due primarily to increases in revenues, as described more fully in the revenues discussion above, and the impact of a favorable resolution of a contingent liability and collection of a previously reserved receivable, both of which are more fully described in the general and administrative expense discussion above.

Liquidity and capital resources

As of December 28, 2003, we had negative working capital of $1.3 million and cash and cash equivalents of $42.9 million. Historically, we have operated with minimal positive working capital or negative working capital primarily because our receivable collection periods and inventory turn rates are faster than the normal payment terms on our current liabilities. We generally collect our receivables within three weeks from the date of the related sale, and we generally experience 40 to 50 inventory turns per year.

In addition, our sales are not typically seasonal, which further limits our working capital requirements. These factors, coupled with significant and ongoing cash flows from operations, which are primarily used to repay long-term debt and invest in long-term assets, reduce our working capital amounts. Our primary sources of liquidity are cash flows from operations and availability of borrowings under our revolving credit facility. We have historically funded capital expenditures and debt repayments from cash flows from operations and expect to in the future. We did not have any material commitments for capital expenditures as of December 28, 2003.

As of December 28, 2003, we had $959.7 million of long-term debt, of which $18.6 million was classified as a current liability. During 2003, there were no borrowings under our revolving credit facility. Letters of credit issued under our $125.0 million revolving credit facility were $25.4

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million. These letters of credit are primarily related to our insurance programs and distribution center leases. Borrowings under the revolving credit facility are available to fund our working capital requirements, capital expenditures and other general corporate purposes.

Cash provided by operating activities was $102.5 million and $105.4 million in 2003 and 2002, respectively. The $2.9 million decrease was due primarily to a $21.5 million decrease in net income, primarily as a result of expenses incurred as part of our June 2003 recapitalization, a $5.5 million decrease in net gains (losses) on sale/disposal of assets and a $4.4 million decrease in provision for deferred income taxes. These decreases were offset in part by a $13.2 million net change in operating assets and liabilities and a $10.8 million increase in amortization of deferred financing costs and debt discount.

Cash used in investing activities was $19.6 million and $72.0 million in 2003 and 2002, respectively. The $52.4 million decrease was due primarily to a $24.8 million decrease in capital expenditures, a $22.0 million decrease in acquisitions of franchise operations and a $7.2 million increase in net repayments of notes receivable. The decrease in capital expenditures was due in part to significant investments in 2002 in connection with the implementation of a new point-of-sale system and the related hardware in our company-owned stores. The decrease in acquisitions of franchise operations was due primarily to our purchase of 83 domestic franchise stores in Arizona during the first quarter of 2002.

Cash used in financing activities was $62.9 million and $66.1 million in 2003 and 2002, respectively. The $3.2 million decrease was due primarily to activity relating to our June 2003 recapitalization, including a $244.8 million increase in repayments of long-term debt, a $198.9 million increase in purchase of cumulative preferred stock, a $188.3 million increase in distributions and a $17.5 million increase in cash paid for financing costs. These decreases were offset by a $645.1 million increase in proceeds from issuance of debt.

On June 25, 2003, we consummated a recapitalization transaction whereby Domino s, Inc. (i) issued and sold $403.0 million aggregate principal amount at maturity of 8 $^{1}/_{4}$% senior subordinated notes due 2011 at a discount resulting in gross proceeds of approximately $400.1 million, and (ii) borrowed $610.0 million in term loans and secured a $125.0 million revolving credit facility from a consortium of banks. The senior secured credit facility was amended on November 25, 2003 primarily to obtain more favorable interest rate margins.

The senior subordinated notes require semi-annual interest payments, beginning January 1, 2004. Before July 1, 2007, we may, at a price above par, redeem all, but not part, of the senior subordinated notes if a change in control occurs, as defined in the indenture governing the notes. Beginning July 1, 2007, we may redeem some or all of the senior subordinated notes at fixed redemption prices, ranging from 104.125% of par in 2007 to 100% of par in 2009 through maturity. In the event of a change in control, as defined, we will be obligated to repurchase the senior subordinated notes tendered at the option of the holders at a fixed price. Upon a public stock offering, we may use the net proceeds from such offering to retire up to 40% of the senior subordinated notes due 2011. We will use the net proceeds from this offering to redeem approximately $ million in principal amount of our senior subordinated notes. The senior subordinated notes are guaranteed by most of Domino s, Inc. s domestic subsidiaries and one foreign subsidiary and are subordinated in right of payment to all existing and future senior debt of Domino s, Inc.

The senior secured credit facility provides the following credit facilities: a term loan and a revolving credit facility. The aggregate borrowings available under the senior secured credit

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facility are $735.0 million. The senior secured credit facility provides borrowings of $610.0 million in term loans. The term loan was initially fully borrowed. Borrowings under the term loan bear interest, payable at least quarterly, at either (i) the higher of (a) the prime rate (4.00% at December 28, 2003) and (b) 0.50% above the Federal Reserve reported overnight funds rate, each plus an applicable margin of 1.50%, or (ii) the Eurodollar rate (1.125% at December 28, 2003) plus an applicable margin of 2.50%. At December 28, 2003, our borrowing rate was 3.625% for term loan borrowings. As of December 28, 2003, all borrowings under the term loan were under a Eurodollar contract with an interest period of 180 days. The senior secured credit facility requires term loan principal payments of $7.0 million in 2004, $42.0 million in 2005, $56.0 million in 2006, $52.5 million in 2007, $76.9 million in 2008, $108.2 million in 2009 and $195.4 million in 2010. The timing of our required payments under the senior secured credit facility may change based upon voluntary prepayments and generation of excess cash, as defined. Upon a public stock offering, we are required to pay down the term loan in an amount equal to 50% of the net proceeds of such offering. We expect that, in connection with this offering, we will amend our senior secured credit facility to permit the use of proceeds described in this prospectus. The final scheduled principal payment on the outstanding borrowings under the term loan is due in June 2010.

The senior secured credit facility also provides for borrowings of up to $125.0 million under the revolving credit facility, of which up to $60.0 million is available for letter of credit advances. Borrowings under the revolving credit facility (excluding letters of credit) bear interest, payable at least quarterly, at either (i) the higher of (a) the prime rate and (b) 0.50% above the Federal Reserve reported overnight funds rate, each plus an applicable margin of between 1.25% to 2.00%, or (ii) the Eurodollar rate plus an applicable margin of between 2.25% to 3.00%, with margins determined based upon our ratio of indebtedness to EBITDA, as defined. We also pay a 0.50% commitment fee on the unused portion of the revolver. The fee for letter of credit amounts outstanding ranges from 2.375% to 3.125%. At December 28, 2003, the fee for letter of credit amounts outstanding was 3.125%. At December 28, 2003, there was $99.6 million in available borrowings under the revolving credit facility, with $25.4 million of letters of credit outstanding. The revolving credit facility expires in June 2009.

Based upon our current level of operations and anticipated growth, we believe that the cash generated from operations and amounts available under the revolving credit facility will be adequate to meet our anticipated debt service requirements, capital expenditures and working capital needs for the next several years. There can be no assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under the senior credit facility or otherwise to enable us to service our indebtedness, including the senior credit facility and the senior subordinated notes, or to make anticipated capital expenditures. Our future operating performance and our ability to service or refinance the senior subordinated notes and to service, extend or refinance the senior credit facility will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Impact of inflation

We believe that our results of operations are not materially impacted upon moderate changes in the inflation rate. Inflation and changing prices did not have a material impact on our operations in 2001, 2002 or 2003. Severe increases in inflation, however, could affect the global and U.S. economies and could have an adverse impact on our business, financial condition and results of operations.

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New accounting pronouncements

In November 2002, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 clarifies the requirements of SFAS No. 5 Accounting for Contingencies, relating to a guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. We adopted FIN 45 at the beginning of fiscal 2003. The adoption did not have a material effect on our results of operations or financial condition.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (SFAS 148). SFAS 148 provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation as required by SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. We adopted SFAS 148 in 2003. The adoption did not have a material effect on our results of operations or financial condition.

In December 2003, the FASB issued a revised interpretation of FASB Interpretation 46, Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46R). FIN 46R requires the consolidation of a variable interest entity (VIE) by an enterprise if the enterprise is determined to be the primary beneficiary, as defined in FIN 46R. We are required to apply this interpretation immediately for all entities created after December 31, 2003. We are required to adopt FIN 46R for all variable interest entities created on or prior to December 31, 2003 by the beginning of the first annual period beginning after December 15, 2004, which is beginning of our fiscal 2005. We are assessing FIN 46R and related guidance as it relates to VIEs, and are unable to predict the impact, if any, of this interpretation on our results of operations or financial condition.

In March 2004, the FASB issued an exposure draft of a proposed standard that, if adopted, will significantly change the accounting for employee stock options and other equity-based compensation. The proposed standard would require companies to expense the fair value of stock options on the grant date and would be effective at the beginning of our fiscal 2005. We will evaluate the requirements of the final standard, which is expected to be finalized in late 2004, to determine the impact on our results of operations.

Contractual obligations

The following is a summary of our significant contractual obligations at December 28, 2003:

(in millions)	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt, including current portion	$ 18.4	$ 42.0	$ 56.0	$ 52.5	$ 76.9	$ 706.8	$ 952.7
Capital lease	0.7	0.7	0.7	0.7	0.7	7.1	10.8
Operating leases[1]	28.6	28.2	24.1	19.4	15.5	58.3	174.0

(1) We lease retail store and distribution center locations, distribution vehicles, various equipment and our World Resource Center, which is our corporate headquarters, under leases with expiration dates through 2019.

We may be required to purchase the Domino s, Inc. senior subordinated notes upon a change of control, as defined in the indenture governing those notes. As of December 28, 2003, there was $403.0 million in aggregate principal amount of senior subordinated notes outstanding.

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Off-balance sheet arrangements

As part of our recapitalization in 1998, we and our subsidiaries entered into a management agreement with Bain Capital Partners VI, L.P., an affiliate of our principal stockholder, to provide specified management services. We are committed to pay an amount not to exceed $2.0 million per year, excluding out-of-pocket expenses on an ongoing basis for management services as defined in the management agreement. In connection with this offering, we expect to terminate the management agreement in exchange for a payment to Bain Capital Partners VI, L.P. of approximately $10.0 million.

As part of our recapitalization in 1998, we are contingently liable to pay our former majority stockholder and his wife additional consideration for their shares acquired, in an amount not exceeding approximately $15.0 million under notes payable, plus 8% interest per annum beginning in 2003, in the event our principal stockholders sell a specified percentage of their common stock to an unaffiliated party. In connection with this offering, although not required, we will prepay all amounts outstanding under the contingent notes, totaling approximately $ million.

We are party to letters of credit and, to a lesser extent, financial guarantees with off-balance sheet risk. Our exposure to credit loss for letters of credit and financial guarantees is represented by the contractual amounts of these instruments. Total conditional commitments under letters of credit and financial guarantees as of December 28, 2003 were $26.4 million and primarily relate to letters of credit for our insurance programs and distribution center leases.

Quantitative and qualitative disclosure about market risks

Market risk

We are exposed to market risks from interest rate changes on our variable rate debt. Management actively monitors this exposure. We do not engage in speculative transactions nor do we hold or issue financial instruments for trading purposes.

We are also exposed to market risks from changes in commodity prices. During the normal course of business, we purchase cheese and certain other food products that are affected by changes in commodity prices and, as a result, we are subject to volatility in our food costs. Management actively monitors this exposure. However, we do not enter into financial instruments to hedge commodity prices. The cheese block price per pound averaged $1.31 in 2003. The estimated change in company-owned store food costs from a hypothetical $0.20 change in the average cheese block price per pound would have been approximately $3.5 million in 2003. This hypothetical change in food cost could be positively or negatively impacted by average ticket changes and product mix changes.

Financial derivatives

We enter into interest rate swaps, collars or similar instruments with the objective of reducing our volatility in borrowing costs.

At December 28, 2003, we had three interest rate swap agreements effectively converting the variable Eurodollar component on a portion of our senior credit facility term debt to various fixed rates over various terms. Additionally, we had two interest rate swap agreements effectively converting the fixed-rate interest component on our senior subordinated notes to variable rates over the term of our senior subordinated notes. During 2004, we entered into two additional interest rate swap agreements effectively converting the variable Eurodollar component on a portion of our senior secured credit facility term debt to various fixed rates over various terms. These agreements are summarized as follows:

Derivative	Total notional amount	Term	Rate
Interest Rate Swap	$60.0 million	June 2001 June 2004	4.90%
Interest Rate Swap	$30.0 million	September 2001 September 2004	3.69%
Interest Rate Swap	$75.0 million	August 2002 June 2005	3.25%
Interest Rate Swap	$50.0 million	August 2003 July 2011	LIBOR plus 319 basis points
Interest Rate Swap	$50.0 million	August 2003 July 2011	LIBOR plus 324 basis points
Interest Rate Swap	$300.0 million	June 2004 June 2005	1.62%
Interest Rate Swap	$350.0 million	June 2005 June 2007	3.21%

Interest rate risk

Our variable interest expense is sensitive to changes in the general level of interest rates. At December 28, 2003, the weighted average interest rate on our $473.0 million of variable interest debt was approximately 3.8%.

We had total interest expense of approximately $74.7 million in 2003. The estimated increase in 2003 interest expense from a hypothetical 200 basis-point adverse change in applicable variable interest rates would have been approximately $5.2 million.

Foreign currency exchange rate risk

We have exposure to various foreign currency exchange rate fluctuations for revenues generated by our operations outside the United States, which can adversely impact our net income and cash flows. Approximately 7% of our revenues in 2003 were derived from sales to customers and royalties from franchisees outside the contiguous United States. This business is conducted in the local currency. This exposes us to risks associated with changes in foreign currency that can adversely affect revenues, net income and cash flows. We do not enter into financial instruments to manage this foreign currency exchange risk.

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Business

Overview

We are the number one pizza delivery company in the United States with a leading presence internationally. We pioneered the pizza delivery channel and have built the Domino s Pizza® brand into one of the most widely-recognized consumer brands in the world. We operate through a network of more than 7,400 company-owned and franchise stores, located in all 50 states and in more than 50 countries. In addition, we operate 18 regional dough manufacturing and distribution centers in the contiguous United States and eight dough manufacturing and distribution centers outside the contiguous United States. The foundation of our system-wide success and leading market position is our strong relationship with our franchisees, comprised of nearly 2,000 owner-operators dedicated to the success of our company and the Domino s Pizza® brand.

Over our 44-year history, we have developed a simple, high-return business model focused on our core strength of delivering high-quality pizza in a timely manner. This business model includes a delivery-oriented store design with low capital requirements, a focused menu of high-quality, affordable pizza and complementary side items, highly-committed owner-operator franchisees and a vertically-integrated distribution system. Our earnings are driven largely from retail sales at our franchise stores, which generate royalty payments and distribution revenues to us. We also generate earnings through retail sales at our company-owned stores.

In 2003, our franchise stores generated retail sales of approximately $3.8 billion, of which approximately $1.2 billion were international retail sales, while our company-owned stores generated retail sales of $381.4 million. In 2003, our domestic same store sales increased 1.3%, marking the third straight year that we outperformed our two national competitors in this key metric. Same store sales at our international stores increased 4.0% in 2003, marking the 10th consecutive year of same store sales growth. We believe that strong sales volume, combined with our efficient store and business models, generates superior store-level economics and company-level returns.

We operate our business in three segments: domestic stores, domestic distribution and international.

Domestic stores. The domestic stores segment, comprised of 4,327 franchise stores and 577 company-owned stores, generated revenues of $519.9 million, and income from operations of $127.1 million during fiscal 2003.

Domestic distribution. Our domestic distribution segment, which distributes food, equipment and supplies to all of our domestic company-owned stores and approximately 98% of our domestic franchise stores, generated revenues of $717.1 million, and income from operations of $45.9 million during fiscal 2003.

International. Our international segment, which oversees 2,506 franchise stores and operates 17 company-owned stores outside the contiguous United States and also distributes food and supplies in a limited number of these markets, generated revenues of $96.4 million, and income from operations of $28.1 million during fiscal 2003.

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On a consolidated basis, we generated revenues of more than $1.3 billion and income from operations, after deducting $41.7 million of unallocated corporate and other expenses, of $159.5 million in fiscal 2003, which was more than double our income from operations in fiscal 1999, our first full fiscal year following our recapitalization led by investment funds affiliated with Bain Capital, LLC. We have been able to grow our earnings through strong domestic and international same store sales growth over the past five years, the addition of more than 1,200 stores worldwide over that time and strong performance by our distribution business. This growth was achieved with limited capital expenditures by us, since a significant portion of our earnings is derived from retail sales by our franchisees.

Our history

We have been delivering high-quality, affordable pizza to our customers since 1960 when brothers Thomas and James Monaghan borrowed $900 and purchased a small pizza store in Ypsilanti, Michigan. Since that time, our store count and geographic reach have grown substantially. We opened our first franchise store in 1967, our first international store in 1983 and, by 1998, we had expanded to over 6,200 stores, including more than 1,700 international stores, on six continents.

In 1998, an investor group led by investment funds affiliated with Bain Capital, LLC completed a recapitalization through which the investor group acquired a 93% controlling economic interest in our company from Thomas Monaghan and his family. At the time of the recapitalization in 1998, Mr. Monaghan retired, and, in March 1999, David A. Brandon was named our Chairman and Chief Executive Officer.

Continuing upon the strong growth of our company since its founding, we surpassed the 7,400 store level during 2003 while leading our two primary competitors in domestic same store sales growth for the third consecutive year.

Industry overview

In this prospectus, we rely on and refer to information regarding the U.S. QSR sector, the U.S. QSR pizza category and its channels and competitors (including us) from the CREST report prepared by NPD Foodworld®, a division of the NPD Group, or Crest, as well as market research reports, analyst reports and other publicly-available information. Although we believe this information to be reliable, we have not independently verified it. Domestic sales information relating to the QSR sector, the U.S. QSR pizza category and the U.S. pizza delivery and carry-out channels represent reported consumer spending provided by Crest.

The U.S. QSR pizza category is large, growing and highly fragmented. With sales of $32.3 billion in the twelve months ended November 2003, the U.S. QSR pizza category is the second largest category within the $180.2 billion QSR sector, which consists of restaurants that offer a relatively focused menu of quickly prepared foods and beverages for consumption on or off premises. We operate primarily within the $11.7 billion U.S. pizza delivery channel, which accounted for 36% of total U.S. QSR pizza category sales in the twelve months ended November 2003.

The U.S. pizza delivery channel grew at a compound annual rate of 1.1% from 2000 through 2003. We believe that this growth is the result of well-established demographic and lifestyle trends driving increased consumer emphasis on convenience. We and our top two competitors account for approximately 47% of the U.S. pizza delivery channel, with the remaining 53% of the channel held predominantly by small regional chains and individual establishments.

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We also compete in the U.S. carry-out pizza channel, which together with the U.S. pizza delivery channel are the largest and fastest-growing channels in the U.S. QSR pizza category. The $12.4 billion U.S. carry-out pizza channel grew at a compound annual rate of 2.9% from 2000 through 2003. While our primary focus is on pizza delivery, we are also favorably positioned to compete in the carry-out channel given our strong brand, convenient store locations and high-quality, affordable menu offerings.

Like the U.S. pizza delivery channel, we believe the international pizza delivery channel is large, growing and fragmented. By contrast, this channel is relatively underdeveloped, with only Domino s and one other competitor having a significant multinational presence. We believe that international growth will continue, driven by the growing demand for delivered pizza and by international consumers increasing emphasis on convenience.

Our competitive strengths

We believe that our competitive strengths include the following:

Strong and proven growth and earnings model. Over our 44-year history, we have developed a successful and focused growth and earnings model. This model is anchored by high-return, store-level economics, which provide an entrepreneurial incentive for our franchisees, generate demand for new franchises and are the foundation for the strength of our system. Our franchisees, in turn, have produced strong and consistent earnings for us through royalty payments and distribution revenues, with minimal associated capital expenditures by us. This enables us to both invest in the Domino s Pizza® brand and deliver strong returns to our stockholders.

Strong unit economics. We have developed a cost-efficient store model, characterized by a delivery and carry-out oriented store design with low capital requirements and a focused menu of high-quality, affordable pizza and complementary side items. At the store level, we believe that the simplicity and efficiency of our operations give us significant advantages over our competitors who primarily focus on the dine-in channel of the pizza category.

Our domestic stores and most of our international stores do not offer dine-in areas and thus do not require expensive restaurant facilities. In addition, our focused menu of pizza and complementary side items simplifies and streamlines our production and delivery processes and maximizes economies of scale on purchases of our principal ingredients. As a result of our focused business model and menu, our stores are small (averaging approximately 1,000 to 1,300 square feet) and inexpensive to build, furnish and maintain as compared to many other QSR franchise opportunities. The combination of this efficient store model and strong store sales volume has resulted in strong store-level financial returns and makes Domino s an attractive business opportunity for existing and prospective franchisees.

Strong and well-diversified franchise system. We have developed a large, global, diversified and highly-committed franchise network that is a critical component of our system-wide success and our leading position in the U.S. pizza delivery channel. As of December 28, 2003, our franchise store network consisted of 6,833 stores, 63% of which were located in the contiguous United States. In the United States, only four franchisees operate more than 50 stores, including our largest domestic franchisee which operates 160 stores, and the average franchisee operates approximately three stores. We require our domestic franchisees to forego active, outside business endeavors, aligning their interests

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with ours and making the success of each Domino s franchise of critical importance to our franchisees.

In addition, we share 50% of the pre-tax profits generated by our regional dough manufacturing and distribution centers with those domestic franchisees who agree to purchase all of their food from our distribution system. These arrangements strengthen our ties with our franchisees, provide us with a continuing source of revenues and earnings and provide incentives for franchisees to work closely with us to reduce costs. We believe our strong, mutually-beneficial franchisee relationships are evidenced by the approximately 98% voluntary participation in our domestic distribution system, our over 99% domestic franchise contract renewal rate and our over 99% collection rate on domestic franchise royalty and domestic distribution receivables.

Internationally, we have also been able to grow our franchise network by attracting franchisees with business experience and local market knowledge. We generally use our master franchise model, which provides our international franchisees with exclusive rights to operate stores or sub-franchise our well-recognized brand name in their markets. From year-end 2000 to year-end 2003, we grew our international franchise network 16%, from 2,157 stores to 2,506 stores. Our largest master franchisee operates 504 stores, which accounts for approximately 20% of our total international store count.

Strong cash flow and earnings stream. A substantial percentage of our earnings is generated by our highly-committed, owner-operator franchisees through royalty payments and revenues to our vertically-integrated distribution system. Royalty payments yield strong profitability to us because there are minimal corresponding company-level expenses and no capital requirements associated with their collection.

We believe that our strong unit economics have led to a strong and well-diversified franchise system. This established franchise system has produced strong cash flow and earnings for us, enabling us to both invest in the Domino s Pizza® brand and deliver strong returns to our stockholders.

#1 pizza delivery company in the United States with a leading international presence. We are the number one pizza delivery company in the United States with a 19.8% share of the large, growing and highly-fragmented U.S. pizza delivery channel. With 4,904 stores located in the contiguous United States, our domestic store delivery areas cover a majority of U.S. households. Our share position and scale allow us to leverage our purchasing power, distribution strength and advertising investment across our store base. We also believe that our scale and market coverage allow us to effectively serve our customers demands for convenience and timely delivery.

Outside the United States, we have significant share positions in the key markets in which we compete, including, among other countries, Mexico, where we are the largest QSR company in terms of store count in any QSR category, the United Kingdom, Australia, Canada, South Korea, Japan and Taiwan. Our top ten international markets, based on store count, accounted for approximately 83% of our international retail sales in 2003. We believe we have a leading presence in these markets.

Strong brand awareness. We believe our Domino s Pizza® brand is one of the most widely-recognized consumer brands in the world. We believe consumers associate our brand with the timely delivery of high-quality, affordable pizza and complementary side items. Over the past

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five years, our domestic franchise and company-owned stores have invested an estimated $1.2 billion on national, local and co-operative advertising in the United States. Our Domino s Pizza® brand has been routinely named a MegaBrand by *Advertising Age*. We continue to reinforce our brand with extensive advertising through television, radio and print. We continue to enhance the strength of our brand through marketing affiliations with brands such as Coca-Cola® and NASCAR®.

According to industry research reports, approximately 93% of pizza consumers in the U.S. are aware of the Domino s Pizza® brand. We believe that our brand is particularly strong among pizza consumers for whom dinner is a fairly spontaneous event, which industry research indicates to be the case in nearly 50% of pizza dining occasions. In these situations, we believe that service and product quality are the consumers priorities. We believe that well-established demographic and lifestyle trends will drive continuing emphasis on convenience and will, therefore, continue to play into our brand s strength.

Our internal distribution system. In addition to generating significant revenues and earnings, we believe that our vertically-integrated distribution system enhances the quality and consistency of our products, enhances our relationships with franchisees, leverages economies of scale to offer lower costs to our stores and allows our store managers to better focus on store operations and customer service.

In 2003, we made approximately 650,000 full-service food deliveries to our domestic stores, or an average of nearly three deliveries per store, per week, with a delivery accuracy rate of approximately 99%. All of our domestic company-owned and approximately 98% of our domestic franchise stores purchase all of their food and supplies from us. This is accomplished through our network of 18 regional dough manufacturing and distribution centers, each of which is generally located within a one-day delivery radius of the stores it serves, and a leased fleet of over 200 tractors and trailers. We supply our domestic and international franchisees with equipment and supplies through our equipment and supply distribution center, which we operate as part of our domestic distribution segment. Our equipment and supply distribution center ships a full range of products, including ovens and uniforms, on a daily basis.

Because we source the food for substantially all of our domestic stores, our domestic distribution segment enables us to leverage and monitor our strong supplier relationships to achieve the cost benefits of scale and to ensure compliance with our rigorous quality standards. In addition, the one-stop shop nature of this system, combined with our delivery accuracy, allows our store managers to eliminate a significant component of the typical back-of-store activity that many of our competitors store managers must undertake.

Strong leadership team with significant ownership. We have a strong, knowledgeable leadership team with significant industry expertise. Our current leadership team has achieved strong operating results, increasing our revenues by over $175.0 million since 1999, while increasing our total store count from 6,219 to 7,427 and expanding our income from operations margins from 6.5% to 12.0%. Six members of our leadership team have at least 15 years experience in the QSR industry. These leadership team members are complemented by the five members of our leadership team who have at least 15 years of non-QSR experience. Members of our leadership team possess a broad range of skills including brand marketing, restaurant operations, franchising, product development and distribution operations.

Our leadership team owns shares of our outstanding common stock and holds options to acquire an additional shares of our common stock. Following this offering, our

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leadership team will own shares of our outstanding common stock and options to acquire an additional shares of our common stock. In addition, more than 185 additional employees collectively own shares of our common stock and options to acquire an additional shares of our common stock, and our franchisees collectively own shares of our common stock. This equity ownership represents a significant economic commitment to, and participation in, our continued success.

Our business strategy

We intend to achieve further growth and strengthen our competitive position through the continued implementation of our business strategy, which includes the following key elements:

Continue to execute on our mission statement. Our mission statement is Exceptional people on a mission to be the best pizza delivery company in the world. We undertake this mission by focusing on four strategic initiatives:

PeopleFirst. Attract and retain high-quality company employees, who we refer to as team members, with the goals of reducing turnover and maintaining continuity in the workforce. We continually strive to achieve this objective through a combination of performance-based compensation for our non-hourly team members, learning and development programs and team member ownership opportunities to promote our entrepreneurial spirit.

Build the Brand. Strengthen and build upon our strong brand name to further solidify our position as the brand of first choice within the pizza delivery channel. We continually strive to achieve this objective through product and process innovation, advertising and promotional campaigns and a strong brand message.

Maintain High Standards. Elevate and maintain quality throughout the entire Domino s system, with the goals of making quality and consistency a competitive advantage, controlling costs and supporting our stores. We believe that our comprehensive store audits and vertically-integrated distribution system help us to consistently achieve high quality of operations across our system in a cost-efficient manner.

Flawless Execution. Perfect operations with the goals of making high-quality products, attaining consistency in execution, maintaining the best operating model, making our team members a competitive advantage, operating stores with smart hustle and aligning us with our franchisees.

Grow our leading position in an attractive industry. The highly-fragmented U.S. pizza delivery and carry-out channels are the largest and fastest-growing channels in the U.S. QSR pizza category. The pizza delivery channel, in which approximately 75% of our retail sales is generated, has annual sales of $11.7 billion in 2003 and grew at a compound annual rate of 1.1% from 2000 through 2003. As the clear leader in the U.S. pizza delivery channel, we believe that our convenient store locations, simple operating model, widely-recognized brand and efficient distribution system are competitive advantages that position us to capitalize on future growth.

The U.S. carry-out pizza channel, in which approximately 25% of our retail sales is generated, grew at a compound annual rate of 2.9% from 2000 through 2003. While our primary focus is on pizza delivery, we are also favorably positioned as a leader in the carry-out channel given our strong brand, convenient store locations and high-quality, affordable menu offerings.

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Leverage our strong brand awareness. We believe that the strength of our Domino s Pizza® brand makes us one of the first choices of consumers seeking a convenient, high-quality and affordable meal. We intend to continue to promote our brand name and enhance our reputation as the leader in pizza delivery. For example, we intend to continue to promote our highly-recognizable advertising campaign, Get the Door. It s Domino s®. through national, local and co-operative media. As part of our strategy to strengthen our brand, each of our domestic stores contributes 3% of retail sales to our advertising fund for national advertising in addition to contributions for market-level advertising.

We intend to leverage our strong brand by continuing to introduce innovative, consumer-tested and profitable new pizza varieties and complementary side items, such as Domino s Buffalo Chicken Kickers® and Cinna Stix®, as well as through marketing affiliations with brands such as Coca-Cola® and NASCAR®. We believe these opportunities, when coupled with our scale and industry leadership, will allow us to increase our market share in the highly-fragmented U.S. pizza delivery channel.

Expand and optimize our domestic store base. We plan to continue expanding our base of domestic stores to take advantage of the attractive growth opportunities in the highly-fragmented U.S. pizza delivery channel. We believe that our scale allows us to expand our store base with limited marketing, distribution and other incremental infrastructure costs. Additionally, our franchise-oriented business model allows us to expand our store base with limited capital expenditures and working capital requirements. While we plan to expand our traditional domestic store base primarily through opening new franchise stores, we will also continually evaluate our mix of company-owned and franchise stores and strategically acquire franchise stores and refranchise company-owned stores.

For example, during 2001, we sold 95 of our domestic company-owned stores to franchisees because we believed that these stores would be more profitable to us if run by franchisees. In contrast, during 2002, we acquired 83 franchise stores in Arizona where we believe there are significant long-term earnings growth opportunities.

Continue to grow our international business. We believe that pizza has global appeal and that there is strong and growing international demand for delivered pizza. We have successfully built a leading international platform, almost exclusively through our master franchise model, as evidenced by our more than 2,500 international stores in more than 50 countries. Our international stores have produced quarterly same store sales growth for forty consecutive quarters. We believe that we continue to have significant long-term growth opportunities in international markets where we have established a leading presence. In our current top ten international markets, we believe that our store base is less than half of the total long-term potential store base in those markets. Generally, we believe we will achieve long-term growth internationally due to the strong unit economics of our business model and the strong global recognition of the Domino s Pizza® brand.

Store operations

We believe that our focused and proven store model provides a significant competitive advantage relative to many of our competitors who focus on multiple pizza category channels, particularly the dine-in channel. We have been focused on pizza delivery for 44 years. Because our domestic stores and most of our international stores do not offer dine-in areas, they typically do not require expensive real estate, are relatively small and are relatively inexpensive to build

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and furnish. Our stores also benefit from lower maintenance costs, as store assets have long lives and updates are not frequently required. Our simple and efficient operational processes, which we have refined through continuous improvement, include:

- strategic store locations to facilitate delivery service;
- production-oriented store designs;
- product and process innovations;
- a focused menu;
- efficient order taking, production and delivery;
- Domino s PULSE point-of-sale system; and
- a comprehensive store audit program.

Strategic store locations to facilitate delivery service

We locate our stores strategically to facilitate timely delivery service to our customers. The majority of our domestic stores are located in populated areas in or adjacent to large or mid-size cities, or on or near college campuses. We use geographic information software, which incorporates variables such as traffic volumes, competitor locations, household demographics and visibility, to evaluate and identify potential store locations and new markets.

Production-oriented store designs

Our typical store is relatively small, occupying approximately 1,000 to 1,300 square feet, and is designed with a focus on efficient and timely production of consistent, high-quality pizza for delivery. The store layout has been refined over time to provide an efficient flow from order taking to delivery. Our stores are primarily production facilities and, accordingly, do not typically have a dine-in area.

Product and process innovations

Our 44 years of experience and innovative culture have resulted in numerous new product and process developments that increase both quality and efficiency. These include our efficient, vertically-integrated distribution system, a sturdier corrugated pizza box and a mesh tray that helps cook pizza crust more evenly. The Domino s HeatWave® hot bag, which was introduced in 1998, keeps our pizza hot during delivery. We have also added a number of complementary side items such as buffalo wings, Domino s Buffalo Chicken Kickers®, bread sticks, cheesy bread and Cinna Stix®.

Focused menu

We maintain a focused menu that is designed to present an attractive, high-quality offering to customers, while minimizing errors in, and expediting, the order taking and food preparation processes. Our basic menu has three choices: pizza type, pizza size and pizza toppings. Most of our stores carry two sizes of Traditional Hand-Tossed, Ultimate Deep Dish and Crunchy Thin Crust pizza. Our typical store also offers buffalo wings, Domino s Buffalo Chicken Kickers®, bread sticks, cheesy bread, Cinna Stix® and Coca-Cola® soft drink products. We also occasionally offer other products on a promotional basis. We believe that our focused menu creates a strong identity among consumers, improves operating efficiency and maintains food quality and consistency.

Efficient order taking, production and delivery

Each store executes an operational process that includes order taking, pizza preparation, cooking (via automated, conveyor-driven ovens), boxing and delivery. The entire order taking and pizza

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production process is designed for completion in approximately 15 minutes. These operational processes are supplemented by an extensive employee training program designed to ensure world-class quality and customer service. It is our priority to ensure that every Domino s store operates in an efficient, consistent manner while maintaining our high standards of food quality and team member safety.

Domino s PULSE point-of-sale system

Our computerized management information systems are designed to improve operating efficiencies, provide corporate management with timely access to financial and marketing data and reduce store and corporate administrative time and expense. We have installed Domino s PULSE, our proprietary point-of-sale system, in every company-owned store in the United States. Some enhanced features of Domino s PULSE over our previous point-of-sale system include:

touch screen ordering, which improves accuracy and facilitates more efficient order taking;

a delivery driver routing system, which improves delivery efficiency;

improved administrative and reporting capabilities, which enables store managers to better focus on store operations and customer satisfaction; and

a customer relationship management tool, which enables us to recognize customers and track ordering preferences.

We are also requiring our domestic franchisees to install Domino s PULSE by February 2007.

Comprehensive store audit program

We utilize a comprehensive store audit program to ensure that our stores are meeting both our stringent standards as well as the expectations of our customers. The audit program focuses primarily on the quality of the pizza a store is producing, the out-the-door time and the condition of the store as viewed by the customer. We believe that this store audit program is an integral part of our strategy to maintain high standards in our stores.

Segment overview

We operate in three business segments:

Domestic stores. Our domestic stores segment consists of our domestic franchise operations, which oversees our domestic network of 4,327 franchise stores, and domestic company-owned store operations, which operate our domestic network of 577 company-owned stores;

Domestic distribution. Our domestic distribution segment operates 18 regional dough manufacturing and food distribution centers and one distribution center providing equipment and supplies to certain of our domestic and international stores; and

International. Our international segment oversees our network of 2,506 international franchise stores in more than 50 countries, operates 16 company-owned stores in the Netherlands and one company-owned store in France. Our international segment also distributes food to a limited number of markets from eight dough manufacturing and distribution centers in Alaska, Hawaii, Canada (four), the Netherlands and France.

Domestic stores

During 2003, our domestic stores segment accounted for $519.9 million, or 39%, of our consolidated revenues. Our domestic franchises are operated by entrepreneurs who own and operate an average of three stores. Only four of our domestic franchisees operate more than 50 stores, including our largest domestic franchisee, who operates 160 stores. Our principal sources of revenues from domestic store operations are company-owned store sales and royalty payments based on retail sales by our franchisees. Our domestic network of company-owned stores also plays an important strategic role in our predominantly franchised operating structure. In addition to generating revenues and earnings, we use our domestic company-owned stores as a test site for new products and promotions as well as store operational improvements, and as a forum for training new store managers and prospective franchisees. We also believe that our domestic company-owned stores add to the economies of scale available for advertising, marketing and other costs that are primarily borne by our franchisees.

Our domestic store operations are divided into three geographic zones and are managed through offices located in Georgia, California and Maryland. The offices provide direct supervision over our domestic company-owned stores and also provide limited training, store operational audits and marketing services. These offices also provide financial analysis and store development services to our franchisees. We maintain a close relationship with our franchise stores through regional franchise teams, an array of computer-based training materials that help franchise stores comply with our standards and franchise advisory groups that facilitate communications between us and our franchisees.

We continually evaluate our mix of domestic company-owned and franchise stores in an effort to optimize our profitability. During 2001, we sold 95 of our domestic company-owned stores to franchisees because we believed that these stores would be more profitable to us if run by franchisees. In contrast, during 2002, we acquired 83 franchise stores in Arizona where we believe there are significant long-term earnings growth opportunities, and where we believe that we can utilize our operational expertise to improve the operation of these stores, resulting in higher profitability.

Domestic distribution

During 2003, our domestic distribution segment accounted for $717.1 million, or 54%, of our consolidated revenues. Our domestic distribution segment is comprised of dough manufacturing and distribution centers that manufacture fresh dough on a daily basis and purchase, receive, store and deliver high-quality pizza-related food products, complementary side items and equipment to all of our company-owned stores and approximately 98% of our domestic franchise stores. Each regional dough manufacturing and distribution center serves an average of 268 stores, generally located within a one-day delivery radius. We regularly supply more than 4,800 stores with various supplies and ingredients, of which nine product groups account for nearly 90% of the volume. Our domestic distribution segment made approximately 650,000 full-service deliveries in 2003, or nearly three deliveries per store, per week, and we produced over 350 million pounds of dough during 2003.

We believe that franchisees choose to obtain food, supplies and equipment from us because we provide the most efficient, convenient and cost-effective alternative, while also providing both quality and consistency. In addition, our domestic distribution segment offers a profit-sharing arrangement to stores that purchase all of their food from our domestic dough manufacturing

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and distribution centers. This profit-sharing arrangement provides domestic company-owned stores and participating franchisees with 50% of their regional distribution center s pre-tax profits. Profits are shared with the franchisees based upon each franchisee s purchases from our distribution centers. We believe these arrangements strengthen our ties with these franchisees.

The information systems used by our domestic dough manufacturing and distribution centers are an integral part of the high-quality service we provide our stores. We use routing strategies and software to optimize our daily delivery schedules, which maximizes on-time deliveries. Through our strategic dough manufacturing and distribution center locations and proven routing systems, we achieved on-time delivery rates of approximately 99% during 2003. Our distribution center drivers unload food and supplies and stock store shelves typically during non-peak store hours, which minimizes disruptions in store operations.

International

During 2003, our international segment accounted for $96.4 million, or 7%, of our consolidated revenues. We have 475 franchise stores in Mexico, representing the largest presence of any QSR company in Mexico, more than 200 franchise stores in each of the United Kingdom, Australia, Canada and South Korea and over 100 franchise stores in both Japan and Taiwan. The principal sources of revenues from our international operations are royalty payments generated by retail sales from franchise stores, sales of food and supplies to franchisees in certain markets and, to a lesser extent, company-owned store retail sales and fees from master franchise agreements and store openings.

We have grown by more than 750 international stores over the past five years. While our stores are designed for the less capital-intensive delivery and carry-out channels, we empower our managers and franchisees to adapt the standard operating model, within certain parameters, to satisfy the local eating habits and consumer preferences of various regions outside the United States. Currently, most of our international stores are operated under master franchise agreements, and we plan to continue entering into master franchise agreements with qualified franchisees to expand our international operations in selected countries. We believe that our international franchise stores appeal to potential franchisees because of our well-recognized brand name, the limited capital expenditures required to open and operate our stores and our system s favorable store economics. The following table shows our store count as of December 28, 2003 in our top ten international markets, which account for 77% of our international stores:

Market	**Number of stores**
Mexico	475
United Kingdom	298
Australia	268
Canada	232
South Korea	216
Japan	165
Taiwan	103
India	78
Netherlands	58
France	57

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Our franchise program

As of December 28, 2003, our 4,327 domestic franchise stores were owned and operated by our 1,300 domestic franchisees. The success of our franchise formula, which enables franchisees to benefit from our brand name with a relatively low initial capital investment, has attracted a large number of highly-motivated entrepreneurs as franchisees. As of December 28, 2003, the average domestic franchisee operated approximately three stores and had been in our franchise system for over eight years. At the same time, only four of our domestic franchisees operated more than 50 stores, including our largest domestic franchisee who operates 160 stores.

Domestic franchisees

We apply rigorous standards to prospective franchisees. We generally require prospective domestic franchisees to manage a store for at least one year before being granted a franchise. This enables us to observe the operational and financial performance of a potential franchisee prior to entering into a long-term contract. We also restrict the ability of domestic franchisees to become involved in other businesses, which focuses our franchisees   attention on operating their stores. We believe these standards are unique to the franchise industry and result in highly-qualified and focused franchisees operating their stores.

Franchise agreements

We enter into franchise agreements with domestic franchisees under which the franchisee is granted the right to operate a store in a particular location for a term of ten years, with an option to renew for an additional ten years. We currently have a franchise contract renewal rate of over 99%. Under the current standard franchise agreement, we assign an exclusive area of primary responsibility to each franchise store. During the term of the franchise agreement, the franchisee is required to pay a 5.5% royalty fee on sales, subject, in limited instances, to lower rates based on area development agreements, sales initiatives and new store incentives. We have the contractual right, subject to state law, to terminate a franchise agreement for a variety of reasons, including, but not limited to, a franchisee s failure to make required payments when due or failure to adhere to specified company policies and standards.

Franchise store development

We provide domestic franchisees with assistance in selecting store sites and conforming the space to the physical specifications required for our stores. Each domestic franchisee selects the location and design for each store, subject to our approval, based on accessibility and visibility of the site and demographic factors, including population density and anticipated traffic levels. We provide design plans and sell fixtures and equipment for most of our franchise stores.

Franchise training and support

Training store managers and employees is a critical component of our success. We require all domestic franchisees to complete initial and ongoing training programs provided by us. In addition, under the standard domestic franchise agreement, domestic franchisees are required to implement training programs for their store employees. We assist our domestic and international franchisees by making training materials available to them for their use in training store managers and employees, including computer-based training materials, comprehensive operations manuals and franchise development classes. We also maintain communications with our franchisees online and through various newsletters.

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Franchise operations

We enforce stringent standards over franchise operations to protect our brand name. All franchisees are required to operate their stores in compliance with written policies, standards and specifications, which include matters such as menu items, ingredients, materials, supplies, services, furnishings, decor and signs. Each franchisee has full discretion to determine the prices to be charged to customers. We also provide ongoing support to our franchisees, including training, marketing assistance and consultation to franchisees who experience financial or operational difficulties. We have established several advisory boards, through which franchisees contribute to developing system-wide initiatives.

International franchisees

The vast majority of our franchisees outside of the contiguous United States are master franchisees with franchise and distribution rights for entire regions or countries. In select regions or countries, we franchise directly to individual store operators. Our master franchise agreements generally grant the franchisee exclusive rights to develop or sub-franchise stores and the right to operate distribution centers in a particular geographic area for a term of ten to 20 years, with an option to renew for an additional ten-year term. The agreements typically contain growth clauses requiring franchisees to open a minimum number of stores within a specified period. Prospective master franchisees are required to possess or have access to local market knowledge required to establish and develop Domino s Pizza stores. The local market knowledge focuses on the ability to identify and access targeted real estate sites along with expertise in local customs, culture, consumer behavior and laws. We also seek candidates that have access to sufficient capital to meet their growth and development plans. The master franchisee is generally required to pay an initial, one-time franchise fee based on the size of the market covered by the master franchise agreement, as well as an additional franchise fee upon the opening of each new store. In addition, the master franchisee is required to pay a continuing royalty fee as a percentage of retail sales, which varies among international markets.

Franchisee financing

We have offered a limited internal financing program to franchisees who meet our standards for creditworthiness. At December 28, 2003, loans outstanding to our domestic and international franchisees totaled $7.7 million.

Domino s image campaign

We have implemented a re-imaging campaign aimed at increasing store sales and market share through improved brand visibility. This campaign involves relocating selected stores, upgrading store interiors, adding new store signs to draw attention to the stores and providing more contemporary uniforms for employees. If a store is already in a desirable location, the store signs and carry-out areas are updated as needed. At December 28, 2003, approximately 88% of our domestic stores had been re-imaged or relocated as part of this campaign, including significantly all of our domestic company-owned stores. We plan to continue to re-image and relocate our domestic stores until each store meets our new image standards.

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Marketing operations

We require domestic stores to contribute 3% of their retail sales to fund national marketing and advertising campaigns. In addition to the required national advertising contributions, in those markets where we have co-operative advertising programs, we generally require stores to contribute a minimum of 1% to 2% of their retail sales to market level media campaigns. These funds are administered by Domino s National Advertising Fund, Inc., or DNAF, our not-for-profit advertising subsidiary. The funds remitted to DNAF are used primarily to purchase television advertising, but also support market research, field communications, commercial production, talent payments and other activities supporting the Domino s Pizza® brand. DNAF also provides cost-effective print materials to franchisees for use in local marketing that reinforce our national branding strategy. In addition to the national and market level advertising contributions, domestic stores spend additional amounts on local store marketing, including targeted database mailings, saturation print mailings and community involvement through school and civic organizations.

By communicating a common brand message at the national, local market and store levels, we create and reinforce a powerful, consistent marketing message to consumers. This is evidenced by our successful marketing campaign with the slogan, Get the Door. It s Domino s.® . Over the past five years, we estimate that domestic stores have invested approximately $1.2 billion on national, local and co-operative advertising.

Internationally, marketing efforts are primarily the responsibility of the franchisee in each local market. We assist international franchisees with their marketing efforts through marketing workshops and knowledge sharing of best practices.

Suppliers

We have maintained active relationships of 15 years or more with more than half of our major suppliers. Our suppliers are required to meet strict quality standards to ensure food safety. We review and evaluate our suppliers quality assurance programs through, among other actions, on-site visits to ensure compliance with our standards. We believe that the length and quality of our relationships with suppliers provides us with priority service and high-quality products at competitive prices.

We believe that two factors have been critical to maintaining long-lasting relationships and keeping our purchasing costs low. First, we are one of the largest domestic volume purchasers of pizza-related products such as flour, cheese, sauce and pizza boxes, which allows us to maximize leverage with our suppliers. Second, we use a combination of single-source and multi-source procurement strategies. Each supply category is evaluated along a number of criteria including value of purchasing leverage, consistency of quality and reliability of supply to determine the appropriate number of suppliers. We currently purchase our cheese from a single supplier pursuant to a requirements contract that provides for pricing based on volume. The agreement is terminable by us upon 90 days prior written notice. Our chicken, meat toppings and Crunchy Thin Crust dough products are currently sourced by another single supplier pursuant to requirements contracts that expire in 2005. We have the right to terminate these requirements contracts for quality failures and for uncured breaches. We believe that alternative suppliers for all of these ingredients are available, and all of our other dough ingredients, boxes and sauces are sourced from multiple suppliers. While we would likely incur additional costs if we are required to replace any of our suppliers, we do not believe that such additional costs would have a material adverse effect on our business. We have also entered into a multi-year agreement with Coca-Cola

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effective January 1, 2003 for the contiguous United States. The contract provides for Coca-Cola to be our exclusive beverage supplier and expires on the later of December 31, 2009 or such time as a minimum number of cases of Coca-Cola® products are purchased by us. We continually evaluate each supply category to determine the optimal sourcing strategy.

We have not experienced any significant shortages of supplies or any delays in receiving our food or beverage inventories, restaurant supplies or products. Prices charged to us by our suppliers are subject to fluctuation, and we have historically been able to pass increased costs and savings on to our stores. We do not engage in commodity hedging.

Competition

The U.S. pizza delivery channel is highly competitive. We compete against regional and local companies as well as national chains, including Pizza Hut® and Papa John s®. We generally compete on the basis of product quality, location, delivery time, service and price. We also compete on a broader scale with quick service and other international, national, regional and local restaurants. In addition, the overall food service industry and the QSR sector in particular are intensely competitive with respect to product quality, price, service, convenience and concept. The industry is often affected by changes in consumer tastes, economic conditions, demographic trends and consumers disposable income. We compete within the food service industry and the QSR sector not only for customers, but also for personnel, suitable real estate sites and qualified franchisees.

Government regulation

We are subject to various federal, state and local laws affecting the operation of our business, as are our franchisees, including various health, sanitation, fire and safety standards. Each store is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, building and fire agencies in the jurisdiction in which the store is located. In connection with the re-imaging of our stores, we may be required to expend funds to meet certain federal, state and local regulations, including regulations requiring that remodeled or altered stores be accessible to persons with disabilities. Difficulties in obtaining, or the failure to obtain, required licenses or approvals could delay or prevent the opening of a new store in a particular area or cause an existing store to cease operations. Our distribution facilities are licensed and subject to similar regulations by federal, state and local health and fire codes.

We are also subject to the Fair Labor Standards Act and various other laws governing such matters as minimum wage requirements, overtime and other working conditions and citizenship requirements. A significant number of our food service personnel are paid at rates related to the federal minimum wage, and past increases in the minimum wage have increased our labor costs as would future increases.

We are subject to the rules and regulations of the Federal Trade Commission and various state laws regulating the offer and sale of franchises. The Federal Trade Commission and various state laws require that we furnish a franchise offering circular containing certain information to prospective franchisees, and a number of states require registration of the franchise offering circular with state authorities. We are operating under exemptions from registration in several states based on the net worth of our operating subsidiary, Domino s Pizza LLC, and experience. Substantive state laws that regulate the franchisor-franchisee relationship presently exist in a

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substantial number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor-franchisee relationship. The state laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply. We believe that our uniform franchise offering circular, together with any applicable state versions or supplements, and franchising procedures comply in all material respects with both the Federal Trade Commission guidelines and all applicable state laws regulating franchising in those states in which we have offered franchises.

Internationally, our franchise stores are subject to national and local laws and regulations that often are similar to those affecting our domestic stores, including laws and regulations concerning franchises, labor, health, sanitation and safety. Our international franchise stores are also often subject to tariffs and regulations on imported commodities and equipment, and laws regulating foreign investment. We believe that our international disclosure statements, franchise offering documents and franchising procedures comply in all material respects with the laws of the foreign countries in which we have offered franchises.

Trademarks

We have many registered trademarks and service marks and believe that the Domino s® mark and Domino s Pizza® names and logos, in particular, have significant value and are important to our business. Our policy is to pursue registration of our trademarks and to vigorously oppose the infringement of any of our trademarks. We license the use of our registered marks to franchisees through franchise agreements.

Environmental matters

We are not aware of any federal, state or local environmental laws or regulations that will materially affect our earnings or competitive position, or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations. During 2003, there were no material capital expenditures for environmental control facilities, and no such material expenditures are anticipated in 2004.

Employees

As of December 28, 2003, we had approximately 13,500 employees, who we refer to as team members, in our company-owned stores, dough manufacturing and distribution centers, World Resource Center, our corporate headquarters, and zone offices. As franchisees are independent business owners, they and their employees are not included in our employee count. We consider our relationship with our employees and franchisees to be good. We estimate the total number of people who work in the Domino s Pizza system, including our employees, franchisees and the employees of franchisees, was approximately 145,000 as of December 28, 2003.

None of our employees are represented by a labor union or covered by a collective bargaining agreement other than statutorily mandated programs in European countries where we operate.

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Driver safety

Our commitment to safety is embodied in our hiring, training and review process. Before an applicant is considered for hire as a delivery driver, motor vehicle records are reviewed to ensure a minimum two-year safe driving record. In addition, we require regular checks of driving records and proof of insurance for delivery drivers throughout their employment with us. Each Domino s driver, including drivers employed by franchisees, must complete our safe delivery training program. We have also implemented several company-wide safe driving incentive programs.

Our safety and security department oversees security matters for our stores. Regional security and safety directors oversee security measures at store locations and assist local authorities in investigations of incidents involving our stores or personnel.

Community activities

We believe strongly in supporting the communities we serve. This is evidenced by our strong support of the Domino s Pizza Partners Foundation. The foundation is a separate, not-for-profit organization that was established in 1986 to assist Domino s Pizza team members in times of tragedy and special need. In 2003, we and our employees and franchisees contributed over $1.3 million to the foundation s efforts, including a $250,000 contribution by us, and, since its inception, the foundation has supplied millions of dollars to team members in need.

From 2001 through March 2004, we had a national partnership with the Make-A-Wish Foundation. Through this alliance, we dedicated ourselves to deliver wishes to children with life threatening illnesses and assist the foundation with its benevolent volunteer efforts through heightened awareness and direct contributions. Under this commitment, we have satisfied the wishes of more than 25 children. In March 2004, we announced a two-year national charitable commitment to St. Jude Children s Research Hospital.

Research and development

We operate research and product development facilities at our World Resource Center in Ann Arbor, Michigan. Company-sponsored research and development activities, which include, among other things, testing new products for possible menu additions, are an important activity to us and our franchisees. We do not consider the amounts we spend on research and development to be material.

Insurance

We maintain insurance coverage for general liability, owned and non-owned automobile liability, workers compensation, employment practices liability, directors and officers liability, fiduciary, property (including leaseholds and equipment, as well as business interruption), commercial crime, global risks and other coverages in such form and with such limits as we believe are customary for a business of our size and type.

We are partially self-insured for workers compensation, general liability and owned and non-owned automobile liabilities for certain periods prior to December 1998 and for periods after December 2001. We are generally responsible for up to $1.0 million per occurrence under these retention programs for workers compensation and general liability. We are also generally responsible for between $500,000 and $3.0 million per occurrence under these retention programs for owned and non-owned automobile liabilities. Pursuant to the terms of our standard franchise agreement, franchisees are also required to maintain minimum levels of insurance coverage at their expense and to have us named as an additional insured on their liability policies.

Legal proceedings

We are a party to lawsuits, revenue agent reviews by taxing authorities and legal proceedings, of which the majority involve workers compensation, employment practices liability, general liability, automobile and franchisee claims arising in the ordinary course of business. We believe that these matters, individually and in the aggregate, will not have a significant adverse effect on our financial condition and that our established reserves adequately provide for the estimated resolution of such claims.

Properties

We lease approximately 200,000 square feet for our World Resource Center and distribution facility located in Ann Arbor, Michigan under an operating lease with Domino s Farms Office Park, L.L.C., a related party. The lease, as amended, expires in December 2013 and has two five-year renewal options.

We own four domestic company-owned store buildings and five distribution center buildings. We also own ten store buildings which we lease to domestic franchisees. All other domestic company-owned stores are leased by us, typically under five-year leases with one or two five-year renewal options. All other domestic distribution centers are leased by us, typically under leases ranging between five and 15 years with one or two five-year renewal options. All other franchise stores are leased or owned directly by the respective franchisees. We believe that our existing headquarters and other leased and owned facilities are adequate to meet our current requirements.

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Management

Executive officers and directors

The following table sets forth information about our executive officers and directors and their ages as of March 31, 2004.

Name	Age	Position
David A. Brandon	51	Chairman, Chief Executive Officer and Director
Harry J. Silverman	45	Chief Financial Officer and Executive Vice President of Finance
Michael D. Soignet	45	Executive Vice President of Maintain High Standards Distribution
J. Patrick Doyle	40	Executive Vice President of International
James G. Stansik	48	Executive Vice President of Flawless Execution Franchise Operations
Patrick W. Knotts	49	Executive Vice President of Flawless Execution Corporate Operations
Ken C. Calwell	41	Executive Vice President of Build the Brand
Patricia A. Wilmot	55	Executive Vice President of PeopleFirst
Elisa D. Garcia C.	46	Executive Vice President, General Counsel and Secretary
Lynn M. Liddle	47	Executive Vice President of Communications and Investor Relations
Timothy J. Monteith	51	Chief Information Officer
Andrew B. Balson	37	Director
Dennis F. Hightower	62	Director
Mark E. Nunnelly	45	Director
Robert M. Rosenberg	66	Director
Robert Ruggiero, Jr.	44	Director

We anticipate that additional directors who are not affiliated with us or any of our stockholders will be appointed to the board of directors within twelve months of the closing of this offering resulting in a board comprised of a majority of independent directors. In addition, Mr. Silverman will be appointed to the board of directors effective upon the closing of this offering. Mr. Ruggiero will resign from the board of directors effective prior to the closing of this offering.

David A. Brandon has served as our Chairman, Chief Executive Officer and as a Director since March 1999. Mr. Brandon has also served as Chairman, Chief Executive Officer and as a Manager of Domino s Pizza LLC since March 1999. Mr. Brandon was President and Chief Executive Officer of Valassis, Inc., a company in the sales promotion and coupon industries, from 1989 to 1998 and Chairman of the Board of Directors of Valassis, Inc. from 1997 to 1998. Mr. Brandon serves on the Boards of Directors of The TJX Companies, Inc., Burger King Corporation and Kaydon Corporation. Mr. Brandon also serves on the Board of Regents for the University of Michigan.

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Harry J. Silverman has served as our Chief Financial Officer and Executive Vice President of Finance since 1993. Mr. Silverman has served as Vice President of Domino s, Inc. since December 1998 and as Treasurer of Domino s, Inc. from February 2000 to September 2001. Mr. Silverman joined Domino s in 1985. Mr. Silverman serves on the Boards of Directors of Able Laboratories, Inc. and Authentidate Holding Corporation.

Michael D. Soignet has served as our Executive Vice President of Maintain High Standards Distribution since 1993, overseeing global distribution center operations. Mr. Soignet joined Domino s in 1981.

J. Patrick Doyle has served as our Executive Vice President of International since May 1999 and as interim Executive Vice President of Build the Brand from December 2000 to July 2001. Mr. Doyle served as Senior Vice President of Marketing from the time he joined Domino s in 1997 until May 1999. From 1991 to 1997, Mr. Doyle served as Vice President and General Manager of Gerber Products Company for its U.S. baby food business and as Vice President and General Manager of its Canadian subsidiary.

James G. Stansik has served as our Executive Vice President of Flawless Execution Franchise Operations since December 2003. Mr. Stansik served as Special Assistant to the Chief Executive Officer from August 1999 through December 2003 and also served as interim Executive Vice President of Flawless Execution Corporate Operations of Domino s from July 2000 through January 2001. Mr. Stansik was Senior Vice President of Franchise Administration of Domino s from 1994 through August 1999. Mr. Stansik joined Domino s in 1985.

Patrick W. Knotts has served as our Executive Vice President of Flawless Execution Corporate Operations since December 2003, a position he also held from January 2001 to June 2002. From June 2002 to December 2003, Mr. Knotts served as Executive Vice President of Flawless Execution for both our corporate and franchise operations. Mr. Knotts served as senior vice president of operations for Mrs. Fields Original Cookie, Inc. from September 1996 to January 2001. Mr. Knotts served in various positions, including executive vice president of operations, at Midial S.A., U.S. retail group, from January 1992 to September 1996.

Ken C. Calwell has served as our Executive Vice President of Build the Brand since July 2001. Mr. Calwell served as Vice President new product marketing, research and testing for Wendy s International Inc. from 1998 to June 2001. From 1996 to 1998, Mr. Calwell served as a senior director of marketing food service for the Frito Lay division of PepsiCo, Inc. and from 1988 to 1996 as senior director of marketing for PepsiCo s Pizza Hut division.

Patricia A. Wilmot has served as our Executive Vice President of PeopleFirst since July 2000. Ms. Wilmot was a human resources consultant from May 1999 to June 2000. Ms. Wilmot served as vice president, human resources for Brach & Brock Confections from January 1998 to May 1999 and as vice president, human and strategic planning for ACX Technologies from 1996 to 1998. Ms. Wilmot served as senior vice president of human resources for the Häagen-Dazs Company from 1993 to 1996.

Elisa D. Garcia C. has served as our Executive Vice President and General Counsel since April 2000. She has also served as our secretary since May 2000. Ms. Garcia was regional counsel for Philip Morris International Inc. s northern Latin America region from 1998 to April 2000, prior to which she was assistant regional counsel for Latin America since 1994.

*Lynn M. Liddle***,** Executive Vice President, Communications and Investor Relations, has been with Domino s since November 2002. Prior to joining Domino s, Ms. Liddle was vice president, investor relations and communications center, for Valassis, Inc. from 1992 to November 2002. Ms. Liddle joined Valassis in 1981.

Timothy J. Monteith has served as our Chief Information Officer since October 1999. Mr. Monteith served as the Senior Vice President of Information Services and Administration of Domino s from 1992 to 1999.

Andrew B. Balson has served on our board of directors since March 1999. Mr. Balson also serves on the Audit Committee of the board of directors. Mr. Balson has been a Managing Director of Bain Capital, a global investment company, since January 2001. Mr. Balson became a Principal of Bain Capital in June 1998, prior to which he was an Associate from 1996 to 1998. From 1994 to 1996, Mr. Balson was a consultant at Bain & Company. Mr. Balson serves on the Boards of Directors of Burger King Corporation and a number of other private companies.

Dennis F. Hightower has served on our board of directors and serves as the Chair of the Audit Committee of our board of directors since February 2003. Mr. Hightower served as chief executive officer of Europe Online Networks, S.A., a broadband interactive entertainment provider, from June 2000 to February 2001. He was Professor of Management at the Harvard Business School from July 1997 to June 2000 and a Senior Lecturer from July 1996 to July 1997. He was previously employed by The Walt Disney Company, serving as president of Walt Disney Television & Telecommunications, president of Disney Consumer Products (Europe, Middle East and Africa) and related service in executive positions in Europe. He serves on the Boards of Directors of Accenture, Ltd., The Gillette Company, Northwest Airlines, Inc., The TJX Companies, Inc. and PanAmSat Corporation.

Mark E. Nunnelly has served on our board of directors since December 1998. Mr. Nunnelly is a Managing Director of Bain Capital, a global investment company. Prior to joining Bain Capital in 1990, Mr. Nunnelly was a Partner of Bain & Company, a global management consulting firm. Mr. Nunnelly serves on the Boards of Directors of Houghton-Mifflin Company, Warner Music and DoubleClick, Inc., as well as a number of private companies and not-for-profit corporations.

Robert M. Rosenberg has served on our board of directors since April 1999. Mr. Rosenberg also serves on the Audit Committee of the board of directors. Mr. Rosenberg served as president and chief executive officer of Allied Domecq Retailing, USA from 1993 to August 1999 when he retired. Allied Domecq Retailing, USA is comprised of Dunkin Donuts, Baskin-Robbins and Togo s Eateries. Mr. Rosenberg also serves on the Board of Directors of Sonic Industries, Inc.

Robert Ruggiero, Jr. has served on our board of directors since February 2003. Mr. Ruggiero is a partner of J.P. Morgan Partners, LLC and has been an investment professional with J.P. Morgan Partners, LLC, and its predecessor companies, since 1996. Mr. Ruggiero serves on the Boards of Directors of a number of private companies.

Board composition

Each director serves until a successor is duly elected and qualified or until the earlier of his death, resignation or removal. All members of our board of directors set forth herein were elected pursuant to a stockholders agreement that was entered into in connection with our 1998 recapitalization. There are no family relationships between any of our directors or executive

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officers. Our executive officers are elected by and serve at the discretion of the board of directors. The board of directors has determined that each of Messrs. Hightower and Rosenberg is an audit committee financial expert.

Before we complete this offering, our board will be divided into three classes, as nearly equal in number as possible, with each director serving a three-year term and one class being elected at each year s annual meeting of stockholders. Messrs. Balson and Silverman will be in the class of directors whose term expires at the 2005 annual meeting of our stockholders. Messrs. Nunnelly and Brandon will be in the class of directors whose term expires at the 2006 annual meeting of our stockholders. Messrs. Rosenberg and Hightower will be in the class of directors whose term expires at the 2007 annual meeting of our stockholders. At each annual meeting of our stockholders, successors to the class of directors whose term expires at such meeting will be elected to serve for three-year terms or until their respective successors are elected and qualified.

Committees of board of directors

Prior to this offering, our board of directors had one committee, the audit committee. Prior to the closing of this offering, the board of directors will establish two additional committees, the compensation committee and the nominating and corporate governance committee. The board may also establish other committees to assist in the discharge of its responsibilities.

The audit committee selects the independent auditors to be nominated for election by the stockholders and reviews the independence of such auditors, approves the scope of the annual audit activities of the independent auditors, approves the audit fee payable to the independent auditors and reviews such audit results with the independent auditors. The audit committee is currently composed of Messrs. Hightower, Rosenberg and Balson and, following this offering, subject to the applicable transition rules of the New York Stock Exchange, will be comprised solely of directors who meet the independence requirements established by the New York Stock Exchange and applicable law. PricewaterhouseCoopers LLP currently serves as our independent auditor.

The duties of the compensation committee will be to provide a general review of our compensation and benefit plans to ensure that they meet our objectives. In addition, the compensation committee will review the chief executive officer s recommendations on compensation of our executive officers and make recommendations for adopting and changing major compensation policies and practices. The compensation committee will report its recommendations to the full board of directors for approval and authorization. It will also fix, subject to approval by the full board, the annual compensation of the chief executive officer and administer our stock plans. The compensation committee is expected to be comprised of at least two non-employee directors (as defined in Rule 16b-3 under the Securities Exchange Act) who do not have interlocking or other relationships with us that would detract from their independence as committee members. Following completion of this offering, the members of the compensation committee will be .

The nominating and corporate governance committee will be responsible for identifying and recommending potential candidates qualified to become board members, recommending directors for appointment to board committees and developing and recommending to the board a set of corporate governance principles. Following the completion of this offering, the nominating and corporate governance committee will be comprised of .

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Director compensation

We reimburse members of the Board of Directors for any out-of-pocket expenses incurred by them in connection with services provided in such capacity. In addition, we may compensate independent members of the Board of Directors for services provided in such capacity.

In April 1999, Mr. Rosenberg, an independent director, was granted an option to purchase 37,036 shares of our non-voting common stock. This option is fully vested and still held by Mr. Rosenberg. Mr. Rosenberg was also paid $10,000 per year in 2001 and 2002 for his service to the Board of Directors. On July 1, 2003, Mr. Rosenberg was granted an option to purchase an additional 5,000 shares of our non-voting common stock, which will vest on July 1, 2004.

Mr. Hightower, an independent director appointed in February 2003, was granted an option to purchase 5,000 shares of our non-voting common stock. This option is fully vested and still held by Mr. Hightower. Effective on each of July 1, 2003 and January 1, 2004, Mr. Hightower was granted an option to purchase an additional 5,000 shares of our non-voting common stock, which will vest on July 1, 2004 and January 1, 2005, respectively.

Commencing in 2003, Messrs. Hightower and Rosenberg, our independent directors, each receive $30,000 per year in director fees for their services as directors, plus $1,000 per board of directors and/or committee meeting attended. Mr. Hightower also receives $5,000 for his services as chair of the Audit Committee. During 2003, these directors were paid amounts in accordance with these guidelines.

The remaining directors do not receive compensation for their service as directors.

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Executive compensation

The following table sets forth information concerning the compensation for fiscal 2003, 2002 and 2001 of David A. Brandon, our chairman and chief executive officer, and our four other most highly compensated executive officers at the end of our last fiscal year. For ease of reference, we collectively refer to these executive officers throughout this section as our named executive officers.

Summary compensation table

		Annual compensation			Long-term compensation	
Name and principal position	**Year**	**Salary($)**	**Bonus($)[1]**	**Other annual compensation($)[2]**	**Securities underlying options(#)[3]**	**All other compensation($)[4]**
David A. Brandon	2003	$ 600,000	$ 4,548,780	$ 304,357	293,333	$ 13,875(5)
Chairman and Chief	2002	600,000	1,200,000	59,454	166,666	20,863
Executive Officer	2001	600,000	1,100,000			1,575
Harry J. Silverman	2003	310,000	1,925,998	59,194	166,666	6,662(6)
Chief Financial	2002	310,000	510,000		33,333	6,700
Officer, Executive	2001	310,000	550,000			6,173
Vice President of Finance						
Michael D. Soignet	2003	285,000	1,795,998	59,221	150,000	6,695(7)
Executive Vice	2002	285,000	470,000		33,333	7,594
President of Maintain High	2001	285,000	505,000			6,143
Standards Distribution						
J. Patrick Doyle	2003	260,000	876,000		140,000	9,024(8)
Executive Vice	2002	260,000	415,000		26,666	5,768
President of International	2001	260,000	455,000			6,080
James G. Stansik	2003	223,000	803,500		116,666	6,092(9)
Executive Vice	2002	223,000	370,000		26,666	8,024
President of Flawless	2001	221,577	400,000			8,338
Execution Franchise Operations						

(1) In 2003, the amounts presented represent annual bonuses as determined by the board of directors in conformance with the formula in each named executive officer s employment agreement, as well as amounts received in connection with our recapitalization in June 2003, which were based on certain option holdings of the named executive officers. The following table details each named executive officer s annual bonus and non-recurring payments relating to the 2003 recapitalization.

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	Annual bonus	Recapitalization payment	Total
David A Brandon	$ 1,200,000	$ 3,348,780	$ 4,548,780
Harry J. Silverman	400,000	1,525,998	1,925,998
Michael D. Soignet	365,000	1,430,998	1,795,998
J. Patrick Doyle	325,000	551,000	876,000
James G. Stansik	300,000	503,500	803,500

(2) Except as otherwise indicated, none of the perquisites and other benefits paid to our named executive officers exceeded the lesser of $50,000 and 10% of the total annual salary and bonus received by such named executive officer. The 2002 amounts primarily represent amounts related to the use of our airplane. The 2003 amounts primarily represent amounts reimbursed by us for the payment of taxes.

(3) The options are for the purchase of shares of our non-voting common stock.

(4) These amounts primarily represent reimbursement for certain medical bills and term life insurance premiums paid by us for the benefit of the named executive officers and contributions made under our 401(k) plan.

(5) Includes (i) $702 of insurance premiums paid by us on behalf of Mr. Brandon for a personal liability insurance policy, (ii) $4,000 of matching contributions under our 401(k) plan, (iii) $6,186 of medical reimbursements, (iv) $1,518 for a group term life policy, and (v) $1,469 in a long-term bonus.

(6) Includes (i) $702 of insurance premiums paid by us on behalf of Mr. Silverman for personal liability insurance and long-term disability policies, (ii) $4,000 of matching contributions under our 401(k) plan, (iii) $850 of medical reimbursements, (iv) $312 for a group term life policy, (v) $676 in a long-term bonus, and (vi) $122 in other awards.

(7) Includes (i) $702 of insurance premiums paid by us on behalf of Mr. Soignet for personal liability insurance and long-term disability policies, (ii) $4,000 of matching contributions under our 401(k) plan, (iii) $1,035 of medical reimbursements, (iv) $282 for a group term life policy, and (v) $676 in a long-term bonus.

(8) Includes (i) $702 of insurance premiums paid by us on behalf of Mr. Doyle for personal liability insurance and long-term disability policies, (ii) $4,000 of matching contributions under our 401(k) plan, (iii) $3,605 of medical reimbursements, (iv) $252 for a group term life policy, and (v) $465 in a long-term bonus.

(9) Includes (i) $702 of insurance premiums paid by us on behalf of Mr. Stansik for personal liability insurance and long-term disability policies, (ii) $4,000 of matching contributions under our 401(k) plan, (iii) $311 for a group term life policy, and (iv) $1,079 in a long-term bonus.

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Option grants

The following table sets forth information regarding stock options granted by us to our named executive officers during our last fiscal year. Options granted are generally granted at 100% of fair value of the underlying stock at the date of grant, expire ten years from the date of grant and vest within five years from the grant date. All options vest immediately in the event of a change in control, as defined, of Domino s Pizza, Inc.

Option grants in fiscal 2003

Name	Number of securities underlying options granted(1)	Percent of total options granted to employees in fiscal year	Exercise price ($/Share)	Expiration date	Potential realizable value at assumed annual rates of stock price appreciation for option term(2)	
					5%	10%
David A. Brandon	293,333	14.0%	$ 8.66	7/1/13	$ 1,596,638	$ 4,046,193
Harry J. Silverman	166,666	7.9%	8.66	7/1/13	907,180	2,298,973
Michael D. Soignet	150,000	7.2%				