

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended January 1, 2006

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Numbers:

Domino's Pizza, Inc. 333-114442

Domino's, Inc. 333-107774

Domino's Pizza, Inc.
Domino's, Inc.

(Exact name of registrants as specified in their charters)

DELAWARE

DELAWARE

(State or other jurisdiction of
incorporation or organization)

38-2511577

38-3025165

(I.R.S. employer
identification numbers)

30 Frank Lloyd Wright Drive
Ann Arbor, Michigan 48106

(Address of principal executive offices)

(734) 930-3030

(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class:

Domino's Pizza, Inc.
Common stock, \$0.01 par value

Name of each exchange on which registered:

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Act): Yes No (only with respect to Domino's Pizza, Inc.)

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes No

Indicate by check mark whether the registrants (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K:

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act): Yes No (only with respect to Domino's Pizza, Inc.)

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act): Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of Domino's Pizza, Inc. computed by reference to the closing price of the registrant's Common Stock on the New York Stock Exchange at which the stock was last sold, as of June 19, 2005, was \$844,508,054.

As of February 15, 2006, Domino's Pizza, Inc. had 67,272,288 shares of common stock outstanding. As of February 15, 2006, Domino's, Inc. had 10 shares of common stock, par value \$0.01, outstanding. All of the stock of Domino's, Inc. was held by Domino's Pizza, Inc.

Documents incorporated by reference:

Portions of the definitive proxy statement to be furnished to shareholders of Domino's Pizza, Inc. in connection with the annual meeting of shareholders to be held on May 3, 2006 are incorporated by reference into Part III.

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Domino’s Pizza, Inc. is the parent and holding company of Domino’s, Inc. As the holding company of Domino’s, Inc., Domino’s Pizza, Inc. does not conduct ongoing business operations. As a result, the financial information for Domino’s Pizza, Inc. and subsidiaries and Domino’s, Inc. and subsidiaries is substantially similar. Accordingly, we have presented Domino’s Pizza, Inc. and subsidiaries information throughout this Form 10-K except where otherwise indicated. Additionally, we have included the audited consolidated financial statements of both Domino’s Pizza, Inc. and subsidiaries and Domino’s, Inc. and subsidiaries, which can be found in Item 8 of this Form 10-K.

Part I

Item 1. Business.

Overview

Domino's Pizza, Inc. (referred to as the "Company," "Domino's" or in the first person notations of "we," "us" and "our") is the number one pizza delivery company in the United States, based on reported consumer spending, and has a leading presence internationally. We pioneered the pizza delivery business and have built the Domino's Pizza® brand into one of the most widely-recognized consumer brands in the world. Together with our franchisees, we have supported the Domino's Pizza® brand with an estimated \$1.3 billion in domestic advertising spending over the past five years. We operate through a network of 8,079 Company-owned and franchise stores, located in all 50 states and in more than 50 countries. In addition, we operate 17 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 approximately 2,000 owner-operators dedicated to the success of our Company and the Domino's Pizza® brand.

Over our 45-year history, we have developed a simple business model focused on our core strength of delivering quality pizza in a timely manner. This business model includes a delivery-oriented store design with low capital requirements, a focused menu of pizza and complementary side items, 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.

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

- *Domestic stores.* The domestic stores segment, which is comprised of 4,511 franchise stores and 581 Company-owned stores, generated revenues of \$562.9 million and income from operations of \$148.9 million during 2005.
- *Domestic distribution.* Our domestic distribution segment, which manufactures dough and distributes food and supplies to all of our domestic Company-owned stores and over 98% of our domestic franchise stores, generated revenues of \$819.1 million and income from operations of \$53.0 million during 2005.
- *International.* Our international segment oversees 2,980 franchise stores and operates 7 Company-owned stores outside the contiguous United States. It also manufactures dough and distributes food and supplies in a limited number of these markets. Our international segment generated revenues of \$129.6 million and income from operations of \$36.9 million during 2005.

On a consolidated basis, we generated revenues of more than \$1.5 billion and income from operations (after deducting \$39.7 million of unallocated corporate and other expenses) of \$199.1 million in 2005. Net income was \$108.3 million in 2005. We have been able to increase our income from operations more than 55% over the past five years through strong domestic and international same store sales growth, the addition of over 1,100 stores worldwide over that time and strong performance by our distribution business. Over this same time period, we increased our net income in each year except 2003, during which we incurred significant recapitalization-related expenses. This growth was achieved with limited capital expenditures by us, since a significant portion of our earnings are derived from retail sales by our franchisees.

Our history

We have been delivering 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. During 2005, we opened our 8,000th store worldwide.

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, Mr. Monaghan retired, and, in March 1999, David A. Brandon was named our Chairman and Chief Executive Officer. In 2004, Domino's Pizza, Inc. completed its initial public offering (the "IPO") and now trades on the New York Stock Exchange under the ticker symbol "DPZ."

Industry overview

In this document, 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 components and competitors (including us) from the CREST report prepared by The NPD Group, 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, U.S. QSR pizza category and U.S. pizza delivery and carry-out represent reported consumer spending obtained by The NPD Group's CREST report from consumer surveys. This information relates to both our Company-owned and franchise stores. Unless otherwise indicated, all U.S. industry data included in this document is based on reported consumer spending obtained by The NPD Group's CREST report from consumer surveys.

The U.S. QSR pizza category is large, growing and highly fragmented. With sales of \$33.4 billion in the twelve months ended November 2005, the U.S. QSR pizza category is the second largest category within the \$206.4 billion U.S. QSR sector. The U.S. QSR pizza category is primarily comprised of delivery, dine-in and carry-out.

We operate primarily within U.S. pizza delivery. Its \$11.8 billion of sales accounted for 35% of total U.S. QSR pizza category sales in the twelve months ended November 2005. We and our top two competitors account for approximately 46% of U.S. pizza delivery, based on reported consumer spending, with the remaining 54% attributable to regional chains and individual establishments.

We also compete in carry-out, which together with pizza delivery are the largest components of the U.S. QSR pizza category. U.S. carry-out pizza had \$13.3 billion of sales in the twelve months ended November 2005 and while our primary focus is on pizza delivery, we are also favorably positioned to compete in carry-out given our strong brand, convenient store locations and quality, affordable menu offerings.

Total sales in the U.S. pizza delivery and carry-out components grew by 2.3% during the twelve months ended November 2005. We believe that this growth is the result of well-established demographic and lifestyle trends driving increased consumer emphasis on convenience.

In contrast to the United States, international pizza delivery is relatively underdeveloped, with only Domino's and one other competitor having a significant multinational presence. We believe that demand for international pizza delivery is large and growing, driven 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 45-year history, we have developed a focused growth and earnings model. This model is anchored by strong store-level economics, which provide an entrepreneurial incentive for our franchisees and generate demand for new stores. Our franchise system, in turn, has produced strong and consistent earnings for us through royalty payments and distribution revenues, with minimal associated capital expenditures by us.

- **Strong store-level 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 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 in many cases also focus on dine-in.

Our domestic stores, and most of our international stores, do not offer dine-in areas and thus do not require expensive restaurant facilities and staffing. 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 Pizza an attractive business opportunity for existing and prospective franchisees.

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• **Strong and well-diversified franchise system.** We have developed a large, global, diversified and committed franchise network that is a critical component of our system-wide success and our leading position in pizza delivery. As of January 1, 2006, our franchise store network consisted of 7,491 stores, 60% of which were located in the contiguous United States. In the United States, only five franchisees operate more than 50 stores, including our largest domestic franchisee, which operates 136 stores. Our domestic franchisees, on average, operate between three and four stores. We require our domestic franchisees to forego active, outside business endeavors, aligning their interests with ours and making the success of each Domino's Pizza 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 by enhancing their profitability while providing us with a continuing source of revenues and earnings. This arrangement also provides incentives for franchisees to work closely with us to reduce costs. We believe our strong, mutually-beneficial franchisee relationships are evidenced by the over 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 Domino's Pizza® brand name in specific, agreed-upon market areas. From year-end 2000 through 2005, we grew our international franchise network 38%, from 2,157 stores to 2,980 stores. Our largest master franchisee operates 555 stores, which accounts for approximately 19% of our total international store count.

• **Strong cash flow and earnings stream.** A substantial percentage of our earnings are generated by our 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 capital requirements associated with their collection.

We believe that our store economics have led to a strong, well-diversified franchise system. This established franchise system has produced strong cash flow and earnings for us, enabling us to invest in the Domino's Pizza® brand and our stores, pay a significant dividend, repurchase shares of our common stock, de-lever our balance sheet and deliver attractive 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 19.4% share based on reported consumer spending. With 5,092 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, South Korea, Canada, Japan, Taiwan and India. Our top ten international markets, based on store count, accounted for approximately 82% of our international retail sales in 2005. 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 quality, affordable pizza and complementary side items. Over the past five years, our domestic franchise and Company-owned stores have invested an estimated \$1.3 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 also enhance the strength of our brand through marketing affiliations with brands such as Coca-Cola® and NASCAR®.

According to industry research reports, approximately 90% 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. 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.

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• **Our internal dough manufacturing and distribution system.** In addition to generating significant revenues and earnings, we believe that our vertically-integrated dough manufacturing and 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 by relieving them of the responsibility of mixing dough in the stores.

In 2005, we made approximately 656,000 full-service food deliveries to our domestic stores, or between two and three deliveries per store, per week, with a delivery accuracy rate of approximately 99%. All of our domestic Company-owned and over 98% of our domestic franchise stores purchase all of their food and supplies from us. This is accomplished through our network of 17 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. Additionally, 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 sells and delivers a full range of products, including ovens and uniforms, on a daily basis. We also supply certain of our domestic stores with ingredients that are processed at our vegetable processing distribution center, which we operate as part of our domestic distribution segment.

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.

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 implement this mission statement 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 in pizza delivery. We continually strive to achieve this objective through product and process innovation, consumer value news, 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 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.** U.S. pizza delivery and carry-out are the largest components of the U.S. QSR pizza category and collectively grew 2.3% during the twelve months ended November 2005. These pizza category components are also highly fragmented. Pizza delivery, through which a majority of our retail sales are generated, had sales of \$11.8 billion in the twelve months ended November 2005. As the leader in U.S. pizza delivery, 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.

Carry-out had \$13.3 billion of sales in the twelve months ended November 2005. While our primary focus is on pizza delivery, we are also favorably positioned as a leader in carry-out given our strong brand, convenient store locations and 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, 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 successful advertising campaign, "Get the Door. It's Domino's.®" through national, local and co-operative media. In 2005, each of our domestic stores contributed 4% of their retail sales to our advertising fund for national advertising in addition to contributions for market-level advertising. Additionally, for 2006, our domestic stores within active co-operatives elected to allocate an additional 1% of their advertising contributions to support national advertising initiatives.

We intend to leverage our strong brand by continuing to introduce innovative, consumer-tested and profitable new pizza varieties (such as Domino's Steak Fanatic Pizza™), complementary side items (such as buffalo wings, cheesy bread, Domino's Buffalo Chicken Kickers® and Cinna Stix®) and value promotions (such as the Domino's 555 Deal) as well as through marketing affiliations with brands such as Coca-Cola® and NASCAR®. We believe these opportunities, when coupled with our scale and share leadership, will allow us to continue to grow our position in U.S. pizza delivery.

• **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 U.S. pizza delivery. 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 rebrand 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 broad international platform, almost exclusively through our master franchise model, as evidenced by our 2,987 international stores in more than 50 countries. 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 as a result of the favorable store-level economics of our business model, the growing international demand for delivered pizza and the strong global recognition of the Domino's Pizza® brand. Our international stores have produced positive quarterly same store sales growth for 48 consecutive quarters.

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 components of the pizza category, particularly dine-in. We have been focused on pizza delivery for 45 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 and equip. 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.

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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, 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 45 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 pizzas hot during delivery. We also continue to introduce new pizzas on a limited time only basis such as Domino's Steak Fanatic Pizza™ that we launched in 2005. Additionally, we have added a number of complementary side items to our menu 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, quality offering to customers, while minimizing order errors, 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 production process is designed for completion in approximately 12-15 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 enable 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 requiring our domestic franchisees to install Domino's PULSE™ by June 2008.

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 oversee our network of 4,511 franchise stores located in the contiguous United States, and our domestic Company-owned store operations, which operate our network of 581 Company-owned stores located in the contiguous United States;
- *Domestic distribution.* Our domestic distribution segment operates 17 regional dough manufacturing and food distribution centers, one distribution center providing equipment and supplies to certain of our domestic and international stores and one vegetable processing distribution center; and
- *International.* Our international segment oversees our network of 2,980 international franchise stores in more than 50 countries, operates 5 Company-owned stores in the Netherlands and 2 Company-owned stores 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 2005, our domestic stores segment accounted for \$562.9 million, or 37%, of our consolidated revenues. Our domestic franchises are operated by entrepreneurs who own and operate an average of three to four stores. Only five of our domestic franchisees operate more than 50 stores, including our largest domestic franchisee, which operates 136 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. While we continue to be a primarily franchised business, we continually evaluate our mix of domestic Company-owned and franchise stores in an effort to optimize our profitability.

Our domestic Company-owned store operations are divided into eleven geographic areas located throughout the contiguous United States while our domestic franchise operations are divided into two regional offices located in California and Georgia. Our team members within these areas provide direct supervision over our domestic Company-owned stores; provide training, store operational audits and marketing services; and 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.

Domestic distribution

During 2005, our domestic distribution segment accounted for \$819.1 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 quality pizza-related food products and complementary side items to all of our Company-owned stores and over 98% of our domestic franchise stores. Each regional dough manufacturing and distribution center serves approximately 290 stores, generally located within a one-day delivery radius. We regularly supply more than 5,000 stores with various supplies and ingredients, of which nine product groups account for nearly 90% of the volume. Our domestic distribution segment made approximately 656,000 full-service deliveries in 2005 or between two and three deliveries per store, per week; and we produced nearly 400 million pounds of dough during 2005.

We believe that our franchisees voluntarily 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 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.

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The information systems used by our domestic dough manufacturing and distribution centers are an integral part of the 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 2005. 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 2005, our international segment accounted for \$129.6 million, or 9%, of our consolidated revenues. We have 529 franchise stores in Mexico, representing the largest presence of any QSR company in Mexico, 383 franchise stores in the United Kingdom, 365 franchise stores in Australia, 267 franchise stores in South Korea, 252 franchise stores in Canada and over 100 franchise stores in each of Japan, Taiwan and India. 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 Company-owned store retail sales.

We have grown by more than 800 international stores over the past five years. While our stores are designed for delivery and carry-out, which are less capital-intensive than dine-in, 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 contiguous 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 January 1, 2006 in our top ten international markets, which account for 78% of our international stores.

| Market | Number of stores |
|----------------|-------------------------|
| Mexico | 529 |
| United Kingdom | 383 |
| Australia | 365 |
| South Korea | 267 |
| Canada | 252 |
| Japan | 173 |
| Taiwan | 108 |
| India | 104 |
| France | 86 |
| Netherlands | 59 |

Our franchise program

As of January 1, 2006, our 4,511 domestic franchise stores were owned and operated by our 1,279 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 motivated entrepreneurs as franchisees. As of January 1, 2006, the average domestic franchisee operated approximately three to four stores and had been in our franchise system for nearly eleven years. At the same time, only five of our domestic franchisees operated more than 50 stores, including our largest domestic franchisee, which operates 136 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. As a result, the vast majority of our franchisees come from within the Domino's Pizza system. We believe these standards are unique to the franchise industry and result in qualified and focused franchisees operating their stores.

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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 options to renew for an additional term of 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 a Domino's Pizza store. 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.

Franchise operations

We enforce stringent standards over franchise operations to protect the Domino's Pizza® 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 markets outside of the contiguous United States are operated by 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 options to renew for additional terms. 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.

Marketing operations

We require domestic stores to contribute 4% of their retail sales to fund national marketing and advertising campaigns. Also for 2006, our domestic stores within active co-operatives elected to allocate an additional 1% of their advertising contributions to support national advertising initiatives. In addition to the required national advertising contributions, in those markets where we have co-operative advertising programs, our domestic stores also generally contribute for market level media campaigns. These national and market-level 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 our domestic stores 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 \$1.3 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 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 mozzarella pizza cheese from a single supplier pursuant to a requirements contract that provides for pricing based on volume. Our cheese cost is based on the market price of cheese plus a supplier margin. The supplier margin can be reduced if certain volume purchase levels are reached. Once a volume purchase level is reached, the supplier margin is reduced and can only be further reduced in the future based upon attainment of higher volume purchase levels. The supplier agreement is terminable by us upon 90 days prior written notice. Our chicken is also currently purchased from a single supplier. The majority of our meat toppings come from another single supplier under a contract that began in July 2005 and will expire in December 2007. The Crunchy Thin Crust dough is currently sourced by another single supplier pursuant to requirements contracts that expire in 2009. 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 pizza boxes, sauces and other ingredients are sourced from various 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 also entered into a multi-year agreement with Coca-Cola 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

U.S. and international pizza delivery and carry-out are highly competitive. Domestically, we compete against regional and local companies as well as national chains, including Pizza Hut® and Papa John's®. Internationally, we compete against Pizza Hut® and regional and local companies. 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 federal and state 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 applicable 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 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 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 2005, there were no material capital expenditures for environmental control facilities, and no such material expenditures are anticipated in 2006.

Employees

As of January 1, 2006, we had approximately 13,500 employees, who we refer to as team members, in our Company-owned stores, distribution centers, World Resource Center (our corporate headquarters) and regional 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 160,000 as of January 1, 2006.

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.

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 in the United States, motor vehicle records are reviewed to ensure a minimum safe driving record of one or two years. In addition, we require regular checks of driving records and proof of insurance for delivery drivers throughout their employment with us. Each domestic Domino's driver, including drivers employed by franchisees, must complete our safe delivery training program. We have also implemented several 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 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. Over the past three years, we and our employees and franchisees contributed over \$4.4 million to the foundation's efforts, 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 satisfied the wishes of more than 25 children.

In July 2004, we announced a three-year national charitable commitment to St. Jude Children's Research Hospital. St. Jude was selected by our team members and franchisees through a global election process. Through a variety of internal and consumer-based activities, including the 2005 Thanks and Giving program, where we and our customers contributed over \$1.2 million, Domino's Pizza has contributed \$3.6 million either directly to St. Jude, or to support programs designed to build awareness for the great work St. Jude does on behalf of children everywhere.

In February 2005, we announced that Domino's Pizza, its employees and franchisees around the globe contributed \$220,000 to the American Red Cross and other relief agencies in an effort to assist victims of the December 26, 2004 tsunami disaster in southeast Asia.

In September 2005, we contributed \$100,000 to the American Red Cross and \$50,000 to the Domino's Pizza Partners Foundation in an effort to assist victims of the hurricanes in the gulf coast region. We also contributed over \$125,000 in food and supplies to team members and franchisees that were impacted by the hurricanes.

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.

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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, product contamination and other coverages in such form and with such limits as we believe are customary for a business of our size and type.

We have retention programs 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.

Working capital

Information about the Company's working capital is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7., page 33.

Customers

The Company's business is not dependent upon a single customer or small group of customers, including franchisees. No customer accounted for more than 10% of total consolidated revenues in 2003, 2004, or 2005.

Seasonal operations

The Company's business is not typically seasonal.

Backlog orders

The Company has no backlog orders as of January 1, 2006.

Government contracts

No material portion of the Company's business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the United States government.

Financial information about business segments and geographic areas

Financial information about international and United States markets and business segments is incorporated herein by reference from Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related footnotes in Part II, Item 6., pages 23 and 24, Item 7., pages 25 through 36 and Item 8., pages 38 through 103, respectively of this Form 10-K.

Available information

The Company makes available through its internet website www.dominos.com its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission. This information is also available at www.sec.gov. The reference to these website addresses does not constitute incorporation by reference of the information contained on the websites and should not be considered part of this document.

This Annual Report on Form 10-K includes various forward-looking statements about the Company that are subject to risks and uncertainties. Forward-looking statements include information concerning future results of operations, and business strategy. Also, statements that contain words such as "believes," "expects," "anticipates," "intends," "estimated" or similar expressions are forward-looking statements. We have based these forward looking statements on our current expectations and projections about future events. While we believe these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including the following factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report on Form 10-K might not occur.

Item 1A. Risk Factors.

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 and could cause our stock price to decline.

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 quick service restaurant 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 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 be 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.

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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 \$1.50 in 2005 and the estimated increase in Company-owned store food costs from a hypothetical \$0.25 adverse change in the average cheese block price per pound would have been approximately \$4.0 million in 2005. 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.

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 January 1, 2006, our consolidated long-term indebtedness was \$737.7 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 Domino's, Inc.'s 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 January 1, 2006, 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 \$30.5 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.

We may be unable to generate sufficient cash flow to pay quarterly dividends on our common stock.

Our ability to pay a quarterly dividend on our common stock 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, or if currently anticipated cost savings and operating improvements are not realized on schedule, in the amounts projected or at all, or if we are not in compliance with the terms of our debt agreements we may be unable to pay a quarterly dividend on our common stock.

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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 Domino's, Inc.'s ability and the ability of Domino's, Inc.'s 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 or repurchase shares of our common stock. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not satisfy 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 secured 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 secured 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 secured 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 17 regional dough manufacturing and distribution centers and one vegetable processing distribution center 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.

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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 quick service restaurants alleging, among other things, that quick service restaurants have failed to disclose the health risks associated with high-fat foods and that quick service restaurant 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 business of pizza delivery 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 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, such 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 7.2%, 8.1% and 8.6% of total revenues were derived from our international segment in 2003, 2004 and 2005, respectively, 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.

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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. 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 our revenues and stock price 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 January 1, 2006, we had 1,279 domestic franchisees operating 4,511 domestic stores. Five of these franchisees each operate over 50 domestic stores, including our largest domestic franchisee, which operates 136 stores, and the average franchisee operates three to four 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 555 stores, which accounts for approximately 19% 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;
- environmental protection;
- minimum wage, overtime and other labor requirements;
- compliance with securities laws and New York Stock Exchange listed company rules;
- 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.

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

We have retention programs 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 retention 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.

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.

Our current principal stockholders have significant influence over us, 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.

Investment funds affiliated with Bain Capital, LLC together beneficially own approximately 34% of our outstanding common stock. In addition, two of our directors are representatives of investment funds affiliated with Bain Capital, LLC. As a result, these investment funds affiliated with Bain Capital, LLC 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.

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Our common stock price could be subject to significant fluctuations and/or may decline.

The market price of our common stock could be subject to significant fluctuations. 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.

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.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease approximately 200,000 square feet for our World Resource Center 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 seven distribution center buildings. We also own six 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.

Item 3. Legal Proceedings.

We are a party to lawsuits, revenue agent reviews by taxing authorities and legal proceedings arising in the ordinary course of business, of which the majority involve workers' compensation, employment practices liability, general liability, automobile and franchisee claims. Like other retail employers in California, we are facing allegations of purported class-wide wage and hour violations related to meal and rest breaks and the proper classification of our store general managers as exempt employees under California law. We believe that we have properly classified our general managers as exempt under California law and accordingly intend to vigorously defend against all claims in this lawsuit. We believe that the ultimate liability for these matters, if any, in excess of amounts already provided for in the financial statements, is not likely to have a material adverse effect on our financial condition or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Part II**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

As of February 15, 2006, Domino’s Pizza, Inc. had 170,000,000 authorized shares of common stock, par value \$0.01 per share, of which 67,272,288 were issued and outstanding. Domino’s Pizza, Inc.’s common stock is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “DPZ.” Prior to our July 2004 IPO, there was no established public trading market for Domino’s Pizza, Inc.’s common stock.

The following table presents the high and low closing prices by quarter for Domino’s Pizza, Inc.’s common stock since our IPO in July 2004, as reported by the NYSE, and dividends declared per common share.

| | High | Low | Dividends Declared Per Share |
|---|----------|----------|------------------------------|
| Third quarter of 2004 (July 13, 2004 – September 5, 2004) | \$ 14.45 | \$ 12.75 | \$ - |
| Fourth quarter of 2004 (September 6, 2004 – January 2, 2005) | 18.65 | 13.78 | 0.065 |
| First quarter of 2005 (January 3, 2005 – March 27, 2005) | 18.22 | 16.50 | 0.10 |
| Second quarter of 2005 (March 28, 2005 – June 19, 2005) | 22.94 | 18.16 | 0.10 |
| Third quarter of 2005 (June 20, 2005 – September 11, 2005) | 25.30 | 21.50 | 0.10 |
| Fourth quarter of 2005 (September 12, 2005 – January 1, 2006) | 25.64 | 21.07 | 0.10 |

Our Board of Directors declared a quarterly dividend of \$0.12 per common share on February 15, 2006 payable on March 30, 2006 to shareholders of record at the close of business on March 15, 2006.

We presently anticipate continuing the payment of quarterly cash dividends. The actual amount of such dividends will depend upon future earnings, results of operations, capital requirements, our financial condition and certain other factors. There can be no assurance as to the amount of free cash flow that we will generate in future years and, accordingly, dividends will be considered after reviewing returns to shareholders, profitability expectations and financing needs and will be declared at the discretion of our Board of Directors.

The Company made no repurchases of common stock during the fourth quarter of 2005.

As of February 15, 2006, there were approximately 126 registered holders of record of Domino’s Pizza, Inc.’s common stock.

Domino’s, Inc., the wholly-owned subsidiary of Domino’s Pizza, Inc., had 3,000 authorized shares of common stock, par value \$0.01 per share, of which 10 were issued and outstanding. All 10 shares of Domino’s, Inc. were held by Domino’s Pizza, Inc. There were no equity securities sold by Domino’s, Inc. during the period covered by this report. There is no established public trading market for Domino’s, Inc.’s common stock.

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Item 6. Selected Financial Data.

The selected financial data set forth below should be read in conjunction with, and is qualified by reference to, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in this Form 10-K. The selected financial data below, with the exception of store counts and same store sales growth, have been derived from the audited consolidated financial statements of Domino's Pizza, Inc. and subsidiaries. These historical data are not necessarily indicative of results to be expected for any future period.

| | Fiscal year ended | | | | |
|--|----------------------|----------------------|--------------------------|------------------------|--------------------|
| | December 30, 2001 | December 29, 2002 | December 28, 2003 (5) | January 2, 2005 (6) | January 1, 2006 |
| <i>(dollars in millions, except per share data)</i> | | | | | |
| Income statement data: | | | | | |
| Revenues: | | | | | |
| Domestic Company-owned stores | \$ 362.2 | \$ 376.5 | \$ 375.4 | \$ 382.5 | \$ 401.0 |
| Domestic franchise | 134.2 | 140.7 | 144.5 | 155.0 | 161.9 |
| Domestic stores | 496.4 | 517.2 | 519.9 | 537.5 | 562.9 |
| Domestic distribution | 691.9 | 676.0 | 717.1 | 792.0 | 819.1 |
| International | 70.0 | 81.8 | 96.4 | 117.0 | 129.6 |
| Total revenues | 1,258.3 | 1,275.0 | 1,333.3 | 1,446.5 | 1,511.6 |
| Cost of sales | 944.5 | 945.8 | 997.7 | 1,092.8 | 1,126.3 |
| Operating margin | 313.8 | 329.2 | 335.6 | 353.7 | 385.3 |
| General and administrative expense | 186.7 | 171.4 | 176.1 | 182.3 | 186.2 |
| Income from operations | 127.1 | 157.8 | 159.5 | 171.4 | 199.1 |
| Interest income | 1.8 | 0.5 | 0.4 | 0.6 | 0.8 |
| Interest expense | (68.4) | (60.3) | (74.7) | (61.1) | (48.8) |
| Other (1) | (0.2) | (1.8) | (22.7) | (10.8) | 22.1 |
| Income before provision for income taxes | 60.3 | 96.2 | 62.4 | 100.1 | 173.3 |
| Provision for income taxes | 23.5 | 35.7 | 23.4 | 37.8 | 65.0 |
| Net income | \$ 36.8 | \$ 60.5 | \$ 39.0 | \$ 62.3 | \$ 108.3 |
| Net income (loss) available to common stockholders (2) | \$ 20.7 | \$ 43.0 | \$ (4.0) | \$ 62.3 | \$ 108.3 |
| Earnings (loss) per share: | | | | | |
| Class L – basic | \$ 9.67 | \$ 10.97 | \$ 10.26 | \$ 5.57 | N/A |
| Class L – diluted | 9.65 | 10.96 | 10.25 | 5.57 | N/A |
| Common stock – basic | \$ (0.45) | \$ 0.10 | \$ (1.26) | \$ 0.85 | \$ 1.62 |
| Common stock – diluted | (0.45) | 0.09 | (1.26) | 0.81 | 1.58 |
| Dividends declared per share (3) | \$ - | \$ - | \$ - | \$ 0.065 | \$ 0.40 |
| Balance sheet data (at end of period): | | | | | |
| Cash and cash equivalents | \$ 59.0 | \$ 25.5 | \$ 46.4 | \$ 40.4 | \$ 66.9 |
| Working capital | (24.6) | (10.2) | (1.3) | (0.2) | 4.0 |
| Total assets | 406.4 | 425.5 | 452.1 | 447.3 | 461.1 |
| Total long-term debt, less current portion | 611.5 | 599.2 | 941.2 | 755.4 | 702.4 |
| Total debt | 654.7 | 602.0 | 959.7 | 780.7 | 737.7 |
| Cumulative preferred stock | 99.2 | 98.0 | - | - | - |
| Total stockholders' deficit | (523.9) | (473.4) | (718.0) | (549.9) | (511.0) |

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| (dollars in millions) | Fiscal year ended | | | | |
|---|----------------------|----------------------|--------------------------|------------------------|--------------------|
| | December 30, 2001 | December 29, 2002 | December 28, 2003 (5) | January 2, 2005 (6) | January 1, 2006 |
| Other financial data: | | | | | |
| Depreciation and amortization | \$ 33.1 | \$ 28.3 | \$ 29.8 | \$ 31.7 | \$ 32.4 |
| Capital expenditures | 40.6 | 53.9 | 29.2 | 39.8 | 28.7 |
| Same store sales growth (4): | | | | | |
| Domestic Company-owned stores | 7.3% | 0.0% | (1.7)% | 0.1% | 7.1% |
| Domestic franchise stores | 3.6% | 3.0% | 1.7% | 2.1% | 4.6% |
| Domestic stores | 4.0% | 2.6% | 1.3% | 1.8% | 4.9% |
| International stores | 6.4% | 4.1% | 4.0% | 5.9% | 6.1% |
| Store counts (at end of period): | | | | | |
| Domestic Company-owned stores | 519 | 577 | 577 | 580 | 581 |
| Domestic franchise stores | 4,294 | 4,271 | 4,327 | 4,428 | 4,511 |
| Domestic stores | 4,813 | 4,848 | 4,904 | 5,008 | 5,092 |
| International stores | 2,259 | 2,382 | 2,523 | 2,749 | 2,987 |
| Total stores | 7,072 | 7,230 | 7,427 | 7,757 | 8,079 |

- (1) Included in other for the fiscal years ended 2001 through 2004 are costs incurred in connection with debt retirements, including \$20.4 million of bond tender fees in connection with the 2003 recapitalization and \$9.0 million incurred in connection with the redemption of \$109.1 million of senior subordinated notes as part of our 2004 IPO. Other for 2005 is comprised of a gain recognized on the sale of an equity investment.
- (2) Net income (loss) available to common stockholders for the fiscal years ended 2001 through 2003 is comprised of consolidated net income less cumulative preferred stock dividends and accretion amounts.
- (3) We paid \$188.3 million in dividends to shareholders as part of our recapitalization in 2003.
- (4) Same store sales growth is calculated including only sales from stores that also had sales in the comparable period 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. Changes in international same store sales are reported on a constant dollar basis which reflects changes in international local currency sales. The 53rd week in 2004 had no positive or negative impact on reported same store sales growth amounts.
- (5) In connection with our recapitalization in 2003, Domino's, Inc. 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 the term loans and cash from operations to retire \$206.7 million principal amount of the then outstanding senior subordinated notes plus accrued interest and bond tender fees for \$236.9 million, repay all amounts outstanding under the 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 \$15.7 million of related general and administrative expenses, 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 \$51.7 million (pre-tax). We also recorded a \$20.4 million deferred financing cost asset.
- (6) In connection with our IPO completed on July 16, 2004, Domino's Pizza, Inc. issued and sold 9,375,000 shares resulting in net proceeds to us of approximately \$119.6 million. These net proceeds were used to redeem, at a premium plus accrued interest, approximately \$109.1 million aggregate principal amount of Domino's, Inc. 8 1/4% senior subordinated notes. Immediately following the closing of the IPO, we had 68,653,626 shares of common stock outstanding. Additionally, in connection with the IPO, we used general funds to, among other things, distribute \$16.9 million to our founder and former majority shareholder and his spouse for full payment of contingent notes then outstanding and pay \$10.0 million to an affiliate of our principal stockholder, in connection with the termination of its management agreement with us, which was recorded in general and administrative expense. Additionally, the 2004 fiscal year includes 53 weeks, while the 2000 through 2003 fiscal years and the 2005 fiscal year each include 52 weeks.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our fiscal year typically includes 52 weeks, comprised of three twelve week quarters and one sixteen week quarter. Every five or six years our fiscal year includes an extra (or 53rd) week in the fourth quarter of that year. Fiscal 2004 consisted of 53 weeks, while fiscal 2003 and fiscal 2005 consisted of 52 weeks.

We are the number one pizza delivery company in the United States with a 19.4% share of the pizza delivery market based on reported consumer spending. We also have a leading international presence. We operate through a network of 588 Company-owned stores, substantially all of which are in the United States, and 7,491 franchise stores located in all 50 states and in more than 50 countries. In addition, we operate 17 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 retail sales at our Company-owned and franchise stores. Changes in retail 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. Retail sales drive Company-owned store revenues, royalty payments from franchisees and distribution revenues. Retail sales are primarily impacted by the strength of the Domino's Pizza® brand, the success of our marketing promotions and our ability to execute our store operating model and other business strategies.

We devote significant attention to our brand-building efforts, which is evident in our system's estimated \$1.3 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 and retail sales 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.

We also pay particular attention to the store economics, or the investment performance of a store to its owner, of both our Company-owned and franchise stores. We believe that our system's favorable store economics benefit from the relatively small initial and ongoing investments required to own 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 strong store economics, which, in turn, drive demand for new stores.

In 2005, global retail sales, which are total retail sales at Company-owned and franchise stores worldwide, increased 7.8% as compared to 2004, despite having a 53rd week in 2004, which negatively impacted our 2005 global retail sales growth by approximately two percentage points. In 2004, global retail sales increased 10.5% as compared to 2003. These global retail sales increases have been driven by both strong global same store sales growth and unit growth.

Our revenues have increased over the past three years as a result of higher store counts, increases in same store sales and increases in distribution sales. Worldwide store counts have increased from 7,230 at the beginning of 2003 to 8,079 at the end of 2005. This growth in store counts can be attributed to the growing global acceptance of our brand and our pizza delivery concept as well as the economics inherent in our system which attracts new franchisees and encourages existing franchisees to grow their business. Domestic same store sales increased 1.3%, 1.8% and 4.9% in 2003, 2004 and 2005, respectively. International same store sales increased 4.0%, 5.9% and 6.1% during the same periods. We believe that our mix of new product introductions (such as Domino's Steak Fanatic Pizza and Domino's Philly Cheese Steak Pizza) and strong value-oriented promotional activities (such as Domino's 555 Deal) continue to produce strong same store sales results. Internationally, same stores sales growth continues to result from the overall acceptance of delivered pizza around the globe and the successful execution of the concept.

Income from operations has increased from \$159.5 million in 2003 to \$199.1 million in 2005. This growth in income from operations was primarily the result of increases in store counts and same store sales and related profits from distribution center operations. Additionally, the 2003 income from operations amount included \$15.7 million of general and administrative expenses incurred in connection with our recapitalization in 2003. Net income increased from \$39.0 million in 2003 to \$108.3 million in 2005. The 2003 net income amount included \$51.7 million of pre-tax expenses incurred in connection with our recapitalization in 2003.

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We are highly leveraged as the result of recapitalizations in 1998 and 2003. As of January 1, 2006, consolidated long-term debt was \$737.7 million. Since 1998, a large portion of our cash flows provided from operations has been used to make principal and interest payments on our indebtedness. Our senior subordinated notes require no principal payments until maturity in 2011. Our senior credit facility requires principal payments of \$3.2 million, \$4.3 million, \$5.4 million and \$410.0 million in 2007, 2008, 2009 and 2010, respectively. We have decreased our total leverage ratio, or total debt divided by total segment income, from 3.9x at the time of our 2004 IPO to 3.6x at the end of 2004 to 3.1x at the end of 2005 as a result of both debt reductions and continued improved operating performance. Overall, we believe that our ability to consistently produce significant free cash flows allows us the flexibility not only to service our significant debt but also invest in our business, pay dividends to our shareholders and opportunistically repurchase outstanding common stock.

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 accounting policies and estimates could materially impact our results of operations and financial condition for any particular period. We believe that our most critical accounting policies and estimates 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. 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 January 1, 2006, 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.

We evaluate goodwill for impairment 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 January 1, 2006, the fair value of our business operations with associated goodwill exceeded their recorded carrying value, including the related goodwill. However, if the future performance of our domestic Company-owned stores or other reporting units 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.

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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 based on undiscounted independent 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

| | 2003 | 2004 | 2005 |
|-------------------------------|--------|------|------|
| Domestic Company-owned stores | (1.7)% | 0.1% | 7.1% |
| Domestic franchise stores | 1.7% | 2.1% | 4.6% |
| Domestic stores | 1.3% | 1.8% | 4.9% |
| International stores | 4.0% | 5.9% | 6.1% |

Store Growth Activity

| | Domestic Company-owned Stores | Domestic Franchise | Domestic Stores | International Stores | Total |
|---|-------------------------------------|-----------------------|--------------------|-------------------------|-------|
| 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 |
| Openings | 5 | 165 | 170 | 263 | 433 |
| Closings | (1) | (65) | (66) | (37) | (103) |
| Transfers | (1) | 1 | - | - | - |
| Store count at January 2, 2005 | 580 | 4,428 | 5,008 | 2,749 | 7,757 |
| Openings | 10 | 162 | 172 | 292 | 464 |
| Closings | (3) | (85) | (88) | (54) | (142) |
| Transfers | (6) | 6 | - | - | - |
| Store count at January 1, 2006 | 581 | 4,511 | 5,092 | 2,987 | 8,079 |

Income Statement Data

| (dollars in millions) | 2003 | | 2004 | | 2005 | | | | |
|--|------|---------|--------|---------|--------|---------|--------|-------|------|
| Domestic Company-owned stores | \$ | 375.4 | \$ | 382.5 | \$ | 401.0 | | | |
| Domestic franchise | | 144.5 | | 155.0 | | 161.9 | | | |
| Domestic distribution | | 717.1 | | 792.0 | | 819.1 | | | |
| International | | 96.4 | | 117.0 | | 129.6 | | | |
| Total revenues | | 1,333.3 | 100.0% | 1,446.5 | 100.0% | 1,511.6 | 100.0% | | |
| Domestic Company-owned stores | | 302.0 | | 313.6 | | 319.1 | | | |
| Domestic distribution | | 643.6 | | 718.9 | | 739.3 | | | |
| International | | 52.1 | | 60.3 | | 67.9 | | | |
| Cost of sales | | 997.7 | 74.8% | 1,092.8 | 75.6% | 1,126.3 | 74.5% | | |
| General and administrative | | 176.1 | 13.2% | 182.3 | 12.6% | 186.2 | 12.3% | | |
| Income from operations | | 159.5 | 12.0% | 171.4 | 11.8% | 199.1 | 13.2% | | |
| Interest expense, net | | (74.3) | (5.6)% | (60.5) | (4.2)% | (47.9) | (3.2)% | | |
| Other | | (22.7) | (1.7)% | (10.8) | (0.7)% | 22.1 | 1.5% | | |
| Income before provision for income taxes | | 62.4 | 4.7% | 100.1 | 6.9% | 173.3 | 11.5% | | |
| Provision for income taxes | | 23.4 | 1.8% | 37.8 | 2.6% | 65.0 | 4.3% | | |
| Net income | \$ | 39.0 | 2.9% | \$ | 62.3 | 4.3% | \$ | 108.3 | 7.2% |

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2005 compared to 2004

(tabular amounts in millions, except percentages)

Revenues. Revenues 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 certain domestic and international franchise stores.

Consolidated revenues increased \$65.1 million or 4.5% in 2005 to \$1,511.6 million, from \$1,446.5 million in 2004. This increase in revenues was due primarily to increases in revenues as a result of higher same store sales and store counts, increases in volumes at our distribution centers, offset in part by decreases in food prices and the inclusion of the 53rd week in 2004. These increases in revenues are more fully described below.

Domestic stores. Domestic stores revenues are comprised of retail sales from domestic Company-owned store operations and royalties from retail sales at domestic franchise stores, as summarized in the following table.

| | 2004 | | 2005 | |
|--------------------------------|---------|--------|---------|--------|
| Domestic Company-owned stores | \$382.5 | 71.2% | \$401.0 | 71.2% |
| Domestic franchise | 155.0 | 28.8% | 161.9 | 28.8% |
| Total domestic stores revenues | \$537.5 | 100.0% | \$562.9 | 100.0% |

Domestic stores revenues increased \$25.4 million or 4.7% to \$562.9 million in 2005, from \$537.5 million in 2004. This increase was due primarily to a 4.9% increase in same store sales and an increase in domestic franchise store counts, offset in part by the negative impact of the inclusion of the 53rd week in 2004. These results are more fully described below.

Domestic Company-owned stores. Revenues from domestic Company-owned store operations increased \$18.5 million or 4.9% to \$401.0 million in 2005, from \$382.5 million in 2004. This increase was due to an increase in same store sales, offset in part by the negative impact of the inclusion of the 53rd week in 2004. Same store sales for domestic Company-owned stores increased 7.1% in 2005 compared to 2004. There were 580 and 581 domestic Company-owned stores in operation as of January 2, 2005 and January 1, 2006, respectively.

Domestic franchise. Revenues from domestic franchise operations increased \$6.9 million or 4.4% to \$161.9 million in 2005, from \$155.0 million in 2004. 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 2005, offset in part by the negative impact of the inclusion of the 53rd week in 2004. Same store sales for domestic franchise stores increased 4.6% in 2005 compared to 2004. There were 4,428 and 4,511 domestic franchise stores in operation as of January 2, 2005 and January 1, 2006, respectively.

Domestic distribution. Revenues from domestic distribution operations increased \$27.1 million or 3.4% to \$819.1 million in 2005, from \$792.0 million in 2004. This increase was due primarily to an increase in volumes relating to increases in domestic franchise retail sales, offset in part by a market decrease in overall food prices, primarily cheese, and the negative impact of the inclusion of the 53rd week in 2004. Cheese prices negatively impacted revenues by approximately \$14.9 million in 2005.

International. Revenues from international operations increased \$12.6 million or 10.8% to \$129.6 million in 2005, from \$117.0 million in 2004. This increase was due primarily to an increase in same store sales, an increase in the average number of international stores open during 2005 and a related increase in revenues from our international distribution operations. Offsetting these increases was the negative impact of the inclusion of the 53rd week in 2004. On a constant dollar basis, same store sales increased 6.1% in 2005 compared to 2004. On a historical dollar basis, same store sales increased 8.9% in 2005 compared to 2004, reflecting a generally weaker U.S. dollar in those markets in which we compete. There were 2,749 and 2,987 international stores in operation as of January 2, 2005 and January 1, 2006, 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.

The consolidated operating margin, which we define as revenues less cost of sales, increased \$31.6 million or 8.9% to \$385.3 million in 2005, from \$353.7 million in 2004, as summarized in the following table.

| | 2004 | | 2005 | |
|-------------------------------|-----------|--------|-----------|--------|
| Consolidated revenues | \$1,446.5 | 100.0% | \$1,511.6 | 100.0% |
| Consolidated cost of sales | 1,092.8 | 75.6% | 1,126.3 | 74.5% |
| Consolidated operating margin | \$ 353.7 | 24.4% | \$ 385.3 | 25.5% |

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The \$31.6 million increase in consolidated operating margin was due primarily to increases in royalties resulting from higher retail sales at both our domestic and international franchise stores and increases in the operating margins from both our domestic Company-owned store and domestic distribution operations, offset in part by the negative impact of the inclusion of the 53rd week in 2004. Franchise revenues do not have a cost of sales component and, as a result, increases in franchise revenues have a disproportionate effect on the consolidated operating margin.

As a percentage of total revenues, our consolidated operating margin increased primarily as a result of the aforementioned increase in our domestic franchise operating margin and a market decrease in overall food prices, primarily cheese, which benefited both domestic Company-owned store and domestic distribution operating margins as a percentage of revenues. 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 increased \$13.0 million or 19.0% to \$81.9 million in 2005, from \$68.9 million in 2004, as summarized in the following table.

| | 2004 | | 2005 | |
|------------------------|---------|--------|---------|--------|
| Revenues | \$382.5 | 100.0% | \$401.0 | 100.0% |
| Cost of sales | 313.6 | 82.0% | 319.1 | 79.6% |
| Store operating margin | \$ 68.9 | 18.0% | \$ 81.9 | 20.4% |

The \$13.0 million increase in the domestic Company-owned store operating margin is due primarily to increases in same store sales, a market decrease in overall food prices, primarily cheese, lower insurance costs and the favorable impact of the adjustment made in 2004 related to a correction in accounting for leases. Offsetting these increases in part was the negative impact on the store operating margin from the inclusion of the 53rd week in 2004.

As a percentage of store revenues, food costs decreased 0.5 percentage points to 28.0% in 2005, from 28.5% in 2004, due primarily to a market decrease in food prices, primarily cheese. The cheese block price per pound averaged \$1.50 in 2005 compared to \$1.64 in 2004. As a percentage of store revenues, occupancy costs, which include rent, telephone, utilities and other related costs, including depreciation and amortization, decreased 0.8 percentage points to 11.1% in 2005, from 11.9% in 2004. The decrease in occupancy costs as a percentage of store revenues was due primarily to a decrease in rent expense as a result of the Company's correction in accounting for leases in 2004. As a percentage of store revenues, labor costs decreased 0.3 percentage points to 29.6% in 2005, from 29.9% in 2004. As a percentage of store revenues, insurance costs decreased 1.1 percentage points to 3.4% in 2005, from 4.5% in 2004. The decrease in insurance costs as a percentage of store revenues was due primarily to improved loss experience and the positive impact of higher revenues. Additionally, the domestic Company-owned store operating margin as a percentage of store revenues was negatively impacted due to the inclusion of the 53rd week in 2004.

Domestic distribution. The domestic distribution operating margin increased \$6.7 million or 9.2% to \$79.8 million in 2005, from \$73.1 million in 2004, as summarized in the following table.

| | 2004 | | 2005 | |
|-------------------------------|---------|--------|---------|--------|
| Revenues | \$792.0 | 100.0% | \$819.1 | 100.0% |
| Cost of sales | 718.9 | 90.8% | 739.3 | 90.3% |
| Distribution operating margin | \$ 73.1 | 9.2% | \$ 79.8 | 9.7% |

The \$6.7 million increase in the domestic distribution operating margin was due primarily to increases in volumes and efficiencies in the areas of operations and purchasing. Offsetting these increases in part was the negative impact on the distribution operating margin from the inclusion of the 53rd week in 2004.

As a percentage of distribution revenues, our distribution operating margin increased primarily as a result of lower food prices, including cheese, the aforementioned increase in volumes and operational and purchasing efficiencies. Decreases in certain food prices, including cheese, have a positive effect on the distribution operating margin due to the fixed dollar margin earned by domestic distribution on certain food items, including cheese. Had the 2005 cheese prices been in effect during 2004, the domestic distribution operating margin as a percentage of domestic distribution revenues would have been approximately 9.4% for 2004, resulting in a domestic distribution operating margin increase of 0.3 percentage points in 2005.

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General and administrative expenses. General and administrative expenses increased \$3.9 million or 2.1% to \$186.2 million in 2005, from \$182.3 million in 2004. As a percentage of total revenues, general and administrative expenses decreased 0.3 percentage points to 12.3% in 2005, from 12.6% in 2004. General and administrative expenses were negatively impacted by approximately \$2.9 million related to the adoption of Statement of Financial Accounting Standard (SFAS) No. 123R, "Share-Based Payment" (SFAS 123R), approximately \$2.8 million of charges incurred in connection with certain Company-owned international operations, including a \$1.3 million goodwill impairment charge, and approximately \$1.1 million of separation expenses incurred in connection with our former chief financial officer. Additionally, general and administrative expenses were negatively impacted by increases in variable general and administrative expenses, including higher administrative labor as a result of higher performance-based bonuses and increases in advertising contributions as a result of higher Company-owned same store sales. General and administrative expenses were positively impacted by the inclusion of the 53rd week in 2004 and the \$10.0 million management agreement termination fee paid to an affiliate in connection with the Company's IPO in 2004.

Interest expense. Interest expense decreased \$12.3 million or 20.2% to \$48.8 million in 2005, from \$61.1 million in 2004. This decrease in interest expense was due primarily to lower average debt balances during 2005 and approximately \$3.7 million of deferred financing and bond discount expenses incurred in connection with the redemption of \$109.1 million of Domino's, Inc.'s senior subordinated notes in August 2004. Our average outstanding borrowings decreased \$126.2 million to \$754.2 million, from \$880.4 million in 2004. Our effective borrowing rate remained flat at 5.8% in 2005, compared to 2004. Total deferred financing fee and bond discount expense, including the aforementioned amount, was \$7.8 million and \$3.0 million in 2004 and 2005, respectively.

Other. The other amount of \$22.1 million in 2005 is comprised of a gain recognized from the sale of an equity investment in an international master franchisee. The \$10.8 million in 2004 is comprised of losses incurred in connection with debt retirements, including \$9.0 million incurred in connection with the redemption of \$109.1 million of Domino's, Inc.'s senior subordinated notes in August 2004.

Provision for income taxes. Provision for income taxes increased \$27.2 million to \$65.0 million in 2005, from \$37.8 million in 2004. This increase was due primarily to an increase in pre-tax income. The Company's effective income tax rate decreased to 37.5% of pre-tax income in 2005, from 37.75% in 2004.

2004 compared to 2003

Revenues. Consolidated revenues increased \$113.2 million or 8.5% in 2004 to \$1,446.5 million, from \$1,333.3 million in 2003. This increase in revenues was due primarily to increases in revenues as a result of higher retail sales, increases in commodity prices and the effect of the 53rd week in 2004. These increases in revenues are more fully described below.

Domestic stores. Domestic stores revenues are comprised of retail sales from domestic Company-owned store operations and royalties from retail sales at domestic franchise stores, as summarized in the following table.

| | 2003 | | 2004 | |
|--------------------------------|---------|--------|---------|--------|
| Domestic Company-owned stores | \$375.4 | 72.2% | \$382.5 | 71.2% |
| Domestic franchise | 144.5 | 27.8% | 155.0 | 28.8% |
| Total domestic stores revenues | \$519.9 | 100.0% | \$537.5 | 100.0% |

Domestic stores revenues increased \$17.6 million or 3.4% to \$537.5 million in 2004, from \$519.9 million in 2003. This increase was due primarily to a 1.8% increase in same store sales, an increase in total domestic store counts and the inclusion of the 53rd week in 2004. These results are more fully described below.

Domestic Company-owned stores. Revenues from domestic Company-owned store operations increased \$7.1 million or 1.9% to \$382.5 million in 2004, from \$375.4 million in 2003. This increase was due to the inclusion of the 53rd week in 2004. Same store sales for domestic Company-owned stores increased 0.1% in 2004 compared to 2003. There were 577 and 580 domestic Company-owned stores in operation as of December 28, 2003 and January 2, 2005, respectively.

Domestic franchise. Revenues from domestic franchise operations increased \$10.5 million or 7.3% to \$155.0 million in 2004, from \$144.5 million in 2003. 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 2004. Additionally, domestic franchise revenues were positively impacted by approximately \$3.0 million due to the inclusion of the 53rd week in 2004. Same store sales for domestic franchise stores increased 2.1% in 2004 compared to 2003. There were 4,327 and 4,428 domestic franchise stores in operation as of December 28, 2003 and January 2, 2005, respectively.

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Domestic distribution. Revenues from domestic distribution operations increased \$74.9 million or 10.5% to \$792.0 million in 2004, from \$717.1 million in 2003. 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. Cheese prices favorably impacted revenues by approximately \$44.4 million in 2004. Additionally, domestic distribution revenues were positively impacted by approximately \$16.7 million due to the inclusion of the 53rd week in 2004.

International. Revenues from international operations increased \$20.6 million or 21.4% to \$117.0 million in 2004, from \$96.4 million in 2003. This increase was due primarily to an increase in same store sales, an increase in the average number of international stores open during 2004 and a related increase in revenues from our international distribution operations. Additionally, international revenues were positively impacted by approximately \$2.5 million due to the inclusion of the 53rd week in 2004. On a constant dollar basis, same store sales increased 5.9% in 2004 compared to 2003. On a historical dollar basis, same store sales increased 11.5% in 2004 compared to 2003, reflecting a generally weaker U.S. dollar in those markets in which we compete. There were 2,523 and 2,749 international stores in operation as of December 28, 2003 and January 2, 2005, respectively.

Cost of sales / Operating margin. The consolidated operating margin, which we define as revenues less cost of sales, increased \$18.1 million or 5.4% to \$353.7 million in 2004, from \$335.6 million in 2003, as summarized in the following table.

| | 2003 | | 2004 | |
|-------------------------------|-----------|--------|-----------|--------|
| Consolidated revenues | \$1,333.3 | 100.0% | \$1,446.5 | 100.0% |
| Consolidated cost of sales | 997.7 | 74.8% | 1,092.8 | 75.6% |
| Consolidated operating margin | \$ 335.6 | 25.2% | \$ 353.7 | 24.4% |

The \$18.1 million increase in consolidated operating margin was due primarily to increases in royalties resulting from higher retail sales at both our domestic and international franchise stores, offset in part by decreases in the operating margin from both our domestic Company-owned store and domestic distribution operations. Franchise revenues do not have a cost of sales component and, as a result, increases in 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 operating 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 \$4.5 million or 6.2% to \$68.9 million in 2004, from \$73.4 million in 2003, as summarized in the following table.

| | 2003 | | 2004 | |
|------------------------|---------|--------|---------|--------|
| Revenues | \$375.4 | 100.0% | \$382.5 | 100.0% |
| Cost of sales | 302.0 | 80.4% | 313.6 | 82.0% |
| Store operating margin | \$ 73.4 | 19.6% | \$ 68.9 | 18.0% |

The \$4.5 million decrease in the domestic Company-owned store operating margin is primarily due to a \$2.4 million adjustment related to a correction in accounting for leases, as well as increases in food and occupancy costs. Additionally, the domestic Company-owned store operating margin was positively impacted by approximately \$2.4 million due to the inclusion of the 53rd week in 2004.

As a percentage of store revenues, food costs increased 1.2 percentage points to 28.5% in 2004, from 27.3% in 2003, due primarily to a market increase in food prices, principally cheese. The cheese block price per pound averaged \$1.64 in 2004 compared to \$1.31 in 2003. As a percentage of store revenues, occupancy costs, which include rent, telephone, utilities and other related costs, including depreciation and amortization, increased 0.7 percentage points to 11.9% in 2004, from 11.2% in 2003. The 0.7 percentage point increase in occupancy costs was due to an increase in rent expense as a result of the Company's correction in accounting for leases. As a percentage of store revenues, labor costs decreased 0.2 percentage points to 29.9% in 2004, from 30.1% in 2003. Additionally, the domestic Company-owned store operating margin as a percentage of store revenues was positively impacted by approximately 0.3 percentage points due to the inclusion of the 53rd week in 2004.

Domestic distribution. The domestic distribution operating margin decreased \$0.3 million or 0.5% to \$73.1 million in 2004, from \$73.4 million in 2003, as summarized in the following table.

| | 2003 | | 2004 | |
|-------------------------------|---------|--------|---------|--------|
| Revenues | \$717.1 | 100.0% | \$792.0 | 100.0% |
| Cost of sales | 643.6 | 89.8% | 718.9 | 90.8% |
| Distribution operating margin | \$ 73.4 | 10.2% | \$ 73.1 | 9.2% |

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The \$0.3 million decrease in the domestic distribution operating margin was due primarily to increases in labor, delivery costs and insurance as well as a \$0.8 million adjustment related to a correction in accounting for leases. These decreases were offset in part by increases in volumes and efficiencies in the areas of operations and purchasing. Additionally, the domestic distribution operating margin was positively impacted by approximately \$1.4 million due to the inclusion of the 53rd week in 2004.

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 the 2004 cheese prices been in effect during 2003, the domestic distribution operating margin as a percentage of domestic distribution revenues would have been approximately 9.6% for 2003, resulting in a domestic distribution operating margin decrease of 0.4 percentage points in 2004. Additionally, the domestic distribution operating margin as a percentage of distribution revenues was not significantly impacted by the inclusion of the 53rd week in 2004.

General and administrative expenses. General and administrative expenses increased \$6.2 million or 3.5% to \$182.3 million in 2004, from \$176.1 million in 2003. As a percentage of total revenues, general and administrative expenses decreased 0.6 percentage points to 12.6% in 2004, from 13.2% in 2003. General and administrative expenses were negatively impacted by a \$10.0 million management agreement termination fee paid to an affiliate in connection with the Company's IPO, as well as a \$3.8 million year-over-year decrease in gains on the sale/disposal of assets. In addition, the Company recognized a credit of \$1.7 million in 2003 relating to the collection of a previously fully reserved note receivable. General and administrative expenses were also negatively impacted by higher office rents and approximately \$2.6 million of additional general and administrative expenses, primarily labor and advertising, due to the inclusion of the 53rd week in 2004. Offsetting these increases in general and administrative expenses was approximately \$15.7 million of expenses incurred in connection with the Company's June 2003 recapitalization.

Interest expense. Interest expense decreased \$13.6 million or 18.2% to \$61.1 million in 2004, from \$74.7 million in 2003. This decrease was due primarily to lower effective borrowing rates, which more than offset an increase in average outstanding borrowings. The average outstanding debt balance, excluding capital lease obligations, increased \$94.9 million to \$880.4 million in 2004, from \$785.5 million in 2003. Our effective borrowing rate decreased 0.9 percentage points to 5.8% in 2004, from 6.7% in 2003. Additionally, interest expense was positively impacted by approximately \$15.6 million of financing costs that were written-off in connection with the Company's recapitalization in 2003, offset in part by the write-off of approximately \$3.7 million of financing costs and bond discount in connection with the retirement of \$109.1 million of senior subordinated notes made in connection with the Company's initial public offering. Total deferred financing fee and bond discount expense, including the aforementioned amounts, was \$20.8 million and \$7.8 million in 2003 and 2004, respectively.

Other. Other expenses decreased \$11.9 million to \$10.8 million in 2004, from \$22.7 million in 2003. The 2004 other amounts were comprised of losses incurred in connection with debt retirements, including \$9.0 million incurred as part of the redemption of \$109.1 million of our senior subordinated notes in connection with the Company's IPO. The 2003 other amounts were comprised of losses incurred in connection with debt retirements, including \$20.4 million of bond tender fees associated with the Company's recapitalization in 2003.

Provision for income taxes. Provision for income taxes increased \$14.4 million to \$37.8 million in 2004, from \$23.4 million in 2003. This increase was due primarily to an increase in pre-tax income. The Company's effective income tax rate increased to 37.75% of pre-tax income in 2004, from 37.5% in 2003.

Summary of IPO and recapitalization expenses. The following tables present total expenses related to our IPO in 2004 and our recapitalization in 2003. These pre-tax expenses affect comparability of the 2004 and 2003 income statements.

| <i>Summary of IPO expenses</i> | 2004 |
|---|-------------|
| General and administrative expenses (termination of management agreement) | \$10.0 |
| Interest (write-off of deferred financing fees and bond discount) | 3.7 |
| Other (bond premium) | 9.0 |
| Total IPO expenses | \$22.7 |

| <i>Summary of recapitalization expenses</i> | 2003 |
|---|-------------|
| General and administrative expenses (compensation expenses) | \$15.7 |
| Interest (write-off of deferred financing fees) | 15.6 |
| Other (bond tender fees) | 20.4 |
| Total recapitalization-related expenses | \$51.7 |

Liquidity and capital resources

As of January 1, 2006, we had working capital of \$4.0 million and cash and cash equivalents of \$66.9 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, pay dividends 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 January 1, 2006.

As of January 1, 2006, we had \$737.7 million of long-term debt, of which \$35.3 million was classified as a current liability. During 2005, we borrowed \$40.0 million on our revolving credit facility that, along with cash from operations, was used to repurchase approximately 4.4 million shares of our common stock from a former affiliate. The entire \$40.0 million was repaid in 2005. At January 1, 2006, there were no outstanding borrowings under our revolving credit facility. Letters of credit issued under our \$125.0 million revolving credit facility were \$30.5 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 \$141.2 million and \$112.2 million in 2005 and 2004, respectively. The \$29.0 million increase was due primarily to a \$46.0 million increase in net income, a \$12.2 million net change in operating assets and liabilities and a \$3.7 million increase in non-cash compensation expenses. The \$12.2 million net change in operating assets and liabilities was due primarily to the timing of accounts receivable and accounts payable transactions. The \$3.7 million increase in non-cash compensation expenses was due primarily to the adoption of SFAS 123R. These increases were offset in part by a \$20.2 million change in (gains) losses on the sale/disposal of assets, an \$8.5 million decrease in provision for deferred income taxes and a \$4.8 million decrease in amortization of deferred financing costs and debt discount. The \$20.2 million change in (gains) losses on the sale/disposal of assets was due primarily to the sale of an equity investment in an international master franchisee in 2005. The \$4.8 million decrease in amortization of deferred financing costs and debt discount was due primarily to charges incurred in connection with our IPO in 2004.

Cash provided by investing activities was \$0.1 million in 2005. Cash used in investing activities was \$36.3 million in 2004. The \$36.4 million net change was due primarily to a \$23.9 million increase in proceeds from the sale of equity investments and an \$11.1 million decrease in capital expenditures. The increase in proceeds from the sale of equity investments was due to the sale of an equity investment in a master franchisee in 2005. The decrease in capital expenditures was due primarily to the timing of the renovation of our corporate headquarters, which was completed in early 2005.

Cash used in financing activities was \$114.6 million and \$82.6 million in 2005 and 2004, respectively. The \$32.0 million increase was due primarily a \$118.7 million decrease in net proceeds from the issuance of common stock, a \$73.2 million increase in purchases of common stock and a \$22.4 million increase in dividend payments, offset in part by a \$100.4 million decrease in repayments of long-term debt, \$40.0 million of proceeds resulting from short-term borrowings, a \$16.9 million decrease in distributions to our founder and former majority stockholder and his wife in conjunction with our initial public offering in 2004 and a \$20.2 million increase in tax benefit from the exercise of stock options.

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 (collectively, the "senior secured credit facility"). The senior secured credit facility was subsequently amended primarily to obtain more favorable interest rate margins, to amend the principal amortization schedule, to allow for the repayment of a portion of the senior subordinated notes as part of our IPO in lieu of a required payment under the senior secured credit facility, to allow the payment of dividends to our stockholders and to allow for the purchase and retirement of common stock.

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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 repurchase and retire up to 40% of the aggregate principal amount of the senior subordinated notes due 2011, provided that at least 60% of the original principal amount of the senior subordinated notes due 2011 remains outstanding immediately following the repurchase. During 2004, we used the net proceeds from our IPO to redeem approximately \$109.1 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 the Company.

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 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. Term loans outstanding as of January 1, 2006 were \$458.0 million. Borrowings under the term loan bear interest, payable at least quarterly, at either (i) the higher of (a) the prime rate (7.25% at January 1, 2006) and (b) 0.50% above the Federal Reserve reported overnight funds rate, each plus an applicable margin of 0.50%, or (ii) LIBOR (4.56% at January 1, 2006) plus an applicable margin of 1.50%. At January 1, 2006, our borrowing rate was 6.06% for term loan borrowings. As of January 1, 2006, all borrowings under the term loan were under a LIBOR contract with an interest period of 90 days.

Early in 2006, we made a voluntary term loan payment of \$35.0 million. After this payment, the senior secured credit facility requires no term loan principal payments in 2006 and term loan payments of \$3.2 million, \$4.3 million, \$5.4 million and \$410.0 million in 2007, 2008, 2009 and 2010, respectively. The timing of our required payments under the senior secured credit facility may change based upon voluntary prepayments and generation of excess cash flow. We are required to pay between 25% and 75% of the excess cash flow generated. The required percentage is determined once a year and is based on our leverage ratio at the end of the preceding year. Excess cash flow is calculated as (i) earnings before interest, taxes, depreciation and amortization; less (ii) the sum of debt repayments, capital expenditures, cash interest expense, provision for current taxes and certain other adjustments, if any, which have historically included our 2003 recapitalization transaction expenses, comprised of bond tender fees and financing fees, and our 2004 IPO expenses, comprised primarily of the payment made to an affiliate of our former majority stockholder in connection with the termination of its management agreement with us. Total debt is divided by the amount in clause (i) to calculate the leverage ratio. If the leverage ratio is over 4.0, between 4.0 and 3.25 or less than 3.25, we are obligated to pay 75%, 50% or 25% of the excess cash flows amounts generated, respectively. The required percentage for 2005 to be paid in 2006 was 25%. However, no payment is required in 2006 because there is no excess cash flow as calculated as we voluntarily prepaid a significant amount of term loans during the year. 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.

In connection with our IPO, we amended our senior secured credit facility and obtained consent under the facility to permit the use of proceeds described in our offering prospectus filed with the Securities and Exchange Commission. 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) LIBOR 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 January 1, 2006, the fee for letter of credit amounts outstanding was 2.625%. At January 1, 2006, there was \$94.5 million in available borrowings under the revolving credit facility, with \$30.5 million of letters of credit outstanding. The revolving credit facility expires in June 2009.

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Based upon our current level of operations and anticipated growth, we believe that the cash generated from our operations and amounts available under our revolving credit facility will be adequate to meet our anticipated debt service requirements, including payments required under the excess cash flow provisions of our senior secured credit facility, capital expenditures and working capital needs for the next several years. We believe that we will be able to meet these obligations even if we experience no growth in sales or profits. Our ability to continue to fund these items and continue to reduce debt could be adversely affected by the occurrence of any of the events described in Item 1A, Risk factors. There can be no assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under our revolving credit facility or otherwise to enable us to service our indebtedness, including our senior secured credit facility and 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 secured 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 2003, 2004 or 2005. 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.

New accounting pronouncement

In May 2005, the Financial Accounting Standards Board issued SFAS No. 154 (SFAS 154), Accounting Changes and Error Corrections. Under SFAS 154, entities will be required to report a change in accounting principle through retrospective application of the new accounting principle to all prior periods, unless impracticable to do so. In addition, errors in the financial statements of a prior period discovered subsequent to their issuance shall be reported as a prior period adjustment by restating the prior period financial statements. This standard will be effective for accounting changes and corrections of errors made, if any, commencing in 2006.

Contractual obligations

The following is a summary of our significant contractual obligations at January 1, 2006.

| (dollars in millions) | 2006 | 2007 | 2008 | 2009 | 2010 | Thereafter | Total |
|---|--------|--------|--------|--------|---------|------------|---------|
| Long-term debt, including current portion (1) | \$35.0 | \$ 3.3 | \$ 4.4 | \$ 5.4 | \$410.0 | \$ 274.0 | \$732.2 |
| Capital lease | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 5.6 | 9.3 |
| Operating leases (2) | 35.6 | 29.9 | 25.5 | 20.8 | 16.0 | 43.0 | 170.8 |

- (1) The long-term debt contractual obligations included above differ from the long-term debt amounts reported in our consolidated financial statements as the above amounts do not include the effect of debt discounts of approximately \$1.4 million at January 1, 2006 and the fair value of our fair value derivatives, which was \$1.2 million at January 1, 2006. Additionally, the principal portion of the capital lease obligation amounts above, which totaled \$5.7 million at January 1, 2006, are classified as debt in our consolidated financial statements. The above long-term debt amounts do not include interest. The interest rate on our \$273.9 million of senior subordinated notes is fixed at 8.25% per year. The interest rate on our \$458.0 million of senior credit facility borrowings is variable, based on LIBOR plus an applicable margin. Interest amounts vary from year-to-year due to, among other things, changes in market interest rates, voluntary payments of debt obligations and changes in interest rate derivative contracts.
- (2) We lease certain 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 January 1, 2006, there was \$273.9 million in aggregate principal amount of senior subordinated notes outstanding, not including a related \$1.4 million discount.

Off-balance sheet arrangements

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 January 1, 2006 were \$31.0 million and primarily relate to letters of credit for our insurance programs and distribution center leases.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in this report relating to our anticipated profitability and operating performance are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Among these risks and uncertainties are competitive factors, increases in our operating costs, ability to retain our key personnel, our substantial leverage, ability to implement our growth and cost-saving strategies, industry trends and general economic conditions, adequacy of insurance coverage and other factors, all of which are described in this and other filings made with the Securities and Exchange Commission. See Item 1A, Risk factors. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

FORWARD LOOKING STATEMENTS

The matters discussed in this Form 10-K 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,” “project,” “should,” “will be,” “will continue,” “will likely result,” “would” and other words and terms of similar meaning in conjunction with a discussion 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 in Item 1A, Risk factors, as well as any cautionary language in this Form 10-K, 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 in Item 1A, Risk factors.

Forward-looking statements speak only as of the date of this Form 10-K. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission, we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-K, 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 Form 10-K 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.

This Form 10-K contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”), including information within Management’s Discussion and Analysis of Financial Condition and Results of Operations. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the “safe harbor” provisions of the Act. 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, 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;
- Changes in foreign currency exchange rates;
- 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.

We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**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. We do not enter into financial instruments to hedge commodity prices. We purchase cheese at market prices, which fluctuate on a daily basis. The cheese block price per pound averaged \$1.64 and \$1.50 in 2004 and 2005, respectively. The estimated change in Company-owned store food costs from a hypothetical \$0.25 change in the average cheese block price per pound would have been approximately \$4.0 million in 2005. 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 volatility relating to our borrowing costs in addition to fulfilling requirements under our debt agreements.

As of January 1, 2006, we were party to two interest rate swap agreements which effectively convert the fixed interest component on a portion of the debt under our senior subordinated notes to variable LIBOR-based rates over the term of the senior subordinated notes. We are also party to an interest rate swap agreement which effectively converts the variable LIBOR component of the effective interest rate on a portion of our debt under our senior secured credit facility to a fixed rate over the stated term. These agreements are summarized in the following table.

| Derivative | Total Notional Amount | Term | Company Pays | Counterparty Pays |
|--------------------|------------------------------|-------------------------|-----------------------------|--------------------------|
| Interest rate swap | \$50.0 million | August 2003 – July 2011 | LIBOR plus 319 basis points | 8.25% |
| Interest rate swap | \$50.0 million | August 2003 – July 2011 | LIBOR plus 324 basis points | 8.25% |
| Interest rate swap | \$350.0 million | June 2005 – June 2007 | 3.21% | LIBOR |

Interest rate risk

Our variable interest expense is sensitive to changes in the general level of interest rates. As of January 1, 2006, the weighted average interest rate on our \$208.0 million of variable interest debt, which is net of related outstanding derivative instruments, was 6.9%.

We had total interest expense of approximately \$48.8 million in 2005. The estimated increase in interest expense for this period from a hypothetical 200 basis point adverse change in applicable variable interest rates would be approximately \$4.2 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 7.2%, 8.1% and 8.6% of our total revenues in 2003, 2004 and 2005, respectively, were derived from sales to customers and royalties from franchisees outside the contiguous United States. This business is conducted in the local currency. We do not enter into financial instruments to manage this foreign currency exchange risk.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
of Domino's Pizza, Inc.:

We have completed an integrated audit of Domino's Pizza, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of January 1, 2006 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Domino's Pizza, Inc. and its subsidiaries at January 1, 2006 and January 2, 2005, and the results of their operations and their cash flows for each of the three years in the period ended January 1, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in the Stock Options paragraph within Note 1 to the consolidated financial statements, the Company changed its method of accounting for share based compensation as of January 3, 2005.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Annual Report on Internal Control on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of January 1, 2006 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 1, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

/s/ PRICEWATERHOUSECOOPERS LLP

Detroit, Michigan
March 3, 2006

DOMINO'S PIZZA, INC. AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

| <u>ASSETS</u> | <u>January 2, 2005</u> | <u>January 1, 2006</u> |
|--|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 40,396 | \$ 66,919 |
| Accounts receivable, net of reserves of \$4,726 in 2004 and \$3,584 in 2005 | 73,138 | 74,437 |
| Inventories | 21,505 | 24,231 |
| Notes receivable, net of reserves of \$1,099 in 2004 and \$602 in 2005 | 1,763 | 408 |
| Prepaid expenses and other | 13,555 | 13,771 |
| Advertising fund assets, restricted | 32,817 | 35,643 |
| Deferred income taxes | 6,317 | 5,937 |
| Total current assets | <u>189,491</u> | <u>221,346</u> |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Land and buildings | 23,241 | 22,107 |
| Leasehold and other improvements | 74,922 | 82,802 |
| Equipment | 159,462 | 163,840 |
| Construction in progress | 6,114 | 2,892 |
| | <u>263,739</u> | <u>271,641</u> |
| Accumulated depreciation and amortization | (126,856) | (140,186) |
| Property, plant and equipment, net | <u>136,883</u> | <u>131,455</u> |
| OTHER ASSETS: | | |
| Investments in marketable securities, restricted | 5,000 | 534 |
| Notes receivable, less current portion, net of reserves of \$1,096 in 2004 and \$1,440 in 2005 | 1,413 | 1,839 |
| Deferred financing costs, net of accumulated amortization of \$3,503 in 2004 and \$5,873 in 2005 | 13,411 | 11,652 |
| Goodwill | 22,955 | 22,084 |
| Capitalized software, net of accumulated amortization of \$33,369 in 2004 and \$36,056 in 2005 | 24,079 | 20,337 |
| Other assets, net of accumulated amortization of \$1,754 in 2004 and \$2,190 in 2005 | 14,419 | 13,170 |
| Deferred income taxes | 39,696 | 38,657 |
| Total other assets | <u>120,973</u> | <u>108,273</u> |
| Total assets | <u>\$ 447,347</u> | <u>\$ 461,074</u> |

The accompanying notes are an integral part of these consolidated balance sheets.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETS

(Continued)

(In thousands, except share and per share amounts)

| <u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u> | <u>January 2, 2005</u> | <u>January 1, 2006</u> |
|---|----------------------------|----------------------------|
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | \$ 25,295 | \$ 35,304 |
| Accounts payable | 55,350 | 60,330 |
| Accrued compensation | 25,852 | 29,761 |
| Accrued interest | 10,672 | 11,349 |
| Accrued income taxes | 768 | 8,660 |
| Insurance reserves | 9,778 | 9,681 |
| Advertising fund liabilities | 32,817 | 35,643 |
| Other accrued liabilities | 29,135 | 26,657 |
| Total current liabilities | <u>189,667</u> | <u>217,385</u> |
| LONG-TERM LIABILITIES: | | |
| Long-term debt, less current portion | 755,405 | 702,358 |
| Insurance reserves | 18,039 | 23,640 |
| Other accrued liabilities | 34,116 | 28,676 |
| Total long-term liabilities | <u>807,560</u> | <u>754,674</u> |
| Total liabilities | <u>997,227</u> | <u>972,059</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' DEFICIT: | | |
| Common stock, par value \$0.01 per share; 170,000,000 shares authorized; 68,686,585 shares in 2004 and 67,184,334 in 2005 issued and outstanding | 687 | 672 |
| Additional paid-in capital | 302,413 | 259,695 |
| Retained deficit | (859,289) | (777,906) |
| Deferred stock compensation | (202) | - |
| Accumulated other comprehensive income | 6,511 | 6,554 |
| Total stockholders' deficit | <u>(549,880)</u> | <u>(510,985)</u> |
| Total liabilities and stockholders' deficit | <u>\$ 447,347</u> | <u>\$ 461,074</u> |

The accompanying notes are an integral part of these consolidated balance sheets.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

| | For the Years Ended | | |
|---|----------------------|--------------------|--------------------|
| | December 28, 2003 | January 2, 2005 | January 1, 2006 |
| REVENUES: | | | |
| Domestic Company-owned stores | \$ 375,421 | \$ 382,458 | \$ 401,008 |
| Domestic franchise | 144,458 | 155,030 | 161,857 |
| Domestic distribution | 717,057 | 792,026 | 819,097 |
| International | 96,386 | 116,983 | 129,635 |
| Total revenues | 1,333,322 | 1,446,497 | 1,511,597 |
| COST OF SALES: | | | |
| Domestic Company-owned stores | 302,009 | 313,586 | 319,072 |
| Domestic distribution | 643,621 | 718,937 | 739,300 |
| International | 52,072 | 60,293 | 67,937 |
| Total cost of sales | 997,702 | 1,092,816 | 1,126,309 |
| OPERATING MARGIN | 335,620 | 353,681 | 385,288 |
| GENERAL AND ADMINISTRATIVE | 176,147 | 182,302 | 186,184 |
| INCOME FROM OPERATIONS | 159,473 | 171,379 | 199,104 |
| INTEREST INCOME | 387 | 581 | 818 |
| INTEREST EXPENSE | (74,678) | (61,068) | (48,755) |
| OTHER | (22,747) | (10,832) | 22,084 |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 62,435 | 100,060 | 173,251 |
| PROVISION FOR INCOME TAXES | 23,398 | 37,773 | 64,969 |
| NET INCOME | \$ 39,037 | \$ 62,287 | \$ 108,282 |
| NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS – BASIC AND DILUTED | \$ (4,004) | \$ 62,287 | \$ 108,282 |
| EARNINGS (LOSS) PER SHARE: | | | |
| Class L – basic | \$ 10.26 | \$ 5.57 | N/A |
| Class L – diluted | \$ 10.25 | \$ 5.57 | N/A |
| Common Stock – basic | \$ (1.26) | \$ 0.85 | \$ 1.62 |
| Common Stock – diluted | \$ (1.26) | \$ 0.81 | \$ 1.58 |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

| | For the Years Ended | | |
|---|----------------------|--------------------|--------------------|
| | December 28, 2003 | January 2, 2005 | January 1, 2006 |
| NET INCOME | \$ 39,037 | \$ 62,287 | \$ 108,282 |
| OTHER COMPREHENSIVE INCOME, BEFORE TAX: | | | |
| Currency translation adjustment | 1,704 | 1,531 | (1,780) |
| Unrealized gains (losses) on derivative instruments | (1,856) | 5,141 | 5,546 |
| Reclassification adjustment for (gains) losses included in net income | 6,300 | 2,828 | (2,647) |
| | 6,148 | 9,500 | 1,119 |
| TAX ATTRIBUTES OF ITEMS IN OTHER COMPREHENSIVE INCOME | (1,628) | (2,998) | (1,076) |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | 4,520 | 6,502 | 43 |
| COMPREHENSIVE INCOME | \$ 43,557 | \$ 68,789 | \$ 108,325 |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

(In thousands, except share data)

| | Class L Common Stock | | Common Stock | | Additional Paid-in Capital | Retained Deficit | Deferred Stock Compensation | Accumulated Other Comprehensive Income (Loss) | |
|---|-------------------------|--------------|-------------------|---------------|----------------------------------|---------------------|-----------------------------------|---|--|
| | Shares | Amount | Shares | Amount | | | | Currency Translation Adjustment | Fair Value of Derivative Instruments |
| | | | | | | | | | |
| BALANCE AT DECEMBER 29, 2002 | 3,614,870 | \$ 36 | 32,709,603 | \$ 327 | \$ 283,270 | \$(750,936) | \$ (1,565) | \$ 471 | \$ (4,982) |
| Net income | - | - | - | - | - | 39,037 | - | - | - |
| Common stock dividends | - | - | - | - | - | (188,333) | - | - | - |
| Purchase of common stock | (404) | - | (48,370) | - | (532) | - | - | - | - |
| Accretion of cumulative preferred stock | - | - | - | - | (33,916) | - | - | - | - |
| Dividends declared on cumulative preferred stock | - | - | - | - | (68,617) | - | - | - | - |
| Exercise of stock options | - | - | 44,733 | - | 85 | - | - | - | - |
| Tax benefit related to the exercise of stock options | - | - | - | - | 134 | - | - | - | - |
| Non-cash compensation expense, including amortization of deferred stock compensation | - | - | - | - | 1,473 | - | 1,565 | - | - |
| Currency translation adjustment | - | - | - | - | - | - | - | 1,704 | - |
| Unrealized losses on derivative instruments, net of tax | - | - | - | - | - | - | - | - | (1,121) |
| Reclassification adjustment for losses on derivative instruments included in net income, net of tax | - | - | - | - | - | - | - | - | 3,937 |
| BALANCE AT DECEMBER 28, 2003 | 3,614,466 | 36 | 32,705,966 | 327 | 181,897 | (900,232) | - | 2,175 | (2,166) |
| Net income | - | - | - | - | - | 62,287 | - | - | - |
| Distributions | - | - | - | - | - | (16,880) | - | - | - |
| Common stock dividends | - | - | - | - | - | (4,464) | - | - | - |
| Issuance of common stock, net | - | - | 9,391,232 | 94 | 119,685 | - | - | - | - |
| Purchase of common stock | (15,321) | - | (4,804) | - | (1,773) | - | - | - | - |
| Exercise of stock options | 14,814 | - | 276,542 | 3 | 1,302 | - | - | - | - |
| Tax benefit related to the exercise of stock options | - | - | - | - | 1,276 | - | - | - | - |
| Conversion of Class L common stock into common stock | (3,613,959) | (36) | 3,613,959 | 36 | - | - | - | - | - |
| Reclassification adjustment relating to reincorporation | - | - | 22,703,690 | 227 | (227) | - | - | - | - |
| Deferred stock compensation relating to stock options | - | - | - | - | 253 | - | (253) | - | - |
| Amortization of deferred stock compensation | - | - | - | - | - | - | 51 | - | - |
| Currency translation adjustment | - | - | - | - | - | - | - | 1,531 | - |
| Unrealized gains on derivative instruments, net of tax | - | - | - | - | - | - | - | - | 3,207 |
| Reclassification adjustment for losses on derivative instruments included in net income, net of tax | - | - | - | - | - | - | - | - | 1,764 |
| BALANCE AT JANUARY 2, 2005 | - | - | 68,686,585 | 687 | 302,413 | (859,289) | (202) | 3,706 | 2,805 |
| Net income | - | - | - | - | - | 108,282 | - | - | - |
| Capital contribution and other | - | - | - | - | 532 | - | - | - | - |
| Common stock dividends | - | - | - | - | - | (26,899) | - | - | - |
| Issuance of common stock | - | - | 63,651 | 1 | 1,083 | - | - | - | - |
| Purchase of common stock | - | - | (4,409,171) | (44) | (74,956) | - | - | - | - |
| Exercise of stock options | - | - | 2,843,269 | 28 | 5,525 | - | - | - | - |
| Tax benefit related to the exercise of stock options | - | - | - | - | 21,504 | - | - | - | - |
| Non-cash compensation expense, including amortization of deferred stock compensation | - | - | - | - | 3,746 | - | 50 | - | - |
| Reclassification of deferred stock compensation | - | - | - | - | (152) | - | 152 | - | - |
| Currency translation adjustment | - | - | - | - | - | - | - | (1,780) | - |
| Unrealized gains on derivative instruments, net of tax | - | - | - | - | - | - | - | - | 3,464 |
| Reclassification adjustment for gains on derivative instruments included in net income, net of tax | - | - | - | - | - | - | - | - | (1,641) |
| BALANCE AT JANUARY 1, 2006 | - | \$ - | 67,184,334 | \$ 672 | \$ 259,695 | \$(777,906) | \$ - | \$ 1,926 | \$ 4,628 |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | For the Years Ended | | |
|---|----------------------|--------------------|--------------------|
| | December 28, 2003 | January 2, 2005 | January 1, 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 39,037 | \$ 62,287 | \$ 108,282 |
| Adjustments to reconcile net income to net cash provided by operating activities- | | | |
| Depreciation and amortization | 29,822 | 31,705 | 32,415 |
| Provision (benefit) for losses on accounts and notes receivable | (212) | 1,440 | 1,254 |
| (Gains) losses on sale/disposal of assets | (2,606) | 1,194 | (18,998) |
| Provision for deferred income taxes | 7,799 | 8,761 | 308 |
| Amortization of deferred financing costs and debt discount | 20,756 | 7,808 | 3,020 |
| Non-cash compensation expense | 3,038 | 51 | 3,796 |
| Changes in operating assets and liabilities- | | | |
| Increase in accounts receivable | (7,393) | (8,823) | (3,290) |
| Decrease (increase) in inventories, prepaid expenses and other | 1,001 | 913 | (1,181) |
| Increase in accounts payable and accrued liabilities | 7,420 | 4,406 | 14,810 |
| Increase in insurance reserves | 4,411 | 2,444 | 781 |
| Net cash provided by operating activities | <u>103,073</u> | <u>112,186</u> | <u>141,197</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (29,161) | (39,763) | (28,689) |
| Proceeds from sale of property, plant and equipment | 1,101 | 834 | 3,899 |
| Proceeds from sale of equity investments | - | 1,614 | 25,532 |
| Repayments of notes receivable, net | 10,423 | 2,556 | 818 |
| Other, net | (1,927) | (1,511) | (1,423) |
| Net cash provided by (used in) investing activities | <u>(19,564)</u> | <u>(36,270)</u> | <u>137</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of long-term debt | 1,010,090 | 92 | 40,000 |
| Repayments of long-term debt and capital lease obligation | (662,492) | (180,708) | (80,343) |
| Cash paid for financing costs | (21,142) | (1,254) | (1,014) |
| Proceeds from issuance of common stock, net | - | 119,779 | 1,084 |
| Proceeds from exercise of stock options | 85 | 1,305 | 5,553 |
| Tax benefit from exercise of stock options | 134 | 1,276 | 21,504 |
| Purchase of common stock | (532) | (1,773) | (75,000) |
| Purchase of cumulative preferred stock | (200,557) | - | - |
| Distributions | - | (16,880) | - |
| Common stock dividends | (188,333) | (4,464) | (26,899) |
| Capital contribution and other | - | - | 532 |
| Net cash used in financing activities | <u>(62,747)</u> | <u>(82,627)</u> | <u>(114,583)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>178</u> | <u>716</u> | <u>(228)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 20,940 | (5,995) | 26,523 |
| CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD | <u>25,451</u> | <u>46,391</u> | <u>40,396</u> |
| CASH AND CASH EQUIVALENTS, AT END OF PERIOD | <u>\$ 46,391</u> | <u>\$ 40,396</u> | <u>\$ 66,919</u> |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Domino's Pizza, Inc. (DPI), a Delaware corporation, conducts its operations and derives substantially all of its operating income and cash flows through its wholly-owned subsidiary, Domino's, Inc. (Domino's) and Domino's wholly-owned subsidiary, Domino's Pizza LLC. DPI and its wholly-owned subsidiaries (collectively, the Company) are primarily engaged in the following business activities: (i) retail sales of food through Company-owned Domino's Pizza stores, (ii) sales of food, equipment and supplies to Company-owned and franchised Domino's Pizza stores through Company-owned distribution centers, and (iii) receipt of royalties from domestic and international Domino's Pizza franchisees.

Merger, Reincorporation and Reverse Stock Split

DPI is the surviving entity of a merger with its former parent company TISM, Inc. (TISM). On May 11, 2004, TISM, a Michigan corporation, reincorporated in Delaware by merging with and into DPI, its wholly-owned subsidiary. The merger was a reincorporation for U.S. Federal income tax purposes. DPI previously conducted no business activities and was organized solely for the purpose of effecting the reincorporation of TISM in Delaware. In connection with the merger, a two-for-three stock split was consummated for each class of common stock. The financial statements have been retroactively adjusted to give effect to the stock split. There was no other impact of the merger on the financial statements.

Initial Public Offering of Common Stock

DPI completed an initial public offering of its common stock on July 16, 2004 (the IPO). As part of the IPO, DPI issued and sold 9,375,000 shares of common stock resulting in net proceeds to the Company of approximately \$119.6 million. Existing DPI stockholders concurrently sold 14,846,929 shares of common stock. The Company did not receive any proceeds from the sale of shares by the selling stockholders. As part of the IPO, the Company used primary proceeds to repay \$109.1 million in debt, and used funds generated from operations to terminate the Company's management agreement with an affiliate of a DPI stockholder and pay in full outstanding contingent notes payable.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of DPI and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Fiscal Year

The Company's fiscal year ends on the Sunday closest to December 31. The 2003 fiscal year ended December 28, 2003; the 2004 fiscal year ended January 2, 2005; and the 2005 fiscal year ended January 1, 2006. The 2003 and 2005 fiscal years consisted of fifty-two weeks, while the 2004 fiscal year consisted of fifty-three weeks.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase. These investments are carried at cost, which approximates fair value.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Inventories

Inventories are valued at the lower of cost (on a first-in, first-out basis) or market.

Inventories at January 2, 2005 and January 1, 2006 are comprised of the following (in thousands):

| | <u>2004</u> | <u>2005</u> |
|------------------------|-----------------|-----------------|
| Food | \$18,437 | \$21,361 |
| Equipment and supplies | 3,068 | 2,870 |
| Inventories | \$21,505 | \$24,231 |

Notes Receivable

During the normal course of business, the Company may provide financing to franchisees in the form of notes. Notes receivable generally require monthly payments of principal and interest, or monthly payments of interest only, generally ranging from 10% to 12%, with balloon payments of the remaining principal due one to ten years from the original issuance date. Such notes are generally secured by the related assets or business. The carrying amounts of these notes approximate fair value.

Other Assets

Current and long-term other assets primarily include prepaid expenses such as insurance, rent and taxes, deposits, investments in international franchisees, covenants not-to-compete and other intangible assets primarily arising from franchise acquisitions, and assets relating to the fair value of derivatives. Amortization expense for financial reporting purposes is provided using the straight-line method over the useful lives for covenants not-to-compete and other intangible assets and was approximately \$829,000, \$549,000 and \$509,000 in 2003, 2004, and 2005, respectively. As of January 1, 2006, scheduled amortization for the next five fiscal years is approximately \$505,000, \$398,000, \$380,000, \$336,000, and \$333,000 for 2006, 2007, 2008, 2009 and 2010, respectively.

During 2005, the Company sold an equity investment in an international master franchisee, resulting in proceeds of \$25.5 million and a gain of \$22.1 million. The gain was recorded in other in the consolidated statement of income.

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost. Repair and maintenance costs are expensed as incurred. Depreciation and amortization expense for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives, other than the estimated useful life of the capital lease asset as described below, are generally as follows (in years):

| | |
|----------------------------------|--------|
| Buildings | 20 |
| Leasehold and other improvements | 7 – 15 |
| Equipment | 3 – 12 |

Included in land and buildings as of January 2, 2005 and January 1, 2006 is a net capital lease asset of approximately \$5.7 million and \$5.3 million, respectively, related to the lease of a distribution center building. This capital lease asset is being amortized using the straight-line method over the fifteen-year lease term.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Depreciation and amortization expense on property, plant and equipment was approximately \$22.9 million, \$24.6 million and \$25.6 million in 2003, 2004 and 2005, respectively.

Impairments of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company evaluates the potential impairment of long-lived assets based on various analyses including the projection of undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For Company-owned stores, the Company performs this evaluation on an operating market basis, which the Company has determined to be the lowest level for which identifiable cash flows are largely independent of other cash flows. If the carrying amount of a long-lived asset exceeds the amount of the expected future undiscounted cash flows of that asset, an impairment loss is recognized and the asset is written down to its estimated fair value.

Investments in Marketable Securities

Investments in marketable securities consist of investments in various mutual funds made by eligible individuals as part of the Company's deferred compensation plan (Note 5). These investments are stated at aggregate fair value, are restricted and have been placed in a rabbi trust whereby the amounts are irrevocably set aside to fund the Company's obligations under the deferred compensation plan. The Company classifies these investments in marketable securities as trading and accounts for them in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Deferred Financing Costs

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of the 2003 Recapitalization (Note 2). Amortization is provided using the effective interest rate method over the terms of the respective debt instruments to which the costs relate and is included in interest expense.

In connection with the 2003 Recapitalization and the IPO, the Company expensed financing costs of approximately \$15.6 million and \$3.1 million, respectively. Amortization of deferred financing costs, including the aforementioned amounts, was approximately \$20.6 million, \$6.7 million and \$2.8 million in 2003, 2004 and 2005, respectively.

Goodwill

The Company's goodwill amounts primarily relate to franchise store acquisitions and, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", are not amortized. The Company performs its required impairment tests in the fourth quarter of each fiscal year and did not recognize any significant goodwill impairment charges in 2003 or 2004. During the fourth quarter of 2005, the Company determined that goodwill related to certain Company-owned operations in the Netherlands was impaired. Total charges related to these foreign operations totaled approximately \$2.8 million, including a goodwill impairment charge of approximately \$1.3 million. The impairment charge was recorded in general and administrative expense.

Capitalized Software

Capitalized software is recorded at cost and includes purchased, internally-developed and externally-developed software used in the Company's operations. Amortization expense for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the software, which range from two to seven years. Capitalized software amortization expense was approximately \$6.1 million, \$6.6 million and \$6.3 million in 2003, 2004 and 2005, respectively. As of January 1, 2006, scheduled amortization for the next five fiscal years is approximately \$4.8 million, \$4.2 million, \$3.9 million, \$1.5 million and \$268,000 for 2006, 2007, 2008, 2009 and 2010, respectively.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Insurance Reserves

The Company has retention programs 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. The Company is generally responsible for up to \$1.0 million per occurrence under these retention programs for workers' compensation and general liability exposures. The Company is 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 on the year 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.

Insurance reserves relating to our retention programs are based on undiscounted actuarial estimates from an independent third party actuary. These estimates are based on historical information along with certain 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. The Company receives an annual estimate of outstanding insurance exposures from its independent actuary and differences between these estimated actuarial exposures and the Company's recorded amounts are adjusted as appropriate. In management's opinion, the insurance reserves at January 2, 2005 and January 1, 2006 are sufficient to cover related losses.

Other Accrued Liabilities

Current and long-term other accrued liabilities primarily include accruals for sales, other taxes, legal matters, marketing and advertising expenses, store operating expenses, deferred rent expense and deferred compensation liabilities.

Foreign Currency Translation

The Company's foreign entities use their local currency as the functional currency, in accordance with the provisions of SFAS No. 52, "Foreign Currency Translation." Where the functional currency is the local currency, the Company translates net assets into U.S. dollars at year end exchange rates, while income and expense accounts are translated at average annual exchange rates. Currency translation adjustments are included in accumulated other comprehensive income and foreign currency transaction gains and losses are included in determining net income.

Revenue Recognition

Domestic Company-owned stores revenues are comprised of retail sales of food through Company-owned Domino's Pizza stores located in the contiguous United States and are recognized when the items are delivered to or carried out by customers.

Domestic franchise revenues are primarily comprised of royalties from Domino's Pizza franchisees with operations in the contiguous United States. Royalty revenues are recognized when the items are delivered to or carried out by franchise customers.

Domestic distribution revenues are primarily comprised of sales of food, equipment and supplies to franchised Domino's Pizza stores located in the contiguous United States. Revenues from the sales of food are recognized upon delivery of the food to franchisees, while revenues from the sales of equipment and supplies are generally recognized upon shipment of the related products to franchisees.

International revenues are primarily comprised of sales of food to, and royalties from, foreign, Alaskan and Hawaiian Domino's Pizza franchisees, as well as retail sales of food through Company-owned stores in the Netherlands and France. These revenues are recognized consistently with the policies applied for revenues generated in the contiguous United States.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Distribution Profit-Sharing Arrangements

The Company enters into profit-sharing arrangements with Domestic Stores (Note 10) that purchase all of their food from Company-owned distribution centers. These profit-sharing arrangements generally provide participating stores with 50% of their regional distribution center's pre-tax profits based upon each store's purchases from the distribution center. Profit-sharing obligations are recorded as a revenue reduction in the Domestic Distribution (Note 10) segment in the same period as the related revenues and costs are recorded, and were \$41.6 million in each of 2003 and 2004 and \$44.7 million in 2005.

Advertising

Advertising costs are expensed as incurred. Advertising expense, which relates primarily to Company-owned stores, was approximately \$36.6 million, \$37.0 million and \$39.6 million during 2003, 2004 and 2005, respectively.

Domestic Stores are required to contribute a certain percentage of sales to the Domino's National Advertising Fund Inc. (DNAF), a not-for-profit subsidiary that administers the Domino's Pizza system's national and market level advertising activities. Included in advertising expense were national advertising contributions from Company-owned stores to DNAF of approximately \$11.3 million, \$11.4 million and \$15.9 million in 2003, 2004 and 2005, respectively. DNAF also received national advertising contributions from franchisees of approximately \$77.7 million, \$83.0 million and \$114.2 million during 2003, 2004 and 2005, respectively. Franchisee contributions and offsetting expenses are presented net in the accompanying statements of income.

DNAF assets, consisting primarily of cash received from franchisees and accounts receivable from franchisees, can only be used for activities that promote the Domino's Pizza brand. Accordingly, all assets held by the DNAF are considered restricted.

Rent

The Company leases certain equipment, vehicles, retail store and distribution center locations and its corporate headquarters under operating leases with expiration dates through 2019. During 2004, the Company corrected its accounting for leases to conform the lease terms used in calculating straight-line rent expense to the terms used to amortize related leasehold improvements. This correction resulted in the acceleration of rent expense under certain leases that contain fixed escalations in rental payments. The rent expense adjustment related to this correction was approximately \$2.8 million and was recognized in the fourth quarter of 2004. Rent expenses, including the aforementioned adjustment, totaled approximately \$38.4 million, \$44.2 million and \$42.6 million during 2003, 2004 and 2005, respectively.

Common Stock Dividends

During 2003, the Company paid a dividend totaling \$188.3 million to shareholders as part of the 2003 Recapitalization. During 2004, the Company declared and paid to shareholders a dividend totaling \$4.5 million, or 6.5 cents per share. During 2005, the Company declared and paid to shareholders dividends totaling \$26.9 million or 40 cents per share.

Derivative Instruments

The Company accounts for its derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and related guidance which require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

During 2003, the Company entered into two interest rate derivative agreements to effectively convert the fixed interest rate component of the Company's senior subordinated debt to variable LIBOR-based rates over the term of the related debt. The Company has designated these agreements as fair value hedges. During 2004, the Company entered into an interest rate derivative agreement to effectively convert the variable LIBOR component of the effective interest rate on a portion of the Company's term loan debt to a fixed rate, in an effort to reduce the impact of interest rate changes on income. The Company has designated this agreement as a cash flow hedge. The Company has determined that no ineffectiveness exists related to these derivatives. Related gains and losses upon settlement of these derivatives are recorded in interest expense.

These agreements are summarized as follows:

| Derivative | Total Notional Amount | Term | Company Pays | Counterparty Pays |
|--------------------|-----------------------|-------------------------|-----------------------------|-------------------|
| Interest Rate Swap | \$50.0 million | August 2003 – July 2011 | LIBOR plus 319 basis points | 8.25% |
| Interest Rate Swap | \$50.0 million | August 2003 – July 2011 | LIBOR plus 324 basis points | 8.25% |
| Interest Rate Swap | \$350.0 million | June 2005 – June 2007 | 3.21% | LIBOR |

At January 2, 2005, the fair value of the Company's cash flow hedges is a net asset of approximately \$4.5 million, of which \$1.7 million is included in prepaid expenses and other and \$2.8 million is included in long-term other assets. At January 1, 2006, the fair value of the Company's cash flow hedge is a net asset of approximately \$7.4 million, of which \$5.1 million is included in prepaid expenses and other and \$2.3 million is included in long-term other assets.

At January 2, 2005, the fair value of the Company's fair value hedges is a net asset of approximately \$4.0 million, of which \$1.6 million is included in prepaid expenses and other and \$2.4 million is included in long-term other assets. At January 1, 2006, the fair value of the Company's fair value hedges is a net asset of approximately \$1.2 million, of which \$250,000 is included in prepaid expenses and other and \$901,000 is included in long-term other assets.

Earnings Per Share

The Company accounts for earnings per share in accordance with SFAS No. 128, "Earnings Per Share" and related guidance, which requires two calculations of earnings per share (EPS) to be disclosed: basic EPS and diluted EPS.

For periods prior to the IPO, the Company calculates EPS information using the two-class method due to the Company's capital structure in place prior to the IPO and further described in Note 9. Accordingly, EPS information for both Class L Common Stock and Common Stock are presented for periods prior to the IPO. For periods after the IPO, the Company presents EPS information for Common Stock only as the Class L Common Stock was converted into Common Stock in connection with the IPO.

The numerator in calculating Class L basic and diluted EPS is the Class L preference amount accrued during the year presented plus, if positive, a pro rata share of an amount equal to consolidated net income less Preferred Stock (Note 9) dividends, less accretion amounts relating to the redemption value of the Preferred Stock and less the Class L preference amount. The Class L preferential distribution amounts were \$37.1 million and \$18.1 million in 2003 and 2004, respectively.

For periods prior to the IPO, the numerator in calculating Common Stock basic and diluted EPS is an amount equal to consolidated net income less Preferred Stock dividends, accretion amounts relating to the redemption value of the Preferred Stock, the Class L preference amount and the aforementioned Class L pro rata share amount, if any. For periods after the IPO, the numerator in calculating Common Stock basic and diluted EPS is consolidated net income.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The denominator in calculating Class L basic EPS and Common Stock basic EPS are the weighted average shares outstanding for each respective class of shares. The denominator in calculating Class L diluted EPS and Common Stock diluted EPS includes the additional dilutive effect of outstanding stock options. The denominator in calculating the 2003 and 2005 Common Stock diluted EPS does not include 3,354,490 and 1,480,500 stock options, respectively, as their inclusion would be anti-dilutive.

The computation of basic and diluted earnings per common share is as follows (in thousands, except share and per share amounts):

| | 2003 | 2004 | 2005 |
|--|-------------|------------|------------|
| Net income | \$ 39,037 | \$ 62,287 | \$ 108,282 |
| Less – | | | |
| Accumulated preferred stock dividends | (9,125) | - | - |
| Accretion amounts relating to the redemption value of preferred stock | (33,916) | - | - |
| Net income (loss) available to common stockholders - basic and diluted | \$ (4,004) | \$ 62,287 | \$ 108,282 |
| Allocation of net income (loss) to common stockholders: | | | |
| Class L | \$ 37,080 | \$ 20,138 | N/A |
| Common Stock | \$ (41,084) | \$ 42,149 | \$ 108,282 |
| Weighted average number of common shares: | | | |
| Class L | 3,614,629 | 3,613,991 | N/A |
| Common Stock | 32,707,435 | 49,606,144 | 66,894,740 |
| Earnings (loss) per common share – basic: | | | |
| Class L | \$ 10.26 | \$ 5.57 | N/A |
| Common Stock | \$ (1.26) | \$ 0.85 | \$ 1.62 |
| Diluted weighted average number of common shares: | | | |
| Class L | 3,618,258 | 3,617,371 | N/A |
| Common Stock | 32,707,435 | 52,170,542 | 68,654,573 |
| Earnings (loss) per common share – diluted: | | | |
| Class L | \$ 10.25 | \$ 5.57 | N/A |
| Common Stock | \$ (1.26) | \$ 0.81 | \$ 1.58 |

Stock Options

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R (revised 2004), “Share-Based Payments” (SFAS 123R). SFAS 123R requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the financial statements based on the estimated fair value of the awards. The Company adopted SFAS 123R in 2005. For periods prior to 2005, the Company accounted for stock-based compensation using the intrinsic method prescribed in APB Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations (APB 25).

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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New Accounting Pronouncement

In May 2005, the FASB issued SFAS No. 154 (SFAS 154), Accounting Changes and Error Corrections. Under SFAS 154, entities will be required to report a change in accounting principle through retrospective application of the new accounting principle to all prior periods, unless impracticable to do so. In addition, errors in the financial statements of a prior period discovered subsequent to their issuance shall be reported as a prior period adjustment by restating the prior period financial statements. This standard will be effective for accounting changes and corrections of errors made, if any, commencing in 2006.

Supplemental Disclosures of Cash Flow Information

The Company paid interest of approximately \$49.6 million, \$59.8 million and \$45.1 million during 2003, 2004 and 2005, respectively. Cash paid for income taxes was approximately \$21.1 million, \$23.2 million and \$35.4 million in 2003, 2004 and 2005, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts from fiscal 2003 and 2004 have been reclassified to conform to the fiscal 2005 presentation. Specifically, in accordance with SFAS 123R, the tax benefit from the exercise of stock options was presented as cash flows from financing activities in 2005. Accordingly, related amounts in 2003 and 2004 were reclassified from cash flows from operating activities to cash flows from financing activities.

(2) FINANCING ARRANGEMENTS

At January 2, 2005 and January 1, 2006, consolidated long-term debt consisted of the following (in thousands):

| | 2004 | 2005 |
|--|------------------|------------------|
| 2003 Agreement – Term Loan | \$498,013 | \$458,013 |
| Other borrowings | 410 | 261 |
| Capital lease obligation | 5,929 | 5,687 |
| Senior subordinated notes due 2011, 8 1/4%, net of a \$1.6 million and \$1.4 million unamortized discount in 2004 and 2005, respectively | 272,303 | 272,550 |
| Total debt | 776,655 | 736,511 |
| Less – current portion | 25,295 | 35,304 |
| Total long-term debt | 751,360 | 701,207 |
| Fair value derivatives | 4,045 | 1,151 |
| Consolidated long-term debt | \$755,405 | \$702,358 |

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2003 Recapitalization

On June 25, 2003, the Company consummated a recapitalization transaction (the 2003 Recapitalization) whereby the Company (i) issued and sold \$403.0 million aggregate principal amount at maturity of 8 1/4% senior subordinated notes due 2011 (the 2011 Notes) 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 with a consortium of banks (collectively, the 2003 Agreement).

The Company used the proceeds from the 2011 Notes and the 2003 Agreement as well as cash from operations to (i) retire all of its previously outstanding senior subordinated notes that were tendered, (ii) repay all amounts outstanding under and cancel a previous credit agreement, (iii) redeem all of its outstanding preferred stock, (iv) pay a \$188.3 million dividend on its outstanding common stock and (v) pay related transaction fees and expenses.

2003 Agreement

The 2003 Agreement provides the following credit facilities: a term loan (the Term Loan) and a revolving credit facility (the Revolver). The aggregate borrowings available under the 2003 Agreement are \$735.0 million: \$610.0 million under the Term Loan and \$125.0 million under the Revolver. The Term Loan was initially fully borrowed. The 2003 Agreement has been amended primarily to obtain more favorable Term Loan interest rate margins, to amend the principal amortization schedule, to allow for the repayment of a portion of the 2011 Notes as part of the IPO in lieu of a required payment under the Term Loan, to allow dividend payments to stockholders and to allow for the purchase and retirement of common stock.

Borrowings under the Term Loan bear interest, payable at least quarterly, at either (i) the higher of (a) the prime rate (7.25% at January 1, 2006) or (b) 0.50% above the Federal Reserve reported overnight funds rate, each plus an applicable margin of 0.50%, or (ii) LIBOR (4.56% at January 1, 2006) plus an applicable margin of 1.50%. At January 1, 2006, the Company's borrowing rate was 6.06% for Term Loan borrowings and all borrowings under the Term Loan were under a LIBOR contract with an interest period of 90 days. Subsequent to January 1, 2006, the Company made a voluntary Term Loan payment of \$35.0 million. The Company has classified this amount as current in the consolidated balance sheet as of January 1, 2006. Including the effects of this prepayment in 2006, the 2003 Agreement requires no principal payments in 2006 and principal payments totaling \$3.2 million, \$4.3 million, \$5.4 million and \$410.0 million in 2007, 2008, 2009 and 2010, respectively. The timing of the Company's required payments under the 2003 Agreement may change based upon voluntary prepayments and generation of excess cash, as defined. The final scheduled principal payment on the outstanding borrowings under the Term Loan is due in June 2010.

Borrowings under the Revolver (excluding letters of credit) bear interest, payable at least quarterly, at either (i) the higher of (a) the prime rate or (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) LIBOR plus an applicable margin of between 2.25% to 3.00%, with margins determined based upon the Company's ratio of indebtedness to EBITDA, as defined. The Company also pays a 0.50% commitment fee on the unused portion of the Revolver. The Company may use up to \$60.0 million of the Revolver for letter of credit advances. The fee for letter of credit amounts outstanding ranges from 2.375% to 3.125%. At January 1, 2006, the fee for letter of credit amounts outstanding was 2.625%. At January 1, 2006, there are \$94.5 million in available borrowings under the Revolver, with \$30.5 million of letters of credit outstanding. The Revolver expires in June 2009, at which time all outstanding borrowings under the Revolver are due.

Borrowings under the 2003 Agreement are guaranteed by DPI, are jointly and severally guaranteed by most of Domino's domestic subsidiaries and one foreign subsidiary, and substantially all of the assets of the Company are pledged as collateral.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The 2003 Agreement contains certain financial and non-financial covenants that, among other restrictions, require the maintenance of certain financial ratios related to interest coverage and leverage. The 2003 Agreement also restricts the Company's ability to incur additional indebtedness, make investments, use assets as security in other transactions and sell certain assets or merge with or into other companies. Additionally, upon a public offering of stock, the Company is required to pay down the Term Loan in an amount equal to 50% of the net proceeds of such offering.

2011 Notes

The 2011 Notes require semi-annual interest payments, beginning January 1, 2004. Before July 1, 2007, the Company may, at a price above par, redeem all, but not part, of the 2011 Notes if a change in control occurs, as defined in the 2011 Notes. Beginning July 1, 2007, the Company may redeem some or all of the 2011 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, the Company will be obligated to repurchase the 2011 Notes tendered at the option of the holders at a fixed price. Upon a public stock offering, the Company may use net proceeds from such offering to repurchase and retire up to 40% of the aggregate principal amount of the 2011 Notes, provided that at least 60% of the original principal amount of the 2011 Notes remains outstanding immediately following such repurchase. During 2004, the Company repaid \$109.1 million of 2011 Notes principal amount using net proceeds from the IPO. The 2011 Notes are guaranteed by most of Domino's domestic subsidiaries and one foreign subsidiary and are subordinated in right of payment to all existing and future senior debt of the Company.

The indenture related to the 2011 Notes restricts the Company from, among other restrictions, incurring additional indebtedness or issuing preferred stock, with certain specified exceptions, unless a minimum fixed charge coverage ratio is met. The Company may pay dividends and make other restricted payments so long as such payments in total do not exceed 50% of the Company's cumulative net income from December 30, 2002 to the payment date plus the net proceeds from any capital contributions or the sale of equity interests.

As of January 1, 2006, management estimates the fair value of the 2011 Notes to be approximately \$286.2 million. The carrying amounts of the Company's other debt approximate fair value.

Other

As defined in the 2003 Agreement, as amended, an amount not to exceed \$40.0 million was made available for the purchase and retirement of common stock and, separately, an amount not to exceed \$30.0 million was made available for the early retirement of the 2011 Notes. As of January 1, 2006, these baskets remain fully available. Certain amounts were also available for the early retirement of senior subordinated notes and common stock under the Company's previous credit agreements. In 2003 and 2004, the Company retired \$20.5 million and \$20.0 million, respectively, of its senior subordinated notes through open market transactions using funds generated from operations. These retirements resulted in losses of approximately \$2.3 million and \$1.8 million in 2003 and 2004, respectively, due to purchase prices in excess of carrying value. Additionally, as part of the 2003 Recapitalization, the Company recorded a \$20.4 million loss relating to the repurchase and retirement, at a premium, of \$206.7 million principal amount of its previously outstanding senior subordinated notes. As part of the IPO, the Company also recorded a \$9.0 million loss relating to the repurchase and retirement, at a premium, of \$109.1 million principal amount of 2011 Notes. These amounts are included in other expense in the accompanying statements of income. During 2005, the Company borrowed \$40.0 million and used the proceeds and cash from operations to repurchase \$75.0 million of common stock. The \$40.0 million revolver borrowing was subsequently repaid during 2005.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

At January 1, 2006, maturities of long-term debt and capital lease obligation are as follows, which exclude the \$1.4 million unamortized discount on the 2011 Notes and \$1.2 million related to fair value derivatives and classifies as current a voluntary term loan payment of \$35.0 million made subsequent to January 1, 2006 (in thousands):

| | |
|------------|-------------------|
| 2006 | \$ 35,304 |
| 2007 | 3,571 |
| 2008 | 4,677 |
| 2009 | 5,774 |
| 2010 | 410,413 |
| Thereafter | 278,122 |
| | <u>\$ 737,861</u> |

(3) COMMITMENTS AND CONTINGENCIESLease Commitments

As of January 1, 2006, the future minimum rental commitments for all non-cancelable leases, which include approximately \$42.7 million in commitments to related parties, are as follows (in thousands):

| | Operating Leases | Capital Lease | Total |
|--|---------------------|------------------|-------------------|
| 2006 | \$ 35,575 | \$ 736 | \$ 36,311 |
| 2007 | 29,880 | 736 | 30,616 |
| 2008 | 25,477 | 736 | 26,213 |
| 2009 | 20,797 | 736 | 21,533 |
| 2010 | 16,018 | 736 | 16,754 |
| Thereafter | 43,049 | 5,646 | 48,695 |
| Total future minimal rental commitments | <u>\$ 170,796</u> | <u>9,326</u> | <u>\$ 180,122</u> |
| Less – amounts representing interest | | (3,639) | |
| Total principal payable on capital lease | | <u>\$ 5,687</u> | |

Legal Proceedings and Related Matters

The Company is 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 and automobile and franchisee claims arising in the ordinary course of business. In addition, the Company is facing allegations of purported class-wide wage and hour violations related to meal and rest breaks and the proper classification of store general managers as exempt employees under California law. The Company believes that it has properly classified general managers as exempt under California law and accordingly intends to vigorously defend against all claims in this lawsuit. In management's opinion, these matters, individually and in the aggregate, will not have a significant adverse effect on the financial condition of the Company, and the established reserves adequately provide for the estimated resolution of such claims.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(4) INCOME TAXES

The differences between the United States Federal statutory income tax provision (using the statutory rate of 35%) and the Company's consolidated provision for income taxes for 2003, 2004 and 2005 are summarized as follow (in thousands):

| | 2003 | 2004 | 2005 |
|---|-----------------|-----------------|-----------------|
| Federal income tax provision based on the statutory rate | \$21,852 | \$35,021 | \$60,638 |
| State and local income taxes, net of related Federal income taxes | 1,215 | 2,602 | 4,303 |
| Non-resident withholding and foreign income taxes | 4,163 | 4,757 | 4,978 |
| Foreign tax and other tax credits | (4,962) | (5,439) | (5,773) |
| Losses attributable to foreign subsidiaries | 593 | 451 | 1,911 |
| Utilization of foreign net operating loss carryovers | - | (238) | (1,223) |
| Non-deductible expenses | 551 | 615 | 698 |
| Other | (14) | 4 | (563) |
| | <u>\$23,398</u> | <u>\$37,773</u> | <u>\$64,969</u> |

The components of the 2003, 2004 and 2005 consolidated provision for income taxes are as follows (in thousands):

| | 2003 | 2004 | 2005 |
|---|-----------------|-----------------|-----------------|
| Provision for Federal income taxes— | | | |
| Current provision | \$ 9,705 | \$20,359 | \$52,088 |
| Deferred provision | 7,068 | 8,441 | 595 |
| Change in valuation allowance | 593 | 213 | 688 |
| Total provision for Federal income taxes | <u>17,366</u> | <u>29,013</u> | <u>53,371</u> |
| Provision for state and local income taxes— | | | |
| Current provision | 1,731 | 3,896 | 7,595 |
| Deferred provision (benefit) | 138 | 107 | (975) |
| Total provision for state and local income taxes | <u>1,869</u> | <u>4,003</u> | <u>6,620</u> |
| Provision for non-resident withholding and foreign income taxes | <u>4,163</u> | <u>4,757</u> | <u>4,978</u> |
| | <u>\$23,398</u> | <u>\$37,773</u> | <u>\$64,969</u> |

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As of January 2, 2005 and January 1, 2006, the significant components of net deferred income taxes are as follows (in thousands):

| | 2004 | 2005 |
|--|-----------------|-----------------|
| Deferred Federal income tax assets – | | |
| Depreciation, amortization and asset basis differences | \$20,675 | \$18,021 |
| Covenants not-to-compete | 10,456 | 9,289 |
| Insurance reserves | 8,251 | 8,810 |
| Other accruals and reserves | 8,155 | 8,472 |
| Bad debt reserves | 1,816 | 1,459 |
| Foreign net operating loss carryovers | 2,543 | 4,274 |
| Other | 1,332 | 1,429 |
| | <u>53,228</u> | <u>51,754</u> |
| Valuation allowance on foreign net operating loss carryovers | (2,543) | (3,361) |
| Total deferred Federal income tax assets | <u>50,685</u> | <u>48,393</u> |
| Deferred Federal income tax liabilities – | | |
| Capitalized software | 8,895 | 7,580 |
| Derivatives asset | 1,701 | 2,777 |
| Total deferred Federal income tax liabilities | <u>10,596</u> | <u>10,357</u> |
| Net deferred Federal income tax asset | 40,089 | 38,036 |
| Net deferred state and local income tax asset | 5,924 | 6,558 |
| Net deferred income taxes | <u>\$46,013</u> | <u>\$44,594</u> |

As of January 2, 2005, the classification of net deferred income taxes is summarized as follows (in thousands):

| | Current | Long-term | Total |
|---------------------------|-----------------|------------------|------------------|
| Deferred tax assets | \$ 6,317 | \$ 50,292 | \$ 56,609 |
| Deferred tax liabilities | - | (10,596) | (10,596) |
| Net deferred income taxes | <u>\$ 6,317</u> | <u>\$ 39,696</u> | <u>\$ 46,013</u> |

As of January 1, 2006, the classification of net deferred income taxes is summarized as follows (in thousands):

| | Current | Long-term | Total |
|---------------------------|-----------------|------------------|------------------|
| Deferred tax assets | \$ 5,937 | \$ 49,014 | \$ 54,951 |
| Deferred tax liabilities | - | (10,357) | (10,357) |
| Net deferred income taxes | <u>\$ 5,937</u> | <u>\$ 38,657</u> | <u>\$ 44,594</u> |

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Realization of the Company's deferred tax assets is dependent upon many factors, including, but not limited to, the Company's ability to generate sufficient taxable income. Although realization of the Company's net deferred tax assets is not assured, management believes it is more likely than not that the net deferred tax assets will be realized. On an ongoing basis, management will assess whether it remains more likely than not that the net deferred tax assets will be realized. As of January 1, 2006, the Company has approximately \$4.3 million of deferred tax assets relating to foreign net operating loss carryovers which have indefinite carryover periods. A valuation allowance of approximately \$3.4 million has been provided against these deferred tax assets.

(5) EMPLOYEE BENEFITS

The Company has a retirement savings plan which qualifies under Internal Revenue Code Section 401(k). All employees of the Company who have completed 1,000 hours of service and are at least 21 years of age are eligible to participate in the plan. The plan requires the Company to match 50% of employee contributions per participant, with Company matching contributions limited to 3% of eligible participant compensation. These matching contributions vest immediately. The charges to operations for Company contributions to the plan were approximately \$2.2 million in 2003 and \$2.3 million in each of 2004 and 2005.

The Company has established a nonqualified deferred compensation plan available for certain key employees. Under this self-funding plan, the participants may defer up to 40% of their annual compensation. The participants direct the investment of their deferred compensation within several investment funds. The Company is not required to contribute and did not contribute to this plan during 2003, 2004 or 2005. During 2005, as required by the Company's deferred compensation plan, a significant portion of the outstanding deferred compensation balances were paid to participating employees. The total payments were approximately \$4.7 million.

In connection with the IPO, the Board of Directors approved an employee stock purchase discount plan (the ESPDP). Under the ESPDP, eligible employees may deduct up to 15% of their eligible wages to purchase DPI common stock at 85% of the market price of the stock at the purchase date. The ESPDP requires employees to hold their purchased DPI common stock for one year. There are 1,000,000 shares authorized to be issued under the ESPDP. There were 16,232 shares and 63,651 shares issued during 2004 and 2005, respectively.

(6) FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company is a party to stand-by letters of credit and, to a lesser extent, financial guarantees with off-balance sheet risk. The Company's exposure to credit loss for stand-by letters of credit and financial guarantees is represented by the contractual amounts of these instruments. The Company uses the same credit policies in making conditional obligations as it does for on-balance sheet instruments. Total conditional commitments under letters of credit and financial guarantees as of January 1, 2006 are \$31.0 million, and primarily relate to letters of credit for the Company's insurance programs and distribution center leases.

(7) RELATED PARTY TRANSACTIONS

Corporate Headquarters Lease

The Company leases its corporate headquarters under an operating lease agreement with a partnership owned by its founder and former majority stockholder. The Company renewed this lease for a ten-year term, with two five-year renewal options, beginning in December 2003. Total lease expense related to this lease was approximately \$4.5 million, \$4.9 million and \$5.1 million in 2003, 2004 and 2005, respectively.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As of January 1, 2006, aggregate future minimum lease commitments under this lease are as follows (in thousands):

| | |
|------------|----------|
| 2006 | \$ 5,344 |
| 2007 | 5,344 |
| 2008 | 5,344 |
| 2009 | 5,344 |
| 2010 | 5,344 |
| Thereafter | 16,028 |
| | <hr/> |
| | \$42,748 |

Management Agreement

As part of a prior recapitalization in which the Company's founder sold a controlling interest in the Company (the 1998 Recapitalization), the Company entered into a management agreement with an affiliate of a DPI stockholder to provide the Company with certain management services. The Company was committed to pay an amount not to exceed \$2.0 million per year on an ongoing basis for management services as defined in the management agreement. The Company incurred and paid \$2.0 million for management services in 2003. During 2004, the Company paid \$10.0 million to terminate the management agreement. Total amounts expensed during 2004 were \$11.0 million. These amounts are included in general and administrative expense.

Contingent Notes Payable

The Company was contingently liable to pay its founder and former majority stockholder and a member of his family an amount not exceeding approximately \$15.0 million under two notes payable, plus 8% interest per annum beginning in 2003, in the event the majority stockholders of DPI sold a certain percentage of their common stock to an unaffiliated party. As part of the IPO, the Company paid \$16.9 million to satisfy in full these contingent notes payable. This payment was recognized as a distribution in the consolidated statement of stockholders' deficit.

Financing Arrangements

As part of the 2003 Recapitalization, the Company paid approximately \$7.9 million of financing costs to a former affiliate of a DPI stockholder. During 2004 and 2005, the Company also paid this former affiliate approximately \$1.1 million and \$1.0 million, respectively, of financing costs relating to amendments to the 2003 Agreement. A separate former affiliate has been and is counterparty to interest rate derivative agreements. In connection with the IPO, a separate former affiliate was paid \$7.0 million in underwriting fees.

At January 2, 2005, affiliates of DPI stockholders had term loan holdings of \$28.5 million and senior subordinated note holdings of \$10.9 million. At January 1, 2006, affiliates of DPI stockholders had term loan holdings of \$30.6 million and senior subordinated note holdings of \$9.5 million. Related interest expense to affiliates was approximately \$3.2 million, \$2.6 million and \$2.9 million in 2003, 2004 and 2005, respectively.

(8) STOCK OPTIONS

The Company adopted SFAS 123R during 2005. Accordingly, the cost of all employee stock options, as well as other equity-based compensation arrangements, is reflected in the consolidated statement of income in 2005 based on the estimated fair value of the awards. For periods prior to 2005, the Company accounted for stock-based compensation using the intrinsic method prescribed in APB 25. Accordingly, compensation cost for stock options was measured as the excess, if any, of the fair value of the stock at grant date over the amount an optionee must pay to acquire the stock.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Company has two equity incentive plans, both of which benefit certain of the Company's employees and directors: the TISM, Inc. Stock Option Plan (the TISM Stock Option Plan) and the Domino's Pizza, Inc. 2004 Equity Incentive Plan (the 2004 Equity Incentive Plan) (collectively, the Equity Incentive Plans). In connection with the IPO, the 2004 Equity Incentive Plan was adopted by the Board of Directors and, separately, the TISM Stock Option Plan was amended by the Board of Directors to prohibit the granting of additional stock options. As of January 1, 2006, the number of options granted and outstanding under the TISM Stock Option Plan was 2,638,138 shares of non-voting Common Stock. As of January 1, 2006, the maximum number of shares that may be granted under the 2004 Equity Incentive Plan is 5,600,000 shares of voting Common Stock of which 3,488,035 are outstanding. As of January 1, 2006, there are 2,059,630 shares of voting Common Stock that are authorized for grant under the 2004 Equity Incentive Plan but remain ungranted.

Prior to the IPO, options granted under the TISM Stock Option Plan were generally granted at 100% of the Board of Directors' estimate of fair value of the underlying stock on the date of grant, expire ten years from the date of grant and vest within five years from the date of grant. Subsequent to the IPO, options granted under the 2004 Equity Incentive Plan are granted at the market price at the date of the grant, expire ten years from the date of grant and generally vest within five years from the date of grant. Additionally, options become fully exercisable upon vesting.

The Company recorded deferred stock compensation of \$253,000 in 2004 relating to stock options granted to employees at less than the Board of Directors' estimate of fair value. These amounts are amortized using the straight-line method over the related vesting periods. In connection with the 2003 Recapitalization, all previously unvested options were immediately vested by action of the Board of Directors. Accordingly, the Company expensed the then remaining \$1.6 million of unamortized deferred stock compensation as part of the 2003 Recapitalization. Additionally, the Company recorded \$1.5 million in non-cash compensation expense related to the acceleration of the vesting periods.

During 2005, the Company recorded non-cash compensation of \$2.9 million related to the adoption of SFAS 123R, which reduced net income by \$1.8 million and reduced diluted earnings per share by approximately \$0.03. Additionally, the Company recorded non-cash compensation expense of \$0.8 million related to the vesting of options for a former employee. The Company recorded total non-cash compensation expense, including the aforementioned amounts, of \$3.0 million, \$51,000 and \$3.8 million in 2003, 2004 and 2005, respectively, which reduced net income by \$1.9 million, \$32,000 and \$2.4 million in 2003, 2004 and 2005, respectively. All non-cash compensation expense amounts are recorded in general and administrative expense.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Activity related to the Equity Incentive Plans is summarized as follows:

| | Common Stock Options | | | |
|------------------------------|----------------------|---------------------------------|-------------|---------------------------------|
| | Outstanding | Weighted Average Exercise Price | Exercisable | Weighted Average Exercise Price |
| Options at December 29, 2002 | 3,863,314 | \$ 1.63 | 1,872,626 | \$ 0.75 |
| Options granted | 2,097,000 | \$ 8.75 | | |
| Options cancelled | (36,934) | \$ 6.20 | | |
| Options exercised | (44,733) | \$ 1.89 | | |
| Options at December 28, 2003 | 5,878,647 | \$ 4.12 | 3,942,647 | \$ 1.89 |
| Options granted | 1,771,530 | \$ 13.87 | | |
| Options cancelled | (150,341) | \$ 9.23 | | |
| Options exercised | (276,542) | \$ 1.47 | | |
| Options at January 2, 2005 | 7,223,294 | \$ 6.50 | 4,070,006 | \$ 2.58 |
| Options granted | 1,983,500 | \$ 23.83 | | |
| Options cancelled | (237,352) | \$ 14.95 | | |
| Options exercised | (2,843,269) | \$ 1.95 | | |
| Options at January 1, 2006 | 6,126,173 | \$ 13.90 | 1,916,836 | \$ 6.67 |

The total intrinsic value for options outstanding was approximately \$33.1 million, \$81.6 million and \$63.1 million as of December 28, 2003, January 2, 2005 and January 1, 2006. The total intrinsic value for options exercisable was approximately \$31.0 million, \$61.9 million and \$33.6 million as of December 28, 2003, January 2, 2005 and January 1, 2006. The total intrinsic value of options exercised was approximately \$361,000, \$3.4 million and \$56.8 million in 2003, 2004 and 2005, respectively. Cash received from stock option exercises, for which the Company issued shares of its Common Stock, was approximately \$85,000, \$1.3 million and \$5.6 million in 2003, 2004 and 2005, respectively. The tax benefit realized from the exercise of stock options was approximately \$134,000, \$1.3 million and \$21.5 million in 2003, 2004 and 2005, respectively.

Activity related to unexercisable options as of January 1, 2006 is summarized as follows:

| | Options | Weighted Average Grant Date Fair Value |
|--|-----------|--|
| Unexercisable options at January 2, 2005 | 3,153,288 | \$ 2.58 |
| Granted | 1,983,500 | \$ 6.45 |
| Vested | (696,432) | \$ 2.57 |
| Cancelled | (231,019) | \$ 3.67 |
| Unexercisable options at January 1, 2006 | 4,209,337 | \$ 4.36 |

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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As of January 1, 2006, there was \$15.5 million of total unrecognized compensation cost related to unvested options granted under the Equity Incentive Plans. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.6 years. The total fair value of shares vested during 2003, 2004 and 2005 was approximately \$355,000, \$328,000 and \$1.8 million, respectively.

Options outstanding and exercisable at January 1, 2006 are as follows:

| | Options Outstanding | Options Exercisable | Weighted Average Exercise Price per Share | Weighted Average Remaining Life (Years) |
|-------------------------|------------------------|------------------------|---|---|
| Non-Voting Common Stock | 492,114 | 492,114 | \$ 0.75 | 4.0 |
| Non-Voting Common Stock | 454,121 | 454,121 | \$ 5.25 | 6.1 |
| Non-Voting Common Stock | 59,000 | 59,000 | \$ 10.05 | 7.0 |
| Non-Voting Common Stock | 1,583,573 | 611,374 | \$ 8.66 | 7.5 |
| Non-Voting Common Stock | 49,330 | 11,729 | \$ 9.75 | 8.0 |
| Voting Common Stock | 1,572,535 | 288,498 | \$ 14.00 | 8.5 |
| Voting Common Stock | 170,000 | - | \$ 17.11 | 9.1 |
| Voting Common Stock | 7,500 | - | \$ 18.36 | 9.3 |
| Voting Common Stock | 1,480,500 | - | \$ 25.02 | 9.6 |
| Voting Common Stock | 257,500 | - | \$ 21.29 | 9.8 |

For periods prior to the IPO, management has estimated the fair value of each option grant on the date of grant using the minimum value method. For options granted subsequent to the IPO, management has estimated the fair value of each option grant using the Black-Scholes option pricing method. Management estimated the fair value of each option grant made during 2003, 2004 and 2005 as of the date of the grant using the following weighted average assumptions:

| | 2003 | 2004 | 2005 |
|-------------------------|------|-------|-------|
| Risk-free interest rate | 3.0% | 3.6% | 4.1% |
| Expected life (years) | 5.0 | 5.0 | 5.9 |
| Expected volatility | N/A | 29.1% | 25.4% |
| Expected dividend yield | 0.0% | 1.8% | 1.9% |

The weighted average fair values per share were \$1.19, \$3.69 and \$6.45 for options granted in 2003, 2004, and 2005, respectively.

Option valuation models require the input of highly subjective assumptions. Because changes in subjective input assumptions can significantly affect the fair value estimate, in management's opinion, existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Had compensation cost for the Equity Incentive Plans for the 2003 and 2004 fiscal years been determined based on the fair value at the grant dates consistent with the method described in SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income and earnings per share would have decreased to the following pro forma amounts, which may not be representative of that to be expected in future years (in thousands, except per share amounts):

| | 2003 | 2004 |
|---|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Net income, as reported | \$39,037 | \$62,287 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects | 1,899 | 32 |
| Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects | <u>(2,761)</u> | <u>(725)</u> |
| Net income, pro forma | \$38,175 | \$61,594 |
| Net income (loss) available to common stockholders, pro forma | <u>\$ (4,866)</u> | <u>\$61,594</u> |
| Earnings (loss) per common share – basic: | | |
| As reported and pro forma – Class L | \$ 10.26 | \$ 5.57 |
| As reported – Common Stock | \$ (1.26) | \$ 0.85 |
| Pro forma – Common Stock | \$ (1.27) | \$ 0.84 |
| Earnings (loss) per common share – diluted: | | |
| As reported and pro forma – Class L | \$ 10.25 | \$ 5.57 |
| As reported – Common Stock | \$ (1.26) | \$ 0.81 |
| Pro forma – Common Stock | \$ (1.27) | \$ 0.80 |

(9) CAPITAL STRUCTURE

Common Stock

DPI's common stock consists of Common Stock, which includes a non-voting and voting series. In connection with the Company's IPO, the Class L Common Stock converted into Common Stock as more fully described below.

Before the merger described in Note 1, TISM's common stock consisted of Class A-1 common stock, Class A-2 common stock, Class A-3 common stock, and Class L Common Stock. Class A-1 common stock was voting common stock while Class A-2, A-3 and L were non-voting common stock. Prior to the IPO, a two-for-three stock split was consummated for each class of common stock. Further, each share of TISM's Class A-1, A-2 and A-3 common stock was converted into DPI Common Stock and each share of TISM's Class L Common Stock was converted into DPI Class L Common Stock. All options to purchase TISM Class A-3 common stock were converted into options to purchase the non-voting series of DPI Common Stock.

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Class L Common Stock had preferential distribution rights over Common Stock whereby Class L stockholders are entitled to receive their original investment in the Class L Common Stock plus an additional 12% priority return compounded quarterly on their original investment amount before Common Stock holders have the right to participate in Company distributions. After the Class L preferential distributions rights are satisfied, the Common Stock and Class L stockholders participate in the earnings of the Company on a pro rata basis determined using the number of shares then outstanding. The Class L Common Stock is mandatorily convertible into Common Stock upon a public offering or upon a sale or transfer of at least 50% of the Company's Common Stock to an unaffiliated party. In connection with the IPO, 3,613,959 shares of Class L Common Stock were converted to 26,317,649 shares of Common Stock.

As of January 1, 2006, authorized Common Stock consists of 160,000,000 voting shares and 10,000,000 non-voting shares. The share components of outstanding Common Stock at January 2, 2005 and January 1, 2006 are as follows:

| | 2004 | 2005 |
|---------------------------|-------------------|-------------------|
| Voting | 62,711,028 | 67,160,872 |
| Non-Voting | 5,975,557 | 23,462 |
| Total Common Stock | 68,686,585 | 67,184,334 |

Cumulative Preferred Stock

The cumulative preferred stock issued by the Company as part of the 1998 Recapitalization (the Preferred Stock) was redeemed in connection with the 2003 Recapitalization. The Preferred Stock had a liquidation value of \$105.00 per share (Liquidation Value) and had no voting rights except as allowed by law. Dividends were cumulative and accrued at 11.5%, compounded semi-annually, and were payable semi-annually when declared by the Board of Directors. No dividends were declared prior to the 2003 Recapitalization. The Preferred Stock was redeemable, during the first eleven years following the date of issuance, at the Company's option, at varying prices per share up to 111.5% of an amount equal to the Liquidation Value plus accrued and unpaid dividends. Prior to the 2003 Recapitalization, the Company was accreting the carrying value of the Preferred Stock to the Liquidation Value over the eleven-year period using the effective interest method. In connection with the redemption of the Preferred Stock, the Company paid the holders of Preferred Stock an aggregate amount of \$200.5 million. Accordingly, the Company recorded approximately \$102.5 million in 2003, including \$68.6 million of accumulated dividends declared in connection with the 2003 Recapitalization, to accrete the carrying value of the Preferred Stock to the redemption value.

(10) SEGMENT INFORMATION

The Company has three reportable segments as determined by management using the "management approach" as defined in SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information": (i) Domestic Stores, (ii) Domestic Distribution, and (iii) International. The Company's operations are organized by management on the combined bases of line of business and geography. The Domestic Stores segment includes operations with respect to all franchised and Company-owned stores throughout the contiguous United States. The Domestic Distribution segment primarily includes the distribution of food, equipment and supplies to the Domestic Stores segment from the Company's regional distribution centers. The International segment primarily includes operations related to the Company's franchising business in foreign and non-contiguous United States markets, its Company-owned store operations in the Netherlands and France and its distribution operations in Canada, France, the Netherlands, Alaska and Hawaii.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its segments and allocates resources to them based on earnings before interest, taxes, depreciation, amortization and other, referred to as Segment Income.

The tables below summarize the financial information concerning the Company's reportable segments for 2003, 2004 and 2005. Intersegment Revenues are comprised of sales of food, equipment and supplies from the Domestic Distribution segment to the Company-owned stores in the Domestic Stores segment. Intersegment sales prices are market based. The "Other" column as it relates to Segment Income and income from operations information below primarily includes corporate administrative costs. The "Other" column as it relates to capital expenditures primarily includes capitalized software and certain equipment and leasehold improvements. All amounts presented below are in thousands.

| | <u>Domestic Stores</u> | <u>Domestic Distribution</u> | <u>International</u> | <u>Intersegment Revenues</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------|----------------------------|----------------------------------|----------------------|----------------------------------|--------------|--------------|
| Revenues- | | | | | | |
| 2003 | \$519,879 | \$ 821,695 | \$ 96,386 | \$ (104,638) | \$ - | \$1,333,322 |
| 2004 | 537,488 | 902,413 | 116,983 | (110,387) | - | 1,446,497 |
| 2005 | 562,865 | 935,461 | 129,635 | (116,364) | - | 1,511,597 |
| Segment Income- | | | | | | |
| 2003 | \$140,073 | \$ 54,556 | \$ 29,126 | N/A | \$(21,055) | \$ 202,700 |
| 2004 | 145,387 | 57,044 | 34,510 | N/A | (22,612) | 214,329 |
| 2005 | 161,792 | 63,696 | 41,145 | N/A | (28,232) | 238,401 |
| Income from Operations- | | | | | | |
| 2003 | \$127,082 | \$ 45,946 | \$ 28,117 | N/A | \$(41,672) | \$ 159,473 |
| 2004 | 131,518 | 46,110 | 34,079 | N/A | (40,328) | 171,379 |
| 2005 | 148,920 | 52,959 | 36,947 | N/A | (39,722) | 199,104 |
| Capital Expenditures- | | | | | | |
| 2003 | \$ 9,445 | \$ 7,966 | \$ 1,094 | N/A | \$ 10,656 | \$ 29,161 |
| 2004 | 4,713 | 8,616 | 3,532 | N/A | 22,902 | 39,763 |
| 2005 | 8,229 | 7,113 | 433 | N/A | 12,914 | 28,689 |

The following table reconciles Total Segment Income to consolidated income before provision for income taxes:

| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------|-------------|-------------|
| Total Segment Income | \$202,700 | \$214,329 | \$238,401 |
| Depreciation and amortization | (29,822) | (31,705) | (32,415) |
| Gains (losses) on sale/disposal of assets | 2,606 | (1,194) | (3,086) |
| Other non-cash stock compensation expense | (277) | (51) | (3,796) |
| Termination of management agreement | - | (10,000) | - |
| 2003 Recapitalization expenses | (15,734) | - | - |
| Income from operations | 159,473 | 171,379 | 199,104 |
| Interest income | 387 | 581 | 818 |
| Interest expense | (74,678) | (61,068) | (48,755) |
| Other | (22,747) | (10,832) | 22,084 |
| Income before provision for income taxes | \$ 62,435 | \$100,060 | \$173,251 |

DOMINO'S PIZZA, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The following table summarizes the Company's identifiable asset information as of January 2, 2005 and January 1, 2006:

| | <u>2004</u> | <u>2005</u> |
|---------------------------|------------------|------------------|
| Domestic Stores | \$ 93,742 | \$ 88,810 |
| Domestic Distribution | 114,226 | 115,382 |
| Total domestic assets | 207,968 | 204,192 |
| International | 34,688 | 27,973 |
| Unallocated | 204,691 | 228,909 |
| Total consolidated assets | <u>\$447,347</u> | <u>\$461,074</u> |

Unallocated assets primarily include cash and cash equivalents, advertising fund assets, investments in marketable securities, deferred financing costs, certain long-lived assets, deferred income taxes and assets relating to the fair value of derivatives.

The following table summarizes the Company's goodwill balance as of January 2, 2005 and January 1, 2006:

| | <u>2004</u> | <u>2005</u> |
|-----------------------|-----------------|-----------------|
| Domestic Stores | \$20,090 | \$20,764 |
| Domestic Distribution | 1,067 | 1,067 |
| International | 1,798 | 253 |
| Consolidated goodwill | <u>\$22,955</u> | <u>\$22,084</u> |

(11) PERIODIC FINANCIAL DATA (Unaudited; in thousands, except per share amounts)

The Company's convention with respect to reporting periodic financial data is such that each of the first three fiscal quarters consists of twelve weeks while the last fiscal quarter consists of sixteen weeks or seventeen weeks. The fourth quarter of 2004 is comprised of seventeen weeks while the fourth quarter of 2005 is comprised of sixteen weeks.

Additionally, the Company adopted SFAS 123R during 2005, using the modified retrospective method. This method allows the restatement of interim financial statements in the year of adoption based on the amounts previously calculated and reported in the pro forma footnote disclosures required by SFAS 123. Fiscal years prior to 2005 have not been restated. Accordingly, the 2005 amounts previously reported have been revised to include non-cash compensation expense of approximately \$446,000 (or \$278,000, net of tax), \$432,000 (or \$280,000, net of tax), \$864,000 (or \$532,000, net of tax) and \$1.2 million (or \$738,000, net of tax) for the quarters ending March 27, 2005, June 19, 2005, September 11, 2005 and January 1, 2006, respectively. The adoption of SFAS 123R resulted in a reduction of basic and diluted earnings per share of approximately \$0.01 in each of the quarters ended June 19, 2005 and January 1, 2006, respectively.

DOMINO'S PIZZA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

| | For the Fiscal Quarter Ended | | | | For the Fiscal Year Ended |
|---|------------------------------|------------------|----------------------|--------------------|---------------------------|
| | March 21, 2004 | June 13, 2004 | September 5, 2004 | January 2, 2005 | January 2, 2005 |
| Total revenues | \$ 318,754 | \$324,236 | \$ 324,978 | \$ 478,529 | \$ 1,446,497 |
| Income before provision for income taxes | 29,572 | 25,513 | 1,573 | 43,402 | 100,060 |
| Net income | 18,408 | 15,882 | 979 | 27,018 | 62,287 |
| Earnings (loss) per common share – basic: | | | | | |
| Class L | \$ 2.49 | \$ 2.57 | \$ 0.50 | N/A | \$ 5.57 |
| Common Stock | \$ 0.29 | \$ 0.20 | \$ (0.02) | \$ 0.39 | \$ 0.85 |
| Earnings (loss) per common share – diluted: | | | | | |
| Class L | \$ 2.49 | \$ 2.57 | \$ 0.50 | N/A | \$ 5.57 |
| Common Stock | \$ 0.26 | \$ 0.18 | \$ (0.02) | \$ 0.38 | \$ 0.81 |
| Common stock dividends declared per share | N/A | N/A | N/A | \$ 0.065 | \$ 0.065 |

| | For the Fiscal Quarter Ended | | | | For the Fiscal Year Ended |
|---|------------------------------|------------------|-----------------------|--------------------|---------------------------|
| | March 27, 2005 | June 19, 2005 | September 11, 2005 | January 1, 2006 | January 1, 2006 |
| Total revenues | \$ 369,668 | \$346,954 | \$ 337,576 | \$ 457,399 | \$ 1,511,597 |
| Income before provision for income taxes | 39,646 | 35,662 | 32,929 | 65,014 | 173,251 |
| Net income | 24,680 | 23,121 | 20,284 | 40,197 | 108,282 |
| Earnings per common share – basic: | \$ 0.36 | \$ 0.35 | \$ 0.31 | \$ 0.60 | \$ 1.62 |
| Earnings per common share – diluted: | \$ 0.35 | \$ 0.34 | \$ 0.30 | \$ 0.59 | \$ 1.58 |
| Common stock dividends declared per share | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.40 |

During the quarter ended September 5, 2004, the Company incurred approximately \$22.7 million (or \$14.2 million, net of tax) of expenses related to its IPO. During the quarter ended January 1, 2006, the Company recognized a gain of approximately \$22.1 million (or \$13.7 million, net of tax) related to the sale of an equity investment.

Report of Independent Registered Public Accounting Firm

To the Board of Directors
of Domino's Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Domino's Inc. and its subsidiaries at January 2, 2005 and January 1, 2006, and the results of their operations and their cash flows for each of the three years in the period ended January 1, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in the Stock Options paragraph within Note 1 to the consolidated financial statements, the Company changed its method of accounting for share based compensation as of January 3, 2005.

/s/ PRICEWATERHOUSECOOPERS LLP

Detroit, Michigan
March 3, 2006

DOMINO'S, INC. AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

| <u>ASSETS</u> | January 2, 2005 | January 1, 2006 |
|--|--------------------|--------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 40,396 | \$ 66,919 |
| Accounts receivable, net of reserves of \$4,726 in 2004 and \$3,584 in 2005 | 73,138 | 74,437 |
| Inventories | 21,505 | 24,231 |
| Notes receivable, net of reserves of \$1,099 in 2004 and \$602 in 2005 | 1,763 | 408 |
| Prepaid expenses and other | 13,555 | 13,771 |
| Advertising fund assets, restricted | 32,817 | 35,643 |
| Deferred income taxes | 6,317 | 5,937 |
| Total current assets | <u>189,491</u> | <u>221,346</u> |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Land and buildings | 23,241 | 22,107 |
| Leasehold and other improvements | 74,922 | 82,802 |
| Equipment | 159,462 | 163,840 |
| Construction in progress | 6,114 | 2,892 |
| | <u>263,739</u> | <u>271,641</u> |
| Accumulated depreciation and amortization | (126,856) | (140,186) |
| Property, plant and equipment, net | <u>136,883</u> | <u>131,455</u> |
| OTHER ASSETS: | | |
| Investments in marketable securities, restricted | 5,000 | 534 |
| Notes receivable, less current portion, net of reserves of \$1,096 in 2004 and \$1,440 in 2005 | 1,413 | 1,839 |
| Deferred financing costs, net of accumulated amortization of \$3,503 in 2004 and \$5,873 in 2005 | 13,411 | 11,652 |
| Goodwill | 22,955 | 22,084 |
| Capitalized software, net of accumulated amortization of \$33,369 in 2004 and \$36,056 in 2005 | 24,079 | 20,337 |
| Other assets, net of accumulated amortization of \$1,754 in 2004 and \$2,190 in 2005 | 14,419 | 13,170 |
| Deferred income taxes | 39,696 | 38,657 |
| Total other assets | <u>120,973</u> | <u>108,273</u> |
| Total assets | <u>\$ 447,347</u> | <u>\$ 461,074</u> |

The accompanying notes are an integral part of these consolidated balance sheets.

DOMINO'S, INC. AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETS

(Continued)

(In thousands, except share and per share amounts)

| <u>LIABILITIES AND STOCKHOLDER'S DEFICIT</u> | <u>January 2, 2005</u> | <u>January 1, 2006</u> |
|---|----------------------------|----------------------------|
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | \$ 25,295 | \$ 35,304 |
| Accounts payable | 55,350 | 60,330 |
| Accrued compensation | 25,852 | 29,761 |
| Accrued interest | 10,672 | 11,349 |
| Accrued income taxes | 768 | 8,660 |
| Insurance reserves | 9,778 | 9,681 |
| Advertising fund liabilities | 32,817 | 35,643 |
| Other accrued liabilities | 29,130 | 26,657 |
| Total current liabilities | <u>189,662</u> | <u>217,385</u> |
| LONG-TERM LIABILITIES: | | |
| Long-term debt, less current portion | 755,405 | 702,358 |
| Insurance reserves | 18,039 | 23,640 |
| Other accrued liabilities | 34,116 | 28,676 |
| Total long-term liabilities | <u>807,560</u> | <u>754,674</u> |
| Total liabilities | <u>997,222</u> | <u>972,059</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDER'S DEFICIT: | | |
| Common stock, par value \$0.01 per share; 3,000 shares authorized; 10 shares issued and outstanding | - | - |
| Additional paid-in capital | 248,625 | 274,336 |
| Retained deficit | (804,809) | (791,875) |
| Deferred stock compensation | (202) | - |
| Accumulated other comprehensive income | 6,511 | 6,554 |
| Total stockholder's deficit | <u>(549,875)</u> | <u>(510,985)</u> |
| Total liabilities and stockholder's deficit | <u>\$ 447,347</u> | <u>\$ 461,074</u> |

The accompanying notes are an integral part of these consolidated balance sheets.

DOMINO'S, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF INCOME

(In thousands)

| | For the Years Ended | | |
|---|----------------------|--------------------|--------------------|
| | December 28, 2003 | January 2, 2005 | January 1, 2006 |
| REVENUES: | | | |
| Domestic Company-owned stores | \$ 375,421 | \$ 382,458 | \$ 401,008 |
| Domestic franchise | 144,458 | 155,030 | 161,857 |
| Domestic distribution | 717,057 | 792,026 | 819,097 |
| International | 96,386 | 116,983 | 129,635 |
| Total revenues | 1,333,322 | 1,446,497 | 1,511,597 |
| COST OF SALES: | | | |
| Domestic Company-owned stores | 302,009 | 313,586 | 319,072 |
| Domestic distribution | 643,621 | 718,937 | 739,300 |
| International | 52,072 | 60,293 | 67,937 |
| Total cost of sales | 997,702 | 1,092,816 | 1,126,309 |
| OPERATING MARGIN | 335,620 | 353,681 | 385,288 |
| GENERAL AND ADMINISTRATIVE | 176,462 | 182,302 | 186,184 |
| INCOME FROM OPERATIONS | 159,158 | 171,379 | 199,104 |
| INTEREST INCOME | 386 | 556 | 818 |
| INTEREST EXPENSE | (74,678) | (61,068) | (48,755) |
| OTHER | (22,747) | (10,832) | 22,084 |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 62,119 | 100,035 | 173,251 |
| PROVISION FOR INCOME TAXES | 23,295 | 37,773 | 64,969 |
| NET INCOME | \$ 38,824 | \$ 62,262 | \$ 108,282 |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

| | For the Years Ended | | |
|---|----------------------|--------------------|--------------------|
| | December 28, 2003 | January 2, 2005 | January 1, 2006 |
| NET INCOME | \$ 38,824 | \$ 62,262 | \$ 108,282 |
| OTHER COMPREHENSIVE INCOME, BEFORE TAX: | | | |
| Currency translation adjustment | 1,704 | 1,531 | (1,780) |
| Unrealized gains (losses) on derivative instruments | (1,856) | 5,141 | 5,546 |
| Reclassification adjustment for (gains) losses included in net income | 6,300 | 2,828 | (2,647) |
| | 6,148 | 9,500 | 1,119 |
| TAX ATTRIBUTES OF ITEMS IN OTHER COMPREHENSIVE INCOME | (1,628) | (2,998) | (1,076) |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | 4,520 | 6,502 | 43 |
| COMPREHENSIVE INCOME | \$ 43,344 | \$ 68,764 | \$ 108,325 |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S DEFICIT

(In thousands, except share data)

| | Common Stock | | Additional Paid-in Capital | Retained Deficit | Deferred Stock Compensation | Accumulated Other Comprehensive Income (Loss) | |
|--|--------------|--------|----------------------------------|---------------------|-----------------------------------|--|--|
| | Shares | Amount | | | | Currency Translation Adjustment | Fair Value of Derivative Instruments |
| BALANCE AT DECEMBER 29, 2002 | 10 | \$ - | \$120,723 | \$(491,793) | \$ - | \$ 471 | \$ (4,982) |
| Net income | - | - | - | 38,824 | - | - | - |
| Distributions to Parent | - | - | - | (389,339) | - | - | - |
| Tax benefit related to the exercise of Parent stock options | - | - | 134 | - | - | - | - |
| Non-cash compensation expense | - | - | 3,353 | - | - | - | - |
| Currency translation adjustment | - | - | - | - | - | 1,704 | - |
| Unrealized losses on derivative instruments, net of tax | - | - | - | - | - | - | (1,121) |
| Reclassification adjustment for losses on derivative instruments included in net income, net of tax | - | - | - | - | - | - | 3,937 |
| BALANCE AT DECEMBER 28, 2003 | 10 | - | 124,210 | (842,308) | - | 2,175 | (2,166) |
| Net income | - | - | - | 62,262 | - | - | - |
| Capital contribution | - | - | 122,886 | - | - | - | - |
| Distributions to Parent | - | - | - | (24,763) | - | - | - |
| Tax benefit related to the exercise of Parent stock options | - | - | 1,276 | - | - | - | - |
| Deferred stock compensation relating to Parent stock options | - | - | 253 | - | (253) | - | - |
| Amortization of deferred stock compensation | - | - | - | - | 51 | - | - |
| Currency translation adjustment | - | - | - | - | - | 1,531 | - |
| Unrealized gains on derivative instruments, net of tax | - | - | - | - | - | - | 3,207 |
| Reclassification adjustment for losses on derivative instruments included in net income, net of tax | - | - | - | - | - | - | 1,764 |
| BALANCE AT JANUARY 2, 2005 | 10 | - | 248,625 | (804,809) | (202) | 3,706 | 2,805 |
| Net income | - | - | - | 108,282 | - | - | - |
| Capital contribution and other | - | - | 613 | - | - | - | - |
| Distributions to Parent | - | - | - | (95,348) | - | - | - |
| Tax benefit related to the exercise of Parent stock options | - | - | 21,504 | - | - | - | - |
| Non-cash compensation expense, including amortization of deferred stock compensation | - | - | 3,746 | - | 50 | - | - |
| Reclassification of deferred stock compensation | - | - | (152) | - | 152 | - | - |
| Currency translation adjustment | - | - | - | - | - | (1,780) | - |
| Unrealized gains on derivative instruments, net of tax | - | - | - | - | - | - | 3,464 |
| Reclassification adjustment for gains on derivative instruments included in net income, net of tax | - | - | - | - | - | - | (1,641) |
| BALANCE AT JANUARY 1, 2006 | 10 | \$ - | \$274,336 | \$(791,875) | \$ - | \$ 1,926 | \$ 4,628 |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | For the Years Ended | | |
|---|----------------------|--------------------|--------------------|
| | December 28, 2003 | January 2, 2005 | January 1, 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 38,824 | \$ 62,262 | \$ 108,282 |
| Adjustments to reconcile net income to net cash provided by operating activities- | | | |
| Depreciation and amortization | 29,822 | 31,705 | 32,415 |
| Provision (benefit) for losses on accounts and notes receivable | (212) | 1,440 | 1,254 |
| (Gains) losses on sale/disposal of assets | (2,606) | 1,194 | (18,998) |
| Provision for deferred income taxes | 7,696 | 8,761 | 308 |
| Amortization of deferred financing costs and debt discount | 20,756 | 7,808 | 3,020 |
| Non-cash compensation expense | 3,353 | 51 | 3,796 |
| Changes in operating assets and liabilities- | | | |
| Increase in accounts receivable | (7,393) | (8,823) | (3,290) |
| Decrease (increase) in inventories, prepaid expenses and other | 981 | 913 | (1,181) |
| Increase in accounts payable and accrued liabilities | 7,442 | 4,400 | 14,815 |
| Increase in insurance reserves | 4,411 | 2,444 | 781 |
| Net cash provided by operating activities | 103,074 | 112,155 | 141,202 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (29,161) | (39,763) | (28,689) |
| Proceeds from sale of property, plant and equipment | 1,101 | 834 | 3,899 |
| Proceeds from sale of equity investments | - | 1,614 | 25,532 |
| Repayments of notes receivable, net | 10,423 | 2,556 | 818 |
| Other, net | (1,927) | (1,511) | (1,423) |
| Net cash provided by (used in) investing activities | (19,564) | (36,270) | 137 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of long-term debt | 1,010,090 | 92 | 40,000 |
| Repayments of long-term debt and capital lease obligation | (662,492) | (180,708) | (80,343) |
| Cash paid for financing costs | (21,142) | (1,254) | (1,014) |
| Tax benefit from exercise of Parent stock options | 134 | 1,276 | 21,504 |
| Distributions to Parent | (389,339) | (24,763) | (95,348) |
| Capital contribution and other | - | 122,886 | 613 |
| Net cash used in financing activities | (62,749) | (82,471) | (114,588) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 178 | 716 | (228) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 20,939 | (5,870) | 26,523 |
| CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD | 25,327 | 46,266 | 40,396 |
| CASH AND CASH EQUIVALENTS, AT END OF PERIOD | \$ 46,266 | \$ 40,396 | \$ 66,919 |

The accompanying notes are an integral part of these consolidated statements.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Domino's, Inc. (Domino's), a Delaware corporation, conducts its operations and derives substantially all of its operating income and cash flows through its wholly-owned subsidiary, Domino's Pizza LLC. Domino's is a wholly-owned subsidiary of Domino's Pizza, Inc. (the Parent). Domino's and its wholly-owned subsidiaries (collectively, the Company) are primarily engaged in the following business activities: (i) retail sales of food through Company-owned Domino's Pizza stores, (ii) sales of food, equipment and supplies to Company-owned and franchised Domino's Pizza stores through Company-owned distribution centers, and (iii) receipt of royalties from domestic and international Domino's Pizza franchisees.

Initial Public Offering of Common Stock

The Parent completed an initial public offering of its common stock on July 16, 2004 (the IPO). As part of the IPO, the Parent issued and sold 9,375,000 shares of common stock resulting in proceeds to the Parent, net of underwriting discount, of approximately \$122.3 million. These net proceeds were contributed to the Company. Existing Parent stockholders concurrently sold 14,846,929 shares of common stock. The Parent and the Company did not receive any proceeds from the sale of shares by the selling stockholders. As part of the IPO, the Company used primary proceeds to repay \$109.1 million in debt, and used funds generated from operations to terminate the Company's management agreement with an affiliate of a Parent stockholder and pay in full outstanding contingent notes payable.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Domino's and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Fiscal Year

The Company's fiscal year ends on the Sunday closest to December 31. The 2003 fiscal year ended December 28, 2003; the 2004 fiscal year ended January 2, 2005; and the 2005 fiscal year ended January 1, 2006. The 2003 and 2005 fiscal years consisted of fifty-two weeks, while the 2004 fiscal year consisted of fifty-three weeks.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase. These investments are carried at cost, which approximates fair value.

Inventories

Inventories are valued at the lower of cost (on a first-in, first-out basis) or market.

Inventories at January 2, 2005 and January 1, 2006 are comprised of the following (in thousands):

| | <u>2004</u> | <u>2005</u> |
|------------------------|-----------------|-----------------|
| Food | \$18,437 | \$21,361 |
| Equipment and supplies | 3,068 | 2,870 |
| Inventories | \$21,505 | \$24,231 |

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Notes Receivable

During the normal course of business, the Company may provide financing to franchisees in the form of notes. Notes receivable generally require monthly payments of principal and interest, or monthly payments of interest only, generally ranging from 10% to 12%, with balloon payments of the remaining principal due one to ten years from the original issuance date. Such notes are generally secured by the related assets or business. The carrying amounts of these notes approximate fair value.

Other Assets

Current and long-term other assets primarily include prepaid expenses such as insurance, rent and taxes, deposits, investments in international franchisees, covenants not-to-compete and other intangible assets primarily arising from franchise acquisitions, and assets relating to the fair value of derivatives. Amortization expense for financial reporting purposes is provided using the straight-line method over the useful lives for covenants not-to-compete and other intangible assets and was approximately \$829,000, \$549,000 and \$509,000 in 2003, 2004, and 2005, respectively. As of January 1, 2006, scheduled amortization for the next five fiscal years is approximately \$505,000, \$398,000, \$380,000, \$336,000, and \$333,000 for 2006, 2007, 2008, 2009 and 2010, respectively.

During 2005, the Company sold an equity investment in an international master franchisee, resulting in proceeds of \$25.5 million and a gain of \$22.1 million. The gain was recorded in other in the consolidated statement of income.

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost. Repair and maintenance costs are expensed as incurred. Depreciation and amortization expense for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives, other than the estimated useful life of the capital lease asset as described below, are generally as follows (in years):

| | |
|----------------------------------|--------|
| Buildings | 20 |
| Leasehold and other improvements | 7 – 15 |
| Equipment | 3 – 12 |

Included in land and buildings as of January 2, 2005 and January 1, 2006 is a net capital lease asset of approximately \$5.7 million and \$5.3 million, respectively, related to the lease of a distribution center building. This capital lease asset is being amortized using the straight-line method over the fifteen-year lease term.

Depreciation and amortization expense on property, plant and equipment was approximately \$22.9 million, \$24.6 million and \$25.6 million in 2003, 2004 and 2005, respectively.

Impairments of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company evaluates the potential impairment of long-lived assets based on various analyses including the projection of undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For Company-owned stores, the Company performs this evaluation on an operating market basis, which the Company has determined to be the lowest level for which identifiable cash flows are largely independent of other cash flows. If the carrying amount of a long-lived asset exceeds the amount of the expected future undiscounted cash flows of that asset, an impairment loss is recognized and the asset is written down to its estimated fair value.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Investments in Marketable Securities

Investments in marketable securities consist of investments in various mutual funds made by eligible individuals as part of the Company's deferred compensation plan (Note 5). These investments are stated at aggregate fair value, are restricted and have been placed in a rabbi trust whereby the amounts are irrevocably set aside to fund the Company's obligations under the deferred compensation plan. The Company classifies these investments in marketable securities as trading and accounts for them in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Deferred Financing Costs

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of the 2003 Recapitalization (Note 2). Amortization is provided using the effective interest rate method over the terms of the respective debt instruments to which the costs relate and is included in interest expense.

In connection with the 2003 Recapitalization and the IPO, the Company expensed financing costs of approximately \$15.6 million and \$3.1 million, respectively. Amortization of deferred financing costs, including the aforementioned amounts, was approximately \$20.6 million, \$6.7 million and \$2.8 million in 2003, 2004 and 2005, respectively.

Goodwill

The Company's goodwill amounts primarily relate to franchise store acquisitions and, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", are not amortized. The Company performs its required impairment tests in the fourth quarter of each fiscal year and did not recognize any significant goodwill impairment charges in 2003 or 2004. During the fourth quarter of 2005, the Company determined that goodwill related to certain Company-owned operations in the Netherlands was impaired. Total charges related to these foreign operations totaled approximately \$2.8 million, including a goodwill impairment charge of approximately \$1.3 million. The impairment charge was recorded in general and administrative expense.

Capitalized Software

Capitalized software is recorded at cost and includes purchased, internally-developed and externally-developed software used in the Company's operations. Amortization expense for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the software, which range from two to seven years. Capitalized software amortization expense was approximately \$6.1 million, \$6.6 million and \$6.3 million in 2003, 2004 and 2005, respectively. As of January 1, 2006, scheduled amortization for the next five fiscal years is approximately \$4.8 million, \$4.2 million, \$3.9 million, \$1.5 million and \$268,000 for 2006, 2007, 2008, 2009 and 2010, respectively.

Insurance Reserves

The Company has retention programs 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. The Company is generally responsible for up to \$1.0 million per occurrence under these retention programs for workers' compensation and general liability exposures. The Company is 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 on the year 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.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Insurance reserves relating to our retention programs are based on undiscounted actuarial estimates from an independent third party actuary. These estimates are based on historical information along with certain 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. The Company receives an annual estimate of outstanding insurance exposures from its independent actuary and differences between these estimated actuarial exposures and the Company's recorded amounts are adjusted as appropriate. In management's opinion, the insurance reserves at January 2, 2005 and January 1, 2006 are sufficient to cover related losses.

Other Accrued Liabilities

Current and long-term other accrued liabilities primarily include accruals for sales, other taxes, legal matters, marketing and advertising expenses, store operating expenses, deferred rent expense and deferred compensation liabilities.

Foreign Currency Translation

The Company's foreign entities use their local currency as the functional currency, in accordance with the provisions of SFAS No. 52, "Foreign Currency Translation." Where the functional currency is the local currency, the Company translates net assets into U.S. dollars at year end exchange rates, while income and expense accounts are translated at average annual exchange rates. Currency translation adjustments are included in accumulated other comprehensive income and foreign currency transaction gains and losses are included in determining net income.

Revenue Recognition

Domestic Company-owned stores revenues are comprised of retail sales of food through Company-owned Domino's Pizza stores located in the contiguous United States and are recognized when the items are delivered to or carried out by customers.

Domestic franchise revenues are primarily comprised of royalties from Domino's Pizza franchisees with operations in the contiguous United States. Royalty revenues are recognized when the items are delivered to or carried out by franchise customers.

Domestic distribution revenues are primarily comprised of sales of food, equipment and supplies to franchised Domino's Pizza stores located in the contiguous United States. Revenues from the sales of food are recognized upon delivery of the food to franchisees, while revenues from the sales of equipment and supplies are generally recognized upon shipment of the related products to franchisees.

International revenues are primarily comprised of sales of food to, and royalties from, foreign, Alaskan and Hawaiian Domino's Pizza franchisees, as well as retail sales of food through Company-owned stores in the Netherlands and France. These revenues are recognized consistently with the policies applied for revenues generated in the contiguous United States.

Distribution Profit-Sharing Arrangements

The Company enters into profit-sharing arrangements with Domestic Stores (Note 9) that purchase all of their food from Company-owned distribution centers. These profit-sharing arrangements generally provide participating stores with 50% of their regional distribution center's pre-tax profits based upon each store's purchases from the distribution center. Profit-sharing obligations are recorded as a revenue reduction in the Domestic Distribution (Note 9) segment in the same period as the related revenues and costs are recorded, and were \$41.6 million in each of 2003 and 2004 and \$44.7 million in 2005.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense, which relates primarily to Company-owned stores, was approximately \$36.6 million, \$37.0 million and \$39.6 million during 2003, 2004 and 2005, respectively.

Domestic Stores are required to contribute a certain percentage of sales to the Domino's National Advertising Fund Inc. (DNAF), a not-for-profit subsidiary that administers the Domino's Pizza system's national and market level advertising activities. Included in advertising expense were national advertising contributions from Company-owned stores to DNAF of approximately \$11.3 million, \$11.4 million and \$15.9 million in 2003, 2004 and 2005, respectively. DNAF also received national advertising contributions from franchisees of approximately \$77.7 million, \$83.0 million and \$114.2 million during 2003, 2004 and 2005, respectively. Franchisee contributions and offsetting expenses are presented net in the accompanying statements of income.

DNAF assets, consisting primarily of cash received from franchisees and accounts receivable from franchisees, can only be used for activities that promote the Domino's Pizza brand. Accordingly, all assets held by the DNAF are considered restricted.

Rent

The Company leases certain equipment, vehicles, retail store and distribution center locations and its corporate headquarters under operating leases with expiration dates through 2019. During 2004, the Company corrected its accounting for leases to conform the lease terms used in calculating straight-line rent expense to the terms used to amortize related leasehold improvements. This correction resulted in the acceleration of rent expense under certain leases that contain fixed escalations in rental payments. The rent expense adjustment related to this correction was approximately \$2.8 million and was recognized in the fourth quarter of 2004. Rent expenses, including the aforementioned adjustment, totaled approximately \$38.4 million, \$44.2 million and \$42.6 million during 2003, 2004 and 2005, respectively.

Distributions

During the normal course of business, the Company may make discretionary distributions to the Parent.

During 2003, and in connection with the 2003 Recapitalization, the Company distributed approximately \$388.9 million to the Parent, which used the proceeds to redeem its preferred stock and pay a dividend on its common stock.

During 2004, the Company distributed approximately \$24.8 million to the Parent, which primarily used the proceeds to repay contingent notes payable, pay fees associated with the IPO and pay a dividend on its common stock.

During 2005, the Company distributed approximately \$95.3 million to the Parent, which primarily used the proceeds to pay a dividend on its common stock and repurchase its common stock.

Derivative Instruments

The Company accounts for its derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and related guidance which require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

During 2003, the Company entered into two interest rate derivative agreements to effectively convert the fixed interest rate component of the Company's senior subordinated debt to variable LIBOR-based rates over the term of the related debt. The Company has designated these agreements as fair value hedges. During 2004, the Company entered into an interest rate derivative agreement to effectively convert the variable LIBOR component of the effective interest rate on a portion of the Company's term loan debt to a fixed rate, in an effort to reduce the impact of interest rate changes on income. The Company has designated this agreement as a cash flow hedge. The Company has determined that no ineffectiveness exists related to these derivatives. Related gains and losses upon settlement of these derivatives are recorded in interest expense.

These agreements are summarized as follows:

| Derivative | Total Notional Amount | Term | Company Pays | Counterparty Pays |
|--------------------|-----------------------------|-------------------------|-----------------------------|----------------------|
| Interest Rate Swap | \$50.0 million | August 2003 – July 2011 | LIBOR plus 319 basis points | 8.25% |
| Interest Rate Swap | \$50.0 million | August 2003 – July 2011 | LIBOR plus 324 basis points | 8.25% |
| Interest Rate Swap | \$350.0 million | June 2005 – June 2007 | 3.21% | LIBOR |

At January 2, 2005, the fair value of the Company's cash flow hedges is a net asset of approximately \$4.5 million, of which \$1.7 million is included in prepaid expenses and other and \$2.8 million is included in long-term other assets. At January 1, 2006, the fair value of the Company's cash flow hedge is a net asset of approximately \$7.4 million, of which \$5.1 million is included in prepaid expenses and other and \$2.3 million is included in long-term other assets.

At January 2, 2005, the fair value of the Company's fair value hedges is a net asset of approximately \$4.0 million, of which \$1.6 million is included in prepaid expenses and other and \$2.4 million is included in long-term other assets. At January 1, 2006, the fair value of the Company's fair value hedges is a net asset of approximately \$1.2 million, of which \$250,000 is included in prepaid expenses and other and \$901,000 is included in long-term other assets.

Stock Options

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R (revised 2004), "Share-Based Payments" (SFAS 123R). SFAS 123R requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the financial statements based on the estimated fair value of the awards. The Company adopted SFAS 123R in 2005. For periods prior to 2005, the Company accounted for stock-based compensation using the intrinsic method prescribed in APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations (APB 25).

New Accounting Pronouncement

In May 2005, the FASB issued SFAS No. 154 (SFAS 154), Accounting Changes and Error Corrections. Under SFAS 154, entities will be required to report a change in accounting principle through retrospective application of the new accounting principle to all prior periods, unless impracticable to do so. In addition, errors in the financial statements of a prior period discovered subsequent to their issuance shall be reported as a prior period adjustment by restating the prior period financial statements. This standard will be effective for accounting changes and corrections of errors made, if any, commencing in 2006.

Supplemental Disclosures of Cash Flow Information

The Company paid interest of approximately \$49.6 million, \$59.8 million and \$45.1 million during 2003, 2004 and 2005, respectively. Cash paid for income taxes was approximately \$21.1 million, \$23.2 million and \$35.4 million in 2003, 2004 and 2005, respectively.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts from fiscal 2003 and 2004 have been reclassified to conform to the fiscal 2005 presentation. Specifically, in accordance with SFAS 123R, the tax benefit from the exercise of stock options was presented as cash flows from financing activities in 2005. Accordingly, related amounts in 2003 and 2004 were reclassified from cash flows from operating activities to cash flows from financing activities.

(2) FINANCING ARRANGEMENTS

At January 2, 2005 and January 1, 2006, consolidated long-term debt consisted of the following (in thousands):

| | 2004 | 2005 |
|--|------------------|------------------|
| 2003 Agreement – Term Loan | \$498,013 | \$458,013 |
| Other borrowings | 410 | 261 |
| Capital lease obligation | 5,929 | 5,687 |
| Senior subordinated notes due 2011, 8 1/4%, net of a \$1.6 million and \$1.4 million unamortized discount in 2004 and 2005, respectively | 272,303 | 272,550 |
| Total debt | 776,655 | 736,511 |
| Less – current portion | 25,295 | 35,304 |
| Total long-term debt | 751,360 | 701,207 |
| Fair value derivatives | 4,045 | 1,151 |
| Consolidated long-term debt | \$755,405 | \$702,358 |

2003 Recapitalization

On June 25, 2003, the Company consummated a recapitalization transaction (the 2003 Recapitalization) whereby the Company (i) issued and sold \$403.0 million aggregate principal amount at maturity of 8 1/4% senior subordinated notes due 2011 (the 2011 Notes) 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 with a consortium of banks (collectively, the 2003 Agreement).

The Parent and the Company used the proceeds from the 2011 Notes and the 2003 Agreement as well as cash from operations to (i) retire all of its previously outstanding senior subordinated notes that were tendered, (ii) repay all amounts outstanding under and cancel a previous credit agreement, (iii) redeem all of the Parent's outstanding preferred stock, (iv) pay a \$188.3 million dividend on the Parent's outstanding common stock and (v) pay related transaction fees and expenses.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2003 Agreement

The 2003 Agreement provides the following credit facilities: a term loan (the Term Loan) and a revolving credit facility (the Revolver). The aggregate borrowings available under the 2003 Agreement are \$735.0 million: \$610.0 million under the Term Loan and \$125.0 million under the Revolver. The Term Loan was initially fully borrowed. The 2003 Agreement has been amended primarily to obtain more favorable Term Loan interest rate margins, to amend the principal amortization schedule, to allow for the repayment of a portion of the 2011 Notes as part of the IPO in lieu of a required payment under the Term Loan, to allow dividend payments to stockholders and to allow for the purchase and retirement of Parent common stock.

Borrowings under the Term Loan bear interest, payable at least quarterly, at either (i) the higher of (a) the prime rate (7.25% at January 1, 2006) or (b) 0.50% above the Federal Reserve reported overnight funds rate, each plus an applicable margin of 0.50%, or (ii) LIBOR (4.56% at January 1, 2006) plus an applicable margin of 1.50%. At January 1, 2006, the Company's borrowing rate was 6.06% for Term Loan borrowings and all borrowings under the Term Loan were under a LIBOR contract with an interest period of 90 days. Subsequent to January 1, 2006, the Company made a voluntary Term Loan payment of \$35.0 million. The Company has classified this amount as current in the consolidated balance sheet as of January 1, 2006. Including the effects of this prepayment in 2006, the 2003 Agreement requires no principal payments in 2006 and principal payments totaling \$3.2 million, \$4.3 million, \$5.4 million and \$410.0 million in 2007, 2008, 2009 and 2010, respectively. The timing of the Company's required payments under the 2003 Agreement may change based upon voluntary prepayments and generation of excess cash, as defined. The final scheduled principal payment on the outstanding borrowings under the Term Loan is due in June 2010.

Borrowings under the Revolver (excluding letters of credit) bear interest, payable at least quarterly, at either (i) the higher of (a) the prime rate or (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) LIBOR plus an applicable margin of between 2.25% to 3.00%, with margins determined based upon the Parent's ratio of indebtedness to EBITDA, as defined. The Company also pays a 0.50% commitment fee on the unused portion of the Revolver. The Company may use up to \$60.0 million of the Revolver for letter of credit advances. The fee for letter of credit amounts outstanding ranges from 2.375% to 3.125%. At January 1, 2006, the fee for letter of credit amounts outstanding was 2.625%. At January 1, 2006, there are \$94.5 million in available borrowings under the Revolver, with \$30.5 million of letters of credit outstanding. The Revolver expires in June 2009, at which time all outstanding borrowings under the Revolver are due.

Borrowings under the 2003 Agreement are guaranteed by the Parent, are jointly and severally guaranteed by most of Domino's domestic subsidiaries and one foreign subsidiary, and substantially all of the assets of the Company are pledged as collateral.

The 2003 Agreement contains certain financial and non-financial covenants that, among other restrictions, require the maintenance of certain financial ratios related to interest coverage and leverage. The 2003 Agreement also restricts the Company's ability to incur additional indebtedness, make investments, use assets as security in other transactions and sell certain assets or merge with or into other companies. Additionally, upon a public offering of stock, the Company is required to pay down the Term Loan in an amount equal to 50% of the net proceeds of such offering.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2011 Notes

The 2011 Notes require semi-annual interest payments, beginning January 1, 2004. Before July 1, 2007, the Company may, at a price above par, redeem all, but not part, of the 2011 Notes if a change in control occurs, as defined in the 2011 Notes. Beginning July 1, 2007, the Company may redeem some or all of the 2011 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, the Company will be obligated to repurchase the 2011 Notes tendered at the option of the holders at a fixed price. Upon a public stock offering, the Company may use net proceeds from such offering to repurchase and retire up to 40% of the aggregate principal amount of the 2011 Notes, provided that at least 60% of the original principal amount of the 2011 Notes remains outstanding immediately following such repurchase. During 2004, the Company repaid \$109.1 million of 2011 Notes principal amount using net proceeds from the IPO. The 2011 Notes are guaranteed by most of Domino's domestic subsidiaries and one foreign subsidiary and are subordinated in right of payment to all existing and future senior debt of the Company.

The indenture related to the 2011 Notes restricts the Company from, among other restrictions, incurring additional indebtedness or issuing preferred stock, with certain specified exceptions, unless a minimum fixed charge coverage ratio is met. The Company may pay dividends and make other restricted payments so long as such payments in total do not exceed 50% of the Parent's cumulative net income from December 30, 2002 to the payment date plus the net proceeds from any capital contributions or the sale of equity interests.

As of January 1, 2006, management estimates the fair value of the 2011 Notes to be approximately \$286.2 million. The carrying amounts of the Company's other debt approximate fair value.

Other

As defined in the 2003 Agreement, as amended, an amount not to exceed \$40.0 million was made available for the purchase and retirement of Parent common stock and, separately, an amount not to exceed \$30.0 million was made available for the early retirement of the 2011 Notes. As of January 1, 2006, these baskets remain fully available. Certain amounts were also available for the early retirement of senior subordinated notes and Parent common stock under the Company's previous credit agreements. In 2003 and 2004, the Company retired \$20.5 million and \$20.0 million, respectively, of its senior subordinated notes through open market transactions using funds generated from operations. These retirements resulted in losses of approximately \$2.3 million and \$1.8 million in 2003 and 2004, respectively, due to purchase prices in excess of carrying value. Additionally, as part of the 2003 Recapitalization, the Company recorded a \$20.4 million loss relating to the repurchase and retirement, at a premium, of \$206.7 million principal amount of its previously outstanding senior subordinated notes. As part of the IPO, the Company also recorded a \$9.0 million loss relating to the repurchase and retirement, at a premium, of \$109.1 million principal amount of 2011 Notes. These amounts are included in other expense in the accompanying statements of income. During 2005, the Company borrowed \$40.0 million and used the proceeds and cash from operations to fund the Parent's repurchase of \$75.0 million of its common stock. The \$40.0 million revolver borrowing was subsequently repaid during 2005.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

At January 1, 2006, maturities of long-term debt and capital lease obligation are as follows, which exclude the \$1.4 million unamortized discount on the 2011 Notes and \$1.2 million related to fair value derivatives and classifies as current a voluntary term loan payment of \$35.0 million made subsequent to January 1, 2006 (in thousands):

| | |
|------------|------------------|
| 2006 | \$ 35,304 |
| 2007 | 3,571 |
| 2008 | 4,677 |
| 2009 | 5,774 |
| 2010 | 410,413 |
| Thereafter | 278,122 |
| | <u>\$737,861</u> |

(3) COMMITMENTS AND CONTINGENCIESLease Commitments

As of January 1, 2006, the future minimum rental commitments for all non-cancelable leases, which include approximately \$42.7 million in commitments to related parties, are as follows (in thousands):

| | Operating Leases | Capital Lease | Total |
|--|---------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| 2006 | \$ 35,575 | \$ 736 | \$ 36,311 |
| 2007 | 29,880 | 736 | 30,616 |
| 2008 | 25,477 | 736 | 26,213 |
| 2009 | 20,797 | 736 | 21,533 |
| 2010 | 16,018 | 736 | 16,754 |
| Thereafter | 43,049 | 5,646 | 48,695 |
| | <u>\$ 170,796</u> | <u>9,326</u> | <u>\$ 180,122</u> |
| Less – amounts representing interest | | (3,639) | |
| Total principal payable on capital lease | | <u>\$ 5,687</u> | |

Legal Proceedings and Related Matters

The Company is 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 and automobile and franchisee claims arising in the ordinary course of business. In addition, the Company is facing allegations of purported class-wide wage and hour violations related to meal and rest breaks and the proper classification of store general managers as exempt employees under California law. The Company believes that it has properly classified general managers as exempt under California law and accordingly intends to vigorously defend against all claims in this lawsuit. In management's opinion, these matters, individually and in the aggregate, will not have a significant adverse effect on the financial condition of the Company, and the established reserves adequately provide for the estimated resolution of such claims.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(4) INCOME TAXES

The differences between the United States Federal statutory income tax provision (using the statutory rate of 35%) and the Company's consolidated provision for income taxes for 2003, 2004 and 2005 are summarized as follow (in thousands):

| | 2003 | 2004 | 2005 |
|---|-----------------|-----------------|-----------------|
| Federal income tax provision based on the statutory rate | \$21,742 | \$35,012 | \$60,638 |
| State and local income taxes, net of related Federal income taxes | 1,211 | 2,602 | 4,303 |
| Non-resident withholding and foreign income taxes | 4,163 | 4,757 | 4,978 |
| Foreign tax and other tax credits | (4,962) | (5,439) | (5,773) |
| Losses attributable to foreign subsidiaries | 593 | 451 | 1,911 |
| Utilization of foreign net operating loss carryovers | - | (238) | (1,223) |
| Non-deductible expenses | 551 | 615 | 698 |
| Other | (3) | 13 | (563) |
| | <u>\$23,295</u> | <u>\$37,773</u> | <u>\$64,969</u> |

The components of the 2003, 2004 and 2005 consolidated provision for income taxes are as follows (in thousands):

| | 2003 | 2004 | 2005 |
|---|-----------------|-----------------|-----------------|
| Provision for Federal income taxes- | | | |
| Current provision | \$ 9,705 | \$20,359 | \$52,088 |
| Deferred provision | 6,971 | 8,441 | 595 |
| Change in valuation allowance | 593 | 213 | 688 |
| Total provision for Federal income taxes | <u>17,269</u> | <u>29,013</u> | <u>53,371</u> |
| Provision for state and local income taxes- | | | |
| Current provision | 1,731 | 3,896 | 7,595 |
| Deferred provision (benefit) | 132 | 107 | (975) |
| Total provision for state and local income taxes | <u>1,863</u> | <u>4,003</u> | <u>6,620</u> |
| Provision for non-resident withholding and foreign income taxes | <u>4,163</u> | <u>4,757</u> | <u>4,978</u> |
| | <u>\$23,295</u> | <u>\$37,773</u> | <u>\$64,969</u> |

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As of January 2, 2005 and January 1, 2006, the significant components of net deferred income taxes are as follows (in thousands):

| | <u>2004</u> | <u>2005</u> |
|--|-----------------|-----------------|
| Deferred Federal income tax assets- | | |
| Depreciation, amortization and asset basis differences | \$20,675 | \$18,021 |
| Covenants not-to-compete | 10,456 | 9,289 |
| Insurance reserves | 8,251 | 8,810 |
| Other accruals and reserves | 8,155 | 8,472 |
| Bad debt reserves | 1,816 | 1,459 |
| Foreign net operating loss carryovers | 2,543 | 4,274 |
| Other | 1,332 | 1,429 |
| | <u>53,228</u> | <u>51,754</u> |
| Valuation allowance on foreign net operating loss carryovers | (2,543) | (3,361) |
| Total deferred Federal income tax assets | <u>50,685</u> | <u>48,393</u> |
| Deferred Federal income tax liabilities- | | |
| Capitalized software | 8,895 | 7,580 |
| Derivatives asset | 1,701 | 2,777 |
| Total deferred Federal income tax liabilities | <u>10,596</u> | <u>10,357</u> |
| Net deferred Federal income tax asset | 40,089 | 38,036 |
| Net deferred state and local income tax asset | 5,924 | 6,558 |
| Net deferred income taxes | <u>\$46,013</u> | <u>\$44,594</u> |

As of January 2, 2005, the classification of net deferred income taxes is summarized as follows (in thousands):

| | <u>Current</u> | <u>Long-term</u> | <u>Total</u> |
|---------------------------|-----------------|------------------|------------------|
| Deferred tax assets | \$ 6,317 | \$ 50,292 | \$ 56,609 |
| Deferred tax liabilities | - | (10,596) | (10,596) |
| Net deferred income taxes | <u>\$ 6,317</u> | <u>\$ 39,696</u> | <u>\$ 46,013</u> |

As of January 1, 2006, the classification of net deferred income taxes is summarized as follows (in thousands):

| | <u>Current</u> | <u>Long-term</u> | <u>Total</u> |
|---------------------------|-----------------|------------------|------------------|
| Deferred tax assets | \$ 5,937 | \$ 49,014 | \$ 54,951 |
| Deferred tax liabilities | - | (10,357) | (10,357) |
| Net deferred income taxes | <u>\$ 5,937</u> | <u>\$ 38,657</u> | <u>\$ 44,594</u> |

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Realization of the Company's deferred tax assets is dependent upon many factors, including, but not limited to, the Company's ability to generate sufficient taxable income. Although realization of the Company's net deferred tax assets is not assured, management believes it is more likely than not that the net deferred tax assets will be realized. On an ongoing basis, management will assess whether it remains more likely than not that the net deferred tax assets will be realized. As of January 1, 2006, the Company has approximately \$4.3 million of deferred tax assets relating to foreign net operating loss carryovers which have indefinite carryover periods. A valuation allowance of approximately \$3.4 million has been provided against these deferred tax assets.

(5) EMPLOYEE BENEFITS

The Company has a retirement savings plan which qualifies under Internal Revenue Code Section 401(k). All employees of the Company who have completed 1,000 hours of service and are at least 21 years of age are eligible to participate in the plan. The plan requires the Company to match 50% of employee contributions per participant, with Company matching contributions limited to 3% of eligible participant compensation. These matching contributions vest immediately. The charges to operations for Company contributions to the plan were approximately \$2.2 million in 2003 and \$2.3 million in each of 2004 and 2005.

The Company has established a nonqualified deferred compensation plan available for certain key employees. Under this self-funding plan, the participants may defer up to 40% of their annual compensation. The participants direct the investment of their deferred compensation within several investment funds. The Company is not required to contribute and did not contribute to this plan during 2003, 2004 or 2005. During 2005, as required by the Company's deferred compensation plan, a significant portion of the outstanding deferred compensation balances were paid to participating employees. The total payments were approximately \$4.7 million.

In connection with the IPO, the Board of Directors of the Parent (the Board of Directors) approved an employee stock purchase discount plan (the ESPDP). Under the ESPDP, eligible employees may deduct up to 15% of their eligible wages to purchase Parent common stock at 85% of the market price of the stock at the purchase date. The ESPDP requires employees to hold their purchased Parent common stock for one year. There are 1,000,000 shares of Parent common stock authorized to be issued under the ESPDP. There were 16,232 shares and 63,651 shares issued by the Parent during 2004 and 2005, respectively.

(6) FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company is a party to stand-by letters of credit and, to a lesser extent, financial guarantees with off-balance sheet risk. The Company's exposure to credit loss for stand-by letters of credit and financial guarantees is represented by the contractual amounts of these instruments. The Company uses the same credit policies in making conditional obligations as it does for on-balance sheet instruments. Total conditional commitments under letters of credit and financial guarantees as of January 1, 2006 are \$31.0 million, and primarily relate to letters of credit for the Company's insurance programs and distribution center leases.

(7) RELATED PARTY TRANSACTIONS

Corporate Headquarters Lease

The Company leases its corporate headquarters under an operating lease agreement with a partnership owned by its founder and former majority Parent stockholder. The Company renewed this lease for a ten-year term, with two five-year renewal options, beginning in December 2003. Total lease expense related to this lease was approximately \$4.5 million, \$4.9 million and \$5.1 million in 2003, 2004 and 2005, respectively.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As of January 1, 2006, aggregate future minimum lease commitments under this lease are as follows (in thousands):

| | |
|------------|----------|
| 2006 | \$ 5,344 |
| 2007 | 5,344 |
| 2008 | 5,344 |
| 2009 | 5,344 |
| 2010 | 5,344 |
| Thereafter | 16,028 |
| | <hr/> |
| | \$42,748 |

Management Agreement

As part of a prior recapitalization in which the Company's founder sold a controlling interest in the Company (the 1998 Recapitalization), the Company entered into a management agreement with an affiliate of a Parent stockholder to provide the Company with certain management services. The Company was committed to pay an amount not to exceed \$2.0 million per year on an ongoing basis for management services as defined in the management agreement. The Company incurred and paid \$2.0 million for management services in 2003. During 2004, the Company paid \$10.0 million to terminate the management agreement. Total amounts expensed during 2004 were \$11.0 million. These amounts are included in general and administrative expense.

Financing Arrangements

As part of the 2003 Recapitalization, the Company paid approximately \$7.9 million of financing costs to a former affiliate of a Parent stockholder. During 2004 and 2005, the Company also paid this former affiliate approximately \$1.1 million and \$1.0 million, respectively, of financing costs relating to amendments to the 2003 Agreement. A separate former affiliate has been and is counterparty to interest rate derivative agreements. In connection with the IPO, a separate former affiliate was paid \$7.0 million in underwriting fees.

At January 2, 2005, affiliates of Parent stockholders had term loan holdings of \$28.5 million and senior subordinated note holdings of \$10.9 million. At January 1, 2006, affiliates of Parent stockholders had term loan holdings of \$30.6 million and senior subordinated note holdings of \$9.5 million. Related interest expense to affiliates was approximately \$3.2 million, \$2.6 million and \$2.9 million in 2003, 2004 and 2005, respectively.

(8) STOCK OPTIONS

The Company adopted SFAS 123R during 2005. Accordingly, the cost of all employee stock options, as well as other equity-based compensation arrangements, is reflected in the consolidated statement of income in 2005 based on the estimated fair value of the awards. For periods prior to 2005, the Company accounted for stock-based compensation using the intrinsic method prescribed in APB 25. Accordingly, compensation cost for stock options was measured as the excess, if any, of the fair value of the stock at grant date over the amount an optionee must pay to acquire the stock.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The Parent has two equity incentive plans, both of which benefit certain of the Company's employees and directors: the TISM, Inc. Stock Option Plan (the TISM Stock Option Plan) and the Domino's Pizza, Inc. 2004 Equity Incentive Plan (the 2004 Equity Incentive Plan) (collectively, the Equity Incentive Plans). In connection with the IPO, the 2004 Equity Incentive Plan was adopted by the Board of Directors and, separately, the TISM Stock Option Plan was amended by the Board of Directors to prohibit the granting of additional stock options. As of January 1, 2006, the number of options granted and outstanding under the TISM Stock Option Plan was 2,638,138 shares of non-voting Parent common stock. As of January 1, 2006, the maximum number of shares that may be granted under the 2004 Equity Incentive Plan is 5,600,000 shares of voting Parent common stock, of which 3,488,035 are outstanding. As of January 1, 2006, there are 2,059,630 shares of voting Parent common stock that are authorized for grant under the 2004 Equity Incentive Plan but remain ungranted.

Prior to the IPO, options granted under the TISM Stock Option Plan were generally granted at 100% of the Board of Directors' estimate of fair value of the underlying stock on the date of grant, expire ten years from the date of grant and vest within five years from the date of grant. Subsequent to the IPO, options granted under the 2004 Equity Incentive Plan are granted at the market price at the date of the grant, expire ten years from the date of grant and generally vest within five years from the date of grant. Additionally, options become fully exercisable upon vesting.

The Company recorded deferred stock compensation of \$253,000 in 2004 relating to Parent stock options granted to employees at less than the Board of Directors' estimate of fair value. These amounts are amortized using the straight-line method over the related vesting periods. During 2003, the Company recorded \$1.9 million in non-cash compensation expense relating to Parent stock options granted to employees at less than the Board of Directors' estimate of fair value. Additionally, the Company recorded \$1.5 million in non-cash compensation expense related to the acceleration of vesting periods on certain Parent stock options in connection with the 2003 Recapitalization.

During 2005, the Company recorded non-cash compensation expense of \$2.9 million related to the adoption of SFAS 123R, which reduced net income by \$1.8 million. Additionally, the Company recorded non-cash compensation expense of \$0.8 million related to the vesting of Parent stock options for a former employee. The Company recorded total non-cash compensation expense, including the aforementioned amounts, of \$3.4 million, \$51,000 and \$3.8 million in 2003, 2004 and 2005, respectively, which reduced net income by \$2.1 million, \$32,000 and \$2.4 million in 2003, 2004 and 2005, respectively. All non-cash compensation expense amounts are recorded in general and administrative expense.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Activity related to the Equity Incentive Plans is summarized as follows:

| | Common Stock Options | | | |
|------------------------------|----------------------|---------------------------------|-------------|---------------------------------|
| | Outstanding | Weighted Average Exercise Price | Exercisable | Weighted Average Exercise Price |
| Options at December 29, 2002 | 3,863,314 | \$ 1.63 | 1,872,626 | \$ 0.75 |
| Options granted | 2,097,000 | \$ 8.75 | | |
| Options cancelled | (36,934) | \$ 6.20 | | |
| Options exercised | (44,733) | \$ 1.89 | | |
| Options at December 28, 2003 | 5,878,647 | \$ 4.12 | 3,942,647 | \$ 1.89 |
| Options granted | 1,771,530 | \$ 13.87 | | |
| Options cancelled | (150,341) | \$ 9.23 | | |
| Options exercised | (276,542) | \$ 1.47 | | |
| Options at January 2, 2005 | 7,223,294 | \$ 6.50 | 4,070,006 | \$ 2.58 |
| Options granted | 1,983,500 | \$ 23.83 | | |
| Options cancelled | (237,352) | \$ 14.95 | | |
| Options exercised | (2,843,269) | \$ 1.95 | | |
| Options at January 1, 2006 | 6,126,173 | \$ 13.90 | 1,916,836 | \$ 6.67 |

The total intrinsic value for options outstanding was approximately \$33.1 million, \$81.6 million and \$63.1 million as of December 28, 2003, January 2, 2005 and January 1, 2006. The total intrinsic value for options exercisable was approximately \$31.0 million, \$61.9 million and \$33.6 million as of December 28, 2003, January 2, 2005 and January 1, 2006. The total intrinsic value of options exercised was approximately \$361,000, \$3.4 million and \$56.8 million in 2003, 2004 and 2005, respectively. Cash received from stock option exercises, for which the Parent issued shares of its common stock, was approximately \$85,000, \$1.3 million and \$5.6 million in 2003, 2004 and 2005, respectively. The tax benefit realized from the exercise of stock options was approximately \$134,000, \$1.3 million and \$21.5 million in 2003, 2004 and 2005, respectively.

Activity related to unexercisable options as of January 1, 2006 is summarized as follows:

| | Options | Weighted Average Grant Date Fair Value |
|--|-----------|--|
| Unexercisable options at January 2, 2005 | 3,153,288 | \$ 2.58 |
| Granted | 1,983,500 | \$ 6.45 |
| Vested | (696,432) | \$ 2.57 |
| Cancelled | (231,019) | \$ 3.67 |
| Unexercisable options at January 1, 2006 | 4,209,337 | \$ 4.36 |

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As of January 1, 2006, there was \$15.5 million of total unrecognized compensation cost related to unvested options granted under the Equity Incentive Plans. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.6 years. The total fair value of shares vested during 2003, 2004 and 2005 was approximately \$355,000, \$328,000 and \$1.8 million, respectively.

Options outstanding and exercisable at January 1, 2006 are as follows:

| | Options Outstanding | Options Exercisable | Weighted Average Exercise Price per Share | Weighted Average Remaining Life (Years) |
|-------------------------|------------------------|------------------------|---|--|
| Non-Voting Common Stock | 492,114 | 492,114 | \$ 0.75 | 4.0 |
| Non-Voting Common Stock | 454,121 | 454,121 | \$ 5.25 | 6.1 |
| Non-Voting Common Stock | 59,000 | 59,000 | \$ 10.05 | 7.0 |
| Non-Voting Common Stock | 1,583,573 | 611,374 | \$ 8.66 | 7.5 |
| Non-Voting Common Stock | 49,330 | 11,729 | \$ 9.75 | 8.0 |
| Voting Common Stock | 1,572,535 | 288,498 | \$ 14.00 | 8.5 |
| Voting Common Stock | 170,000 | - | \$ 17.11 | 9.1 |
| Voting Common Stock | 7,500 | - | \$ 18.36 | 9.3 |
| Voting Common Stock | 1,480,500 | - | \$ 25.02 | 9.6 |
| Voting Common Stock | 257,500 | - | \$ 21.29 | 9.8 |

For periods prior to the IPO, management has estimated the fair value of each option grant on the date of grant using the minimum value method. For options granted subsequent to the IPO, management has estimated the fair value of each option grant using the Black-Scholes option pricing method. Management estimated the fair value of each option grant made during 2003, 2004 and 2005 as of the date of the grant using the following weighted average assumptions:

| | 2003 | 2004 | 2005 |
|-------------------------|------|-------|-------|
| Risk-free interest rate | 3.0% | 3.6% | 4.1% |
| Expected life (years) | 5.0 | 5.0 | 5.9 |
| Expected volatility | N/A | 29.1% | 25.4% |
| Expected dividend yield | 0.0% | 1.8% | 1.9% |

The weighted average fair values per share were \$1.19, \$3.69 and \$6.45 for options granted in 2003, 2004, and 2005, respectively.

Option valuation models require the input of highly subjective assumptions. Because changes in subjective input assumptions can significantly affect the fair value estimate, in management's opinion, existing models do not necessarily provide a reliable single measure of the fair value of the Parent's stock options.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Had compensation cost for the Equity Incentive Plans for the 2003 and 2004 fiscal years been determined based on the fair value at the grant dates consistent with the method described in SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income would have decreased to the following pro forma amounts, which may not be representative of that to be expected in future years (in thousands):

| | <u>2003</u> | <u>2004</u> |
|---|-----------------|-----------------|
| Net income, as reported | \$38,824 | \$62,262 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects | 2,096 | 32 |
| Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects | (2,958) | (725) |
| Net income, pro forma | <u>\$37,962</u> | <u>\$61,569</u> |

(9) SEGMENT INFORMATION

The Company has three reportable segments as determined by management using the "management approach" as defined in SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information": (i) Domestic Stores, (ii) Domestic Distribution, and (iii) International. The Company's operations are organized by management on the combined bases of line of business and geography. The Domestic Stores segment includes operations with respect to all franchised and Company-owned stores throughout the contiguous United States. The Domestic Distribution segment primarily includes the distribution of food, equipment and supplies to the Domestic Stores segment from the Company's regional distribution centers. The International segment primarily includes operations related to the Company's franchising business in foreign and non-contiguous United States markets, its Company-owned store operations in the Netherlands and France and its distribution operations in Canada, France, the Netherlands, Alaska and Hawaii.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its segments and allocates resources to them based on earnings before interest, taxes, depreciation, amortization and other, referred to as Segment Income.

The tables below summarize the financial information concerning the Company's reportable segments for 2003, 2004 and 2005. Intersegment Revenues are comprised of sales of food, equipment and supplies from the Domestic Distribution segment to the Company-owned stores in the Domestic Stores segment. Intersegment sales prices are market based. The "Other" column as it relates to Segment Income and income from operations information below primarily includes corporate administrative costs. The "Other" column as it relates to capital expenditures primarily includes capitalized software and certain equipment and leasehold improvements. All amounts presented below are in thousands.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

| | <u>Domestic Stores</u> | <u>Domestic Distribution</u> | <u>International</u> | <u>Intersegment Revenues</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------|----------------------------|----------------------------------|----------------------|----------------------------------|--------------|--------------|
| Revenues- | | | | | | |
| 2003 | \$519,879 | \$ 821,695 | \$ 96,386 | \$ (104,638) | \$ - | \$1,333,322 |
| 2004 | 537,488 | 902,413 | 116,983 | (110,387) | - | 1,446,497 |
| 2005 | 562,865 | 935,461 | 129,635 | (116,364) | - | 1,511,597 |
| Segment Income- | | | | | | |
| 2003 | \$140,073 | \$ 54,556 | \$ 29,126 | N/A | \$(21,055) | \$ 202,700 |
| 2004 | 145,387 | 57,044 | 34,510 | N/A | (22,612) | 214,329 |
| 2005 | 161,792 | 63,696 | 41,145 | N/A | (28,232) | 238,401 |
| Income from Operations- | | | | | | |
| 2003 | \$127,082 | \$ 45,946 | \$ 28,117 | N/A | \$(41,987) | \$ 159,158 |
| 2004 | 131,518 | 46,110 | 34,079 | N/A | (40,328) | 171,379 |
| 2005 | 148,920 | 52,959 | 36,947 | N/A | (39,722) | 199,104 |
| Capital Expenditures- | | | | | | |
| 2003 | \$ 9,445 | \$ 7,966 | \$ 1,094 | N/A | \$ 10,656 | \$ 29,161 |
| 2004 | 4,713 | 8,616 | 3,532 | N/A | 22,902 | 39,763 |
| 2005 | 8,229 | 7,113 | 433 | N/A | 12,914 | 28,689 |

The following table reconciles Total Segment Income to consolidated income before provision for income taxes:

| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|------------------|------------------|------------------|
| Total Segment Income | \$202,700 | \$214,329 | \$238,401 |
| Depreciation and amortization | (29,822) | (31,705) | (32,415) |
| Gains (losses) on sale/disposal of assets | 2,606 | (1,194) | (3,086) |
| Other non-cash stock compensation expense | (592) | (51) | (3,796) |
| Termination of management agreement | - | (10,000) | - |
| 2003 Recapitalization expenses | (15,734) | - | - |
| Income from operations | 159,158 | 171,379 | 199,104 |
| Interest income | 386 | 556 | 818 |
| Interest expense | (74,678) | (61,068) | (48,755) |
| Other | (22,747) | (10,832) | 22,084 |
| Income before provision for income taxes | <u>\$ 62,119</u> | <u>\$100,035</u> | <u>\$173,251</u> |

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The following table summarizes the Company's identifiable asset information as of January 2, 2005 and January 1, 2006:

| | <u>2004</u> | <u>2005</u> |
|---------------------------|------------------|------------------|
| Domestic Stores | \$ 93,742 | \$ 88,810 |
| Domestic Distribution | 114,226 | 115,382 |
| Total domestic assets | <u>207,968</u> | <u>204,192</u> |
| International | 34,688 | 27,973 |
| Unallocated | <u>204,691</u> | <u>228,909</u> |
| Total consolidated assets | <u>\$447,347</u> | <u>\$461,074</u> |

Unallocated assets primarily include cash and cash equivalents, advertising fund assets, investments in marketable securities, deferred financing costs, certain long-lived assets, deferred income taxes and assets relating to the fair value of derivatives.

The following table summarizes the Company's goodwill balance as of January 2, 2005 and January 1, 2006:

| | <u>2004</u> | <u>2005</u> |
|-----------------------|-----------------|-----------------|
| Domestic Stores | \$20,090 | \$20,764 |
| Domestic Distribution | 1,067 | 1,067 |
| International | 1,798 | 253 |
| Consolidated goodwill | <u>\$22,955</u> | <u>\$22,084</u> |

(10) PERIODIC FINANCIAL DATA (Unaudited; in thousands)

The Company's convention with respect to reporting periodic financial data is such that each of the first three fiscal quarters consists of twelve weeks while the last fiscal quarter consists of sixteen weeks or seventeen weeks. The fourth quarter of 2004 is comprised of seventeen weeks while the fourth quarter of 2005 is comprised of sixteen weeks.

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Additionally, the Company adopted SFAS 123R during 2005, using the modified retrospective method. This method allows the restatement of interim financial statements in the year of adoption based on the amounts previously calculated and reported in the pro forma footnote disclosures required by SFAS 123. Fiscal years prior to 2005 have not been restated. Accordingly, the 2005 amounts previously reported have been revised to include non-cash compensation expense of approximately \$446,000 (or \$278,000, net of tax), \$432,000 (or \$280,000, net of tax), \$864,000 (or \$532,000, net of tax) and \$1.2 million (or \$738,000, net of tax) for the quarters ending March 27, 2005, June 19, 2005, September 11, 2005 and January 1, 2006, respectively.

| | For the Fiscal Quarter Ended | | | | For the Fiscal Year Ended |
|--|------------------------------|------------------|----------------------|--------------------|---------------------------|
| | March 21, 2004 | June 13, 2004 | September 5, 2004 | January 2, 2005 | January 2, 2005 |
| Total revenues | \$ 318,754 | \$324,236 | \$ 324,978 | \$ 478,529 | \$ 1,446,497 |
| Income before provision for income taxes | 29,572 | 25,513 | 1,548 | 43,402 | 100,035 |
| Net income | 18,408 | 15,882 | 954 | 27,018 | 62,262 |

| | For the Fiscal Quarter Ended | | | | For the Fiscal Year Ended |
|--|------------------------------|------------------|-----------------------|--------------------|---------------------------|
| | March 27, 2005 | June 19, 2005 | September 11, 2005 | January 1, 2006 | January 1, 2006 |
| Total revenues | \$ 369,668 | \$346,954 | \$ 337,576 | \$ 457,399 | \$ 1,511,597 |
| Income before provision for income taxes | 39,646 | 35,662 | 32,929 | 65,014 | 173,251 |
| Net income | 24,680 | 23,121 | 20,284 | 40,197 | 108,282 |

During the quarter ended September 5, 2004, the Company incurred approximately \$22.7 million (or \$14.2 million, net of tax) of expenses related to the IPO. During the quarter ended January 1, 2006, the Company recognized a gain of approximately \$22.1 million (or \$13.7 million, net of tax) related to the sale of an equity investment.

(11) SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The tables below present condensed consolidating financial information for the applicable periods for: (i) Domino's, Inc.; (ii) on a combined basis, the guarantor subsidiaries of the 2011 Notes; and (iii) on a combined basis, the non-guarantor subsidiaries of the 2011 Notes. Each of the guarantor subsidiaries is jointly, severally, fully and unconditionally liable under the related guarantee.

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

DOMINO'S, INC.
SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING BALANCE SHEETS

As of January 2, 2005

| | Domino's, Inc. | Guarantor Subsidiaries | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|------------------------------------|---------------------|-------------------|
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 3,124 | \$ 36,331 | \$ 941 | \$ - | \$ 40,396 |
| Accounts receivable | - | 65,404 | 7,734 | - | 73,138 |
| Advertising fund assets, restricted | - | - | 32,817 | - | 32,817 |
| Other current assets | 4,050 | 36,258 | 2,832 | - | 43,140 |
| Total current assets | 7,174 | 137,993 | 44,324 | - | 189,491 |
| PROPERTY, PLANT AND EQUIPMENT, NET | - | 130,853 | 6,030 | - | 136,883 |
| OTHER ASSETS | 227,984 | 71,578 | 1,481 | (180,070) | 120,973 |
| Total assets | \$ 235,158 | \$ 340,424 | \$ 51,835 | \$ (180,070) | \$ 447,347 |
| CURRENT LIABILITIES: | | | | | |
| Current portion of long-term debt | \$ 25,000 | \$ 242 | \$ 53 | \$ - | \$ 25,295 |
| Accounts payable | - | 40,417 | 14,933 | - | 55,350 |
| Advertising fund liabilities | - | - | 32,817 | - | 32,817 |
| Other current liabilities | 10,672 | 63,755 | 1,773 | - | 76,200 |
| Total current liabilities | 35,672 | 104,414 | 49,576 | - | 189,662 |
| LONG-TERM LIABILITIES: | | | | | |
| Long-term debt | 749,361 | 5,687 | 357 | - | 755,405 |
| Other long-term liabilities | - | 51,903 | 252 | - | 52,155 |
| Total long-term liabilities | 749,361 | 57,590 | 609 | - | 807,560 |
| TOTAL STOCKHOLDER'S EQUITY (DEFICIT) | (549,875) | 178,420 | 1,650 | (180,070) | (549,875) |
| Total liabilities and stockholder's equity (deficit) | \$ 235,158 | \$ 340,424 | \$ 51,835 | \$ (180,070) | \$ 447,347 |

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As of January 1, 2006

| | Domino's, Inc. | Guarantor Subsidiaries | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|------------------------------------|---------------------|-------------------|
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ - | \$ 66,389 | \$ 530 | \$ - | \$ 66,919 |
| Accounts receivable | - | 66,156 | 8,281 | - | 74,437 |
| Advertising fund assets, restricted | - | - | 35,643 | - | 35,643 |
| Other current assets | 6,098 | 36,253 | 1,996 | - | 44,347 |
| Total current assets | 6,098 | 168,798 | 46,450 | - | 221,346 |
| PROPERTY, PLANT AND EQUIPMENT, NET | - | 128,724 | 2,731 | - | 131,455 |
| OTHER ASSETS | 225,980 | 63,168 | 2,068 | (182,943) | 108,273 |
| Total assets | \$ 232,078 | \$ 360,690 | \$ 51,249 | \$ (182,943) | \$ 461,074 |
| CURRENT LIABILITIES: | | | | | |
| Current portion of long-term debt | \$ 35,000 | \$ 264 | \$ 40 | \$ - | \$ 35,304 |
| Accounts payable | - | 45,523 | 14,807 | - | 60,330 |
| Advertising fund liabilities | - | - | 35,643 | - | 35,643 |
| Other current liabilities | 11,349 | 72,062 | 2,697 | - | 86,108 |
| Total current liabilities | 46,349 | 117,849 | 53,187 | - | 217,385 |
| LONG-TERM LIABILITIES: | | | | | |
| Long-term debt | 696,714 | 5,423 | 221 | - | 702,358 |
| Other long-term liabilities | - | 52,143 | 173 | - | 52,316 |
| Total long-term liabilities | 696,714 | 57,566 | 394 | - | 754,674 |
| TOTAL STOCKHOLDER'S EQUITY (DEFICIT) | (510,985) | 185,275 | (2,332) | (182,943) | (510,985) |
| Total liabilities and stockholder's equity (deficit) | \$ 232,078 | \$ 360,690 | \$ 51,249 | \$ (182,943) | \$ 461,074 |

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

DOMINO'S, INC.
SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF INCOME

For the Fiscal Year Ended December 28, 2003

| | Domino's, Inc. | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|----------------|---------------------------|-----------------------------------|--------------|--------------|
| REVENUES | \$ - | \$ 1,310,965 | \$ 22,357 | \$ - | \$ 1,333,322 |
| OPERATING EXPENSES: | | | | | |
| Cost of sales | - | 980,553 | 17,149 | - | 997,702 |
| General and administrative | - | 170,423 | 6,039 | - | 176,462 |
| Total operating expenses | - | 1,150,976 | 23,188 | - | 1,174,164 |
| INCOME (LOSS) FROM OPERATIONS | - | 159,989 | (831) | - | 159,158 |
| EQUITY EARNINGS IN SUBSIDIARIES | 99,839 | - | - | (99,839) | - |
| INTEREST INCOME (EXPENSE), NET | (74,280) | 300 | (312) | - | (74,292) |
| OTHER | (22,747) | - | - | - | (22,747) |
| INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES | 2,812 | 160,289 | (1,143) | (99,839) | 62,119 |
| PROVISION (BENEFIT) FOR INCOME TAXES | (36,012) | 59,307 | - | - | 23,295 |
| NET INCOME (LOSS) | \$ 38,824 | \$ 100,982 | \$ (1,143) | \$ (99,839) | \$ 38,824 |

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the Fiscal Year Ended January 2, 2005

| | Domino's, Inc. | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|----------------|---------------------------|-----------------------------------|--------------|--------------|
| REVENUES | \$ - | \$ 1,416,728 | \$ 29,769 | \$ - | \$ 1,446,497 |
| OPERATING EXPENSES: | | | | | |
| Cost of sales | - | 1,071,009 | 21,807 | - | 1,092,816 |
| General and administrative | - | 172,362 | 9,940 | - | 182,302 |
| Total operating expenses | - | 1,243,371 | 31,747 | - | 1,275,118 |
| INCOME (LOSS) FROM OPERATIONS | - | 173,357 | (1,978) | - | 171,379 |
| EQUITY EARNINGS IN SUBSIDIARIES | 105,672 | - | - | (105,672) | - |
| INTEREST INCOME (EXPENSE), NET | (60,064) | (488) | 40 | - | (60,512) |
| OTHER | (10,832) | - | - | - | (10,832) |
| INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES | 34,776 | 172,869 | (1,938) | (105,672) | 100,035 |
| PROVISION (BENEFIT) FOR INCOME TAXES | (27,486) | 65,259 | - | - | 37,773 |
| NET INCOME (LOSS) | \$ 62,262 | \$ 107,610 | \$ (1,938) | \$ (105,672) | \$ 62,262 |

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the Fiscal Year Ended January 1, 2006

| | <u>Domino's, Inc.</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-----------------------|-----------------------------------|--|---------------------|---------------------|
| REVENUES | \$ - | \$ 1,479,707 | \$ 31,890 | \$ - | \$ 1,511,597 |
| OPERATING EXPENSES: | | | | | |
| Cost of sales | - | 1,103,018 | 23,291 | - | 1,126,309 |
| General and administrative | - | 174,989 | 11,195 | - | 186,184 |
| Total operating expenses | - | 1,278,007 | 34,486 | - | 1,312,493 |
| INCOME (LOSS) FROM OPERATIONS | - | 201,700 | (2,596) | - | 199,104 |
| EQUITY EARNINGS IN SUBSIDIARIES | 137,377 | - | - | (137,377) | - |
| INTEREST INCOME (EXPENSE), NET | (48,124) | 212 | (25) | - | (47,937) |
| OTHER | - | 22,084 | - | - | 22,084 |
| INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES | 89,253 | 223,996 | (2,621) | (137,377) | 173,251 |
| PROVISION (BENEFIT) FOR INCOME TAXES | (19,029) | 83,998 | - | - | 64,969 |
| NET INCOME (LOSS) | \$ 108,282 | \$ 139,998 | \$ (2,621) | \$ (137,377) | \$ 108,282 |

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

DOMINO'S, INC.
SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Fiscal year ended December 28, 2003

| | Domino's, Inc. | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|----------------|---------------------------|-----------------------------------|--------------|--------------|
| Net cash provided by (used in) operating activities | \$ (71,336) | \$ 173,146 | \$ 1,264 | \$ - | \$ 103,074 |
| Capital expenditures | - | (28,461) | (700) | - | (29,161) |
| Other | - | 9,597 | - | - | 9,597 |
| Net cash used in investing activities | - | (18,864) | (700) | - | (19,564) |
| Proceeds from issuance of long-term debt | 1,010,090 | - | - | - | 1,010,090 |
| Repayments of long-term debt and capital lease obligation | (662,368) | (79) | (45) | - | (662,492) |
| Other | (276,386) | (133,961) | - | - | (410,347) |
| Net cash provided by (used in) financing activities | 71,336 | (134,040) | (45) | - | (62,749) |
| Effect of exchange rate changes on cash and cash equivalents | - | 44 | 134 | - | 178 |
| Increase in cash and cash equivalents | - | 20,286 | 653 | - | 20,939 |
| Cash and cash equivalents, at beginning of period | - | 24,377 | 950 | - | 25,327 |
| Cash and cash equivalents, at end of period | \$ - | \$ 44,663 | \$ 1,603 | \$ - | \$ 46,266 |

DOMINO'S, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Fiscal year ended January 2, 2005

| | <u>Domino's, Inc.</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-----------------------|-----------------------------------|--|---------------------|---------------------|
| Net cash provided by (used in) operating activities | \$ (70,217) | \$ 180,484 | \$ 1,888 | \$ - | \$ 112,155 |
| Capital expenditures | - | (36,735) | (3,028) | - | (39,763) |
| Other | - | 3,493 | - | - | 3,493 |
| Net cash used in investing activities | - | (33,242) | (3,028) | - | (36,270) |
| Proceeds from issuance of long-term debt | - | - | 92 | - | 92 |
| Repayments of long-term debt and capital lease obligation | (180,334) | (223) | (151) | - | (180,708) |
| Other | 253,675 | (155,530) | - | - | 98,145 |
| Net cash provided by (used in) financing activities | 73,341 | (155,753) | (59) | - | (82,471) |
| Effect of exchange rate changes on cash and cash equivalents | - | 179 | 537 | - | 716 |
| Increase (decrease) in cash and cash equivalents | 3,124 | (8,332) | (662) | - | (5,870) |
| Cash and cash equivalents, at beginning of period | - | 44,663 | 1,603 | - | 46,266 |
| Cash and cash equivalents, at end of period | \$ 3,124 | \$ 36,331 | \$ 941 | \$ - | \$ 40,396 |

DOMINO'S, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Fiscal year ended January 1, 2006

| | Domino's, Inc. | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|----------------|---------------------------|-----------------------------------|--------------|--------------|
| Net cash provided by (used in) operating activities | \$ (44,428) | \$ 184,481 | \$ 1,149 | \$ - | \$ 141,202 |
| Capital expenditures | - | (28,452) | (237) | - | (28,689) |
| Other | - | 28,826 | - | - | 28,826 |
| Net cash provided by (used in) investing activities | - | 374 | (237) | - | 137 |
| Proceeds from issuance of long-term debt | 40,000 | - | - | - | 40,000 |
| Repayments of long-term debt | (80,000) | (242) | (101) | - | (80,343) |
| Other | 81,304 | (155,549) | - | - | (74,245) |
| Net cash provided by (used in) financing activities | 41,304 | (155,791) | (101) | - | (114,588) |
| Effect of exchange rate changes on cash and cash equivalents | - | (57) | (171) | - | (228) |
| Increase (decrease) in cash and cash equivalents | (3,124) | 29,007 | 640 | - | 26,523 |
| Cash and cash equivalents, at beginning of period | 3,124 | 36,331 | 941 | - | 40,396 |
| Cash and cash equivalents, at end of period | \$ - | \$ 65,338 | \$ 1,581 | \$ - | \$ 66,919 |

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

None.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

The Company carried out an evaluation as of the end of the period covered by this report, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that all information required in the reports it files or submits under the Act was accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and was recorded, processed, summarized and reported within the time period required by the rules and regulations of the Securities and Exchange Commission.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Management's Annual Report on Internal Control Over Financial Reporting.

The management of Domino's Pizza, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of January 1, 2006 based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management concluded that its internal control over financial reporting was effective as of January 1, 2006.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, who audited the consolidated financial statements of Domino's Pizza, Inc., has also audited management's assessment of our internal control over financial reporting as of January 1, 2006 and the effectiveness of internal control over financial reporting as of January 1, 2006, as stated in their report which is included herein.

Item 9B. Other Information.

None.

Part III**Item 10. Directors and Executive Officers of the Registrants.**

The following table sets forth information about our executive officers and directors.

| Name | Age | Position |
|---------------------------|------------|--|
| David A. Brandon | 53 | Chairman, Chief Executive Officer and Director |
| L. David Mounts | 42 | Chief Financial Officer, Executive Vice President of Finance |
| Michael D. Soignet | 46 | Executive Vice President of Maintain High Standards – Distribution |
| J. Patrick Doyle | 42 | Executive Vice President of Domino's Pizza, Inc. and Leader of Team U.S.A. |
| James G. Stansik | 50 | Executive Vice President of Flawless Execution – Franchise Operations |
| Ken C. Calwell | 43 | Chief Marketing Officer, Executive Vice President of Build the Brand |
| Michael T. Lawton | 47 | Executive Vice President of International |
| Patricia A. Wilmot | 57 | Executive Vice President of PeopleFirst |
| Elisa D. Garcia C. | 48 | Executive Vice President, General Counsel and Secretary |
| Lynn M. Liddle | 49 | Executive Vice President of Communications and Investor Relations |
| Christopher K. McGlothlin | 41 | Executive Vice President and Chief Information Officer |
| Andrew B. Balson | 39 | Director |
| Diana F. Cantor | 48 | Director |
| Vernon "Bud" O. Hamilton | 63 | Director |
| Dennis F. Hightower | 64 | Director |
| Mark E. Nunnally | 47 | Director |
| Robert M. Rosenberg | 68 | Director |

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.

L. David Mounts has served as our Chief Financial Officer, Executive Vice President of Finance since November 2005. Mr. Mounts served numerous roles with UPS, Incorporated, most recently as Corporate Controller, U.S. Operations. From 2002 to 2005, Mr. Mounts was Chief Financial Officer for UPS Supply Chain Solutions Group and from 1999 to 2002, Mr. Mounts was Vice President, Mergers and Acquisitions for UPS.

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 Domino's Pizza, Inc. and Leader of Team U.S.A. since October 2004. Mr. Doyle served as our Executive Vice President of International from May 1999 to October 2004 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.

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.

Ken C. Calwell is our Chief Marketing Officer and 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.

Michael T. Lawton has served as our Executive Vice President of International since October 2004. Mr. Lawton served as Senior Vice President Finance and Administration of International from June 1999 to October 2004.

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.

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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 has served as Executive Vice President of Communications and Investor Relations since November 2002. Ms. Liddle served as Vice President, Investor Relations and Communications Center, for Valassis, Inc. from 1992 to November 2002.

Christopher K. McGlothlin has served as Executive Vice President and Chief Information Officer since February 2006. Mr. McGlothlin served in various roles for YUM! Brands, Inc. since 1995, most recently as Vice President of Operations Technology.

Andrew B. Balson has served on our board of directors since March 1999. 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. Mr. Balson serves on the Boards of Directors of Burger King Corporation and UGS Corp. as well as a number of other private companies.

Diana F. Cantor has served on our board of directors since October 2005. Ms. Cantor also serves on the Nominating and Corporate Governance Committee. Ms. Cantor has been Executive Director of the Virginia College Savings Plan, the state's college savings program, since 1996. She has served on the board of the College Savings Plans Network since 1997 and as its chair from 2001 to 2004. Ms. Cantor served seven years as Vice President of Richmond Resources, Ltd. from 1990 through 1996, and as Vice President of Goldman, Sachs & Co. from 1985 to 1990. Ms. Cantor serves on the Board of Directors of Media General, Inc.

Vernon "Bud" O. Hamilton has served on our board of directors since May 2005 and serves on our Audit Committee and the Compensation Committee of the board of directors. Mr. Hamilton served in various executive positions for Procter & Gamble from 1967 through 2003. Mr. Hamilton most recently served as Vice President, Innovation – Research & Development – Global from 2002 through 2003 and served as President of Eurocos, a wholly-owned subsidiary of Procter & Gamble, from 1994 to 1995, Vice President of Procter & Gamble Customer Marketing-North America from 1996 through 1998 and Vice President of Procter & Gamble Customer Business Development-North America from 1999 to 2001.

Dennis F. Hightower has served on our board of directors since February 2003, serves as the Chair of the Audit Committee of our board of directors, serves as the Chair of the Nominating and Corporate Governance Committee and also serves on the Compensation Committee of our board of directors. Mr. Hightower served as Chief Executive Officer of Europe Online Networks, S.A., a broadband interactive entertainment provider, from May 2000 to March 2001. He was Professor of Management at the Harvard Business School from July 1997 to May 2000. 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., Northwest Airlines, Inc. and The TJX Companies, Inc.

Mark E. Nunnally has served on our board of directors since December 1998. Mr. Nunnally is a Managing Director of Bain Capital, a global investment company. Mr. Nunnally serves on the Boards of Directors of Houghton-Mifflin Company, Warner Music, UGS Corp. and Eschelon Telecom, 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 and serves as the Chair of the Compensation Committee. Mr. Rosenberg also serves on the Audit Committee and the Nominating and Corporate Governance 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 was comprised of Dunkin' Donuts, Baskin-Robbins and Togo's Eateries. Mr. Rosenberg also serves on the Boards of Directors of Sonic Corp. and Buffets, Inc.

The remaining information required by this item is incorporated by reference from Domino's Pizza, Inc.'s definitive proxy statement which will be filed within 120 days of January 1, 2006.

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Item 11. Executive Compensation.

Information regarding executive compensation is incorporated by reference from Domino's Pizza, Inc.'s definitive proxy statement which will be filed within 120 days of January 1, 2006. However, no information set forth in the proxy statement regarding the Audit Committee Report or the performance graph shall be deemed incorporated by reference into this Form 10-K.

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

Information regarding security ownership of certain beneficial owners and management and related stockholders matters is incorporated by reference from Domino's Pizza, Inc.'s definitive proxy statement which will be filed within 120 days of January 1, 2006.

Item 13. Certain Relationships and Related Transactions.

Information regarding certain relationships and related transactions is incorporated by reference from Domino's Pizza, Inc.'s definitive proxy statement which will be filed within 120 days of January 1, 2006.

Item 14. Principal Accountant Fees and Services.

Information regarding principal accountant fees and services is incorporated by reference from Domino's Pizza, Inc.'s definitive proxy statement which will be filed within 120 days of January 1, 2006.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements: The following financial statements for each of Domino's Pizza, Inc. and subsidiaries and Domino's, Inc. and subsidiaries are included in Item 8, "Financial Statements and Supplementary Data":

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of January 2, 2005 and January 1, 2006
Consolidated Statements of Income for the Years Ended December 28, 2003, January 2, 2005 and January 1, 2006
Consolidated Statements of Comprehensive Income for the Years Ended December 28, 2003, January 2, 2005 and January 1, 2006
Consolidated Statements of Stockholders' Deficit for the Years Ended December 28, 2003, January 2, 2005 and January 1, 2006
Consolidated Statements of Cash Flows for the Years Ended December 28, 2003, January 2, 2005 and January 1, 2006
Notes to Consolidated Financial Statements

2. Financial Statement Schedules: The following financial statement schedule is attached to this report.

Schedule II – Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable, not required, or the information is included in the financial statements or the notes thereto.

3. Exhibits: Certain of the following Exhibits have been previously filed with the Securities and Exchange Commission pursuant to the requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934. Such exhibits are identified by the parenthetical references following the listing of each such exhibit and are incorporated herein by reference.

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 3.1 | Form of Second Restated Certificate of Incorporation of Domino's Pizza, Inc. (Incorporated by reference to Exhibit 3.1 to the Domino's Pizza, Inc. registration statement on Form S-1 filed with the Securities and Exchange Commission on April 13, 2004 (Reg. No. 333-114442), (the "S-1")). |
| 3.2 | Form of Amended and Restated By-Laws of Domino's Pizza, Inc. (Incorporated by reference to Exhibit 3.2 to the S-1). |
| 3.3 | Amended and Restated Certificate of Incorporation of Domino's, Inc. (Incorporated by reference to Exhibit 3.1 to the Domino's, Inc. registration statement on Form S-4 filed with the Securities and Exchange Commission on March 22, 1999 (Reg. No. 333-74797), (the "1999 S-4")). |
| 3.4 | Amended and Restated By-Laws of Domino's, Inc. (Incorporated by reference to Exhibit 3.2 to the 1999 S-4). |
| 3.5 | Articles of Organization of Domino's Pizza LLC (Incorporated by reference to Exhibit 3.3 to the Domino's, Inc. registration statement on Form S-4 filed with the Securities and Exchange Commission on December 5, 2003 (Reg. No. 333-107774), (the "2003 S-4")). |
| 3.6 | Certificate of Amendment to the Articles of Organization for Domino's Pizza LLC (Incorporated by reference to Exhibit 3.4 to the 2003 S-4). |
| 3.7 | By-laws of Domino's Pizza LLC (Incorporated by reference to Exhibit 3.5 to the 2003 S-4). |
| 3.8 | Amended and Restated Certificate of Incorporation of Domino's Pizza International, Inc. (Incorporated by reference to Exhibit 3.9 to the 1999 S-4). |
| 3.9 | Amended and Restated By-laws of Domino's Pizza International, Inc. (Incorporated by reference to Exhibit 3.10 to the 1999 S-4). |
| 3.10 | Amended and Restated Articles of Incorporation of Domino's Pizza International Payroll Services, Inc. (Incorporated by reference to Exhibit 3.11 to the 1999 S-4). |

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- 3.11 Amended and Restated By-laws of Domino's Pizza International Payroll Services, Inc. (Incorporated by reference to Exhibit 3.12 to the 1999 S-4).
- 3.12 Articles of Incorporation of Domino's Pizza PMC, Inc. (Incorporated by reference to Exhibit 3.5 to Domino's, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 2, 2000 (Reg. No. 333-74797) (the "1999 10-K")).
- 3.13 By-laws of Domino's Pizza PMC, Inc. (Incorporated by reference to Exhibit 3.6 to the 1999 10-K).
- 3.14 Memorandum of Association of Domino's Pizza NS Co. (Incorporated by reference to Exhibit 3.16 to the 2003 S-4).
- 3.15 Articles of Association of Domino's Pizza NS Co. (Incorporated by reference to Exhibit 3.17 to the 2003 S-4).
- 4.1 Execution copy of Indenture dated June 25, 2003 by and among Domino's, Inc., Domino's Franchise Holding Co., Domino's Pizza LLC, Domino's Pizza PMC, Inc., Domino's Pizza International, Inc., Domino's Pizza International Payroll Services, Inc., Domino's Pizza – Government Services Division, Inc. and Domino's Pizza NS Co. and BNY Midwest Trust Company, as trustee (Incorporated by reference to Exhibit 4.4 to the 2003 S-4).
- 4.2 Registration Rights Agreement dated June 25, 2003 by and among Domino's, Inc., Domino's Franchise Holding Co., Domino's Pizza LLC, Domino's Pizza PMC, Inc., Domino's Pizza International, Inc., Domino's Pizza International Payroll Services, Inc., Domino's Pizza—Government Services Division, Inc. and Domino's Pizza NS Co. and J.P. Morgan Securities Inc., Banc of America Securities LLC, Banc One Capital Markets, Inc., Bear, Stearns & Co. Inc., Citigroup Global Markets Inc., Credit Suisse First Boston LLC, Goldman, Sachs & Co. and Lehman Brothers Inc. (Incorporated by reference to Exhibit 4.7 to the Domino's, Inc. Current Report on Form 8-K filed with the Commission on June 26, 2003 (Reg. No. 333-74797) (the "June 26, 2003 8-K")).
- 4.3 Form of 8 1/4% Senior Subordinated Notes due 2011 (contained in Exhibit 4.1).
- 10.1 Lease Agreement dated as of December 21, 1998 by and between Domino's Farms Office Park Limited Partnership and Domino's, Inc. (Incorporated by reference to Exhibit 10.3 to the 1999 S-4).
- 10.2 Amendment, dated February 7, 2000, to Lease Agreement dated December 21, 1998 by and between Domino's Farms Office Park Limited Partnership and Domino's Pizza, Inc. (Incorporated by reference to Exhibit 10.32 of the Domino's, Inc. annual report on Form 10-K for the year ended December 31, 2000 (Reg. No. 333-74797)).
- 10.3 First Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of August 8, 2002, by and between Domino's Farms Office Park L.L.C. and Domino's Pizza, LLC (Incorporated by reference to Exhibit 10.5 to the Domino's, Inc. annual report on Form 10-K for the year ended December 29, 2002 (Reg. No. 333-74797), (the "2002 10-K")).
- 10.4 Second Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of May 5, 2004 (Incorporated by reference to Exhibit 10.34 to the S-1).
- 10.5 Form of Amended and Restated Stockholders Agreement by and among Domino's Pizza, Inc., Domino's, Inc., Bain Capital Fund VI, L.P., Bain Capital VI Coinvestment Fund, L.P., BCIP, PEP Investments PTY Ltd., Sankaty High Yield Asset Partners, L.P., Brookside Capital Partners Fund, L.P., RGIP, LLC, DP Investors I, LLC, DP Investors II, LLC, J.P. Morgan Capital Corporation, Sixty Wall Street Fund, L.P., DP Transitory Corporation, Thomas S. Monaghan, individually and in his capacity as trustee, and Marjorie Monaghan, individually and in her capacity as trustee, Harry J. Silverman, Michael D. Soignet and David A. Brandon (Incorporated by reference to Exhibit 10.27 to the S-1).

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- 10.6 Form of Amended and Restated Franchisee Stockholders Agreement by and among Domino's Pizza, Inc., Bain Capital Fund VI, L.P., Bain Capital VI Coinvestment Fund, L.P., BCIP, PEP Investments PTY, Ltd., Sankaty High Yield Asset Partners, L.P., Brookside Capital Partners Fund, L.P. and certain franchisee stockholders of Domino's Pizza, Inc. (Incorporated by reference to Exhibit 10.28 to the S-1).
- 10.7 Form of Amended and Restated Employee Stockholders Agreement by and among Domino's Pizza, Inc., Bain Capital Fund VI, L.P., Bain Capital VI Coinvestment Fund, L.P., BCIP, PEP Investments PTY, Ltd., Sankaty High Yield Asset Partners, L.P., Brookside Capital Partners Fund, L.P. and the employee stockholders identified therein (Incorporated by reference to Exhibit 10.29 to the S-1).
- 10.8* Domino's Pizza, Inc. Deferred Compensation Plan adopted effective January 4, 1999 (Incorporated by reference to Exhibit 10.7 to the 1999 S-4).
- 10.9* Domino's Pizza, Inc. Amended and Restated Deferred Compensation Plan adopted effective January 1, 2005.
- 10.10* TISM, Inc. Fourth Amended and Restated Stock Option Plan ("TISM Option Plan") (Incorporated by reference to Exhibit 10.6 to the June 26, 2003 8-K).
- 10.11* Form of Domino's Pizza, Inc. Equity Incentive Plan (Incorporated by reference to Exhibit 10.30 to the S-1).
- 10.12* Form of Domino's Pizza, Inc. 2004 Employee Stock Payroll Deduction Plan (Incorporated by reference to Exhibit 10.31 to the S-1).
- 10.13* Form of Domino's Pizza, Inc. Dividend Reinvestment & Direct Stock Purchase and Sale Plan (Incorporated by reference to Exhibit 10.32 to the S-1).
- 10.14* Amended and Restated Employment Agreement dated as of October 18, 2005 between Domino's Pizza LLC and Harry J. Silverman. (Incorporated by reference to Exhibit 1.02 to Domino's Pizza, Inc.'s Current Report on Form 8-K filed on October 21, 2005 (the "October 2005 8-K")).
- 10.15* Separation Agreement dated as of December 22, 2005 between Domino's Pizza LLC and Harry J. Silverman (Incorporated by reference to Exhibit 10.1 to Domino's Pizza, Inc.'s Current Report on Form 8-K filed on December 23, 2005).
- 10.16* Employment Agreement dated as of January 1, 2002 between Domino's Pizza LLC and Michael D. Soignet (Incorporated by reference to Exhibit 10.38 to the Domino's, Inc. annual report on Form 10-K for the year ended December 30, 2001 (Reg. No. 333-74797) (the "2001 10-K")).
- 10.17* Employment agreement dated as of January 1, 2002 between Domino's Pizza LLC and J. Patrick Doyle (Incorporated by reference to Exhibit 10.39 to the 2001 10-K).
- 10.18* Amendment No. 1, dated October 4, 2004, to the Employment Agreement dated as of January 1, 2002 between Domino's Pizza LLC and J. Patrick Doyle (Incorporated by reference to Exhibit 10.19 to the registrants' annual report on Form 10-K for the year ended January 2, 2005 (the "2004 10-K")).
- 10.19* Employment Agreement dated as of January 1, 2002 between Domino's Pizza LLC and James G. Stansik (Incorporated by reference to Exhibit 10.16 to the Domino's, Inc. annual report on Form 10-K for the year ended December 28, 2003 (Reg. No. 333-107774), (the "2003 10-K")).
- 10.20* Employment Agreement dated as of June 1, 2003 between David A. Brandon and TISM, Inc., Domino's, Inc. and Domino's Pizza LLC (Incorporated by reference to Exhibit 10.5 to the June 26, 2003 8-K).
- 10.21* Employment Agreement dated as of October 17, 2005 between Domino's Pizza LLC and L. David Mounts (Incorporated by reference to Exhibit 1.01 to the October 2005 8-K).
- 10.22* Time Sharing Agreement dated as of December 2, 2002 between Domino's Pizza LLC and David A. Brandon (Incorporated by reference to Exhibit 10.27 to the 2002 10-K).
- 10.23 Form of Amended and Restated Stock Option Agreement of David A. Brandon under the TISM Option Plan (Incorporated by reference to Exhibit 10.23 to the 2004 10-K).

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- 10.24 Credit Agreement, dated as of July 29, 2002, and amended and restated as of June 25, 2003, among Domino's, Inc., as borrower, TISM, Inc., as guarantor, the lenders listed therein, as lenders, JPMorgan Chase Bank, as administrative agent, Citicorp North America, Inc., as syndication agent, and Bank One, NA, as documentation agent (Incorporated by reference to Exhibit 10.2 to the June 26, 2003 8-K).
- 10.25 First Amendment to Credit Agreement, dated as of November 25, 2003, among Domino's, Inc., as borrower, TISM, Inc., JPMorgan Securities Inc., as sole lead arranger and book runner, the lenders listed therein, as lenders, JP Morgan Chase Bank, as administrative agent, Citicorp North America, Inc., as syndication agent, and Bank One, NA, as documentation agent (Incorporated by reference to Exhibit 10.21 to the 2003 10-K).
- 10.26 Second Amendment and Consent to Credit Agreement, dated as of May 6, 2004, among Domino's, Inc., as borrower, TISM, Inc., JPMorgan Securities Inc., as sole lead arranger and book runner, the lenders listed therein, as lenders, JP Morgan Chase Bank, as administrative agent, Citicorp North America, Inc., as syndication agent, and Bank One, NA, as documentation agent (Incorporated by reference to Exhibit 10.1 to the Domino's, Inc. Current Report on Form 8-K filed on May 7, 2004).
- 10.27 Third Amendment to Credit Agreement, dated as of November 30, 2004 among Domino's, Inc., as borrower, TISM, Inc., JPMorgan Securities Inc., as sole lead arranger and book runner, the lenders listed therein, as lenders, JP Morgan Chase Bank, as administrative agent, Citicorp North America, Inc., as syndication agent, and Bank One, NA, as documentation agent (Incorporated by reference to Exhibit 10.28 to the 2004 10-K).
- 10.28 Fourth Amendment to Credit Agreement, dated as of March 28, 2005 among Domino's, Inc., as borrower, Domino's Pizza, Inc., JPMorgan Securities Inc., as sole lead arranger and book runner, the lenders listed therein, as lenders, JP Morgan Chase Bank, as administrative agent, Citicorp North America, Inc., as syndication agent, and Bank One, NA, as documentation agent. (Incorporated by reference to Exhibit 1.01 to the registrants' Current Report on Form 8-K filed on March 29, 2005, (the "March 2005 8-K")).
- 10.29 Fifth Amendment to Credit Agreement, dated as of December 1, 2005 among Domino's, Inc., as borrower, Domino's Pizza, Inc., JPMorgan Securities Inc., as sole lead arranger and book runner, the lenders listed therein, as lenders, JP Morgan Chase Bank, as administrative agent, Citicorp North America, Inc., as syndication agent, and Bank One, NA, as documentation agent.
- 10.30 Pledge agreement, dated as of July 29, 2002, and amended and restated as of June 25, 2003, among Domino's, Inc., TISM, Inc. and certain other respective subsidiaries, and JPMorgan Chase Bank, as collateral agent (Incorporated by reference to Exhibit 10.3 to the June 26, 2003 8-K).
- 10.31 Security agreement, dated as of July 29, 2002, and amended and restated as of June 25, 2003, among Domino's, Inc., TISM, Inc. and JPMorgan Chase Bank, as collateral agent (Incorporated by reference to Exhibit 10.4 to the June 26, 2003 8-K).
- 10.32 Assumption Agreement, dated as of May 12, 2004, made by Domino's Pizza, Inc. as a New Credit Agreement Party (Incorporated by reference to Exhibit 10.36 to the S-1).
- 10.33 Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.33 to the S-1).
- 10.34 TISM, Inc. Class A-3 Stock Option Agreement with Dennis F. Hightower, dated as of February 25, 2003 (Incorporated by reference to Exhibit 10.1 to the Domino's, Inc. quarterly report on Form 10-Q for the fiscal quarter ended March 23, 2003).
- 10.35 Stock repurchase agreement, dated as of March 29, 2005, by and among Domino's Pizza, Inc. J.P. Morgan Capital L.P., Sixty Wall Street Fund, L.P. and J.P. Morgan Partners, L.P. (Incorporated by reference to Exhibit 1.02 to the March 2005 8-K).
- 10.36 Board of Directors Compensation Schedule (Incorporated by reference to Exhibit 10.34 to the 2004 10-K).
- 12.1 Ratio of Earnings to Fixed Charges.
- 21.1 Subsidiaries of Domino's Pizza, Inc.
- 23.1 Consent of PricewaterhouseCoopers LLP.

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- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
- 31.3 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's, Inc.
- 31.4 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's, Inc.
- 32.1 Certification of Chief Executive Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
- 32.2 Certification of Chief Financial Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
- 32.3 Certification of Chief Executive Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's, Inc.
- 32.4 Certification of Chief Financial Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's, Inc.

* - A management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 15(b) of Form 10-K.

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

The Company expects to furnish to security holders an annual report and proxy materials subsequent to the filing of this annual report on Form 10-K.

SCHEDULE II – VALUATION and QUALIFYING ACCOUNTS

Domino's Pizza, Inc. and Subsidiaries
Domino's, Inc. and Subsidiaries

| (in thousands) | Balance Beginning of Year | Provision (Benefit) | Deductions from Reserves * | Translation Adjustments | Balance End of Year |
|---|---------------------------------|------------------------|-------------------------------|----------------------------|---------------------------|
| Allowance for doubtful accounts receivable: | | | | | |
| 2005 | \$ 4,726 | \$ 997 | \$ (1,903) | \$ (236) | \$3,584 |
| 2004 | 3,869 | 1,259 | (563) | 161 | 4,726 |
| 2003 | 3,764 | 1,222 | (1,242) | 125 | 3,869 |
| Allowance for doubtful notes receivable: | | | | | |
| 2005 | \$ 2,195 | \$ 257 | \$ (411) | \$ 1 | \$2,042 |
| 2004 | 2,131 | 181 | (116) | (1) | 2,195 |
| 2003 | 3,684 | (1,434) | (139) | 20 | 2,131 |

* Consists primarily of write-offs, recoveries of bad debt and certain reclassifications.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this annual report to be signed on their behalf by the undersigned, thereunto duly authorized, in the Township of Ann Arbor, State of Michigan on the 3rd day of March, 2006.

DOMINO'S PIZZA, INC.
DOMINO'S, INC.

/s/ L. David Mounts

L. David Mounts
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrants and in the capacities indicated on March 3, 2006.

/s/ David A. Brandon

David A. Brandon

Chairman, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ L. David Mounts

L. David Mounts

Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ Andrew B. Balson

Andrew B. Balson

Director

/s/ Diana F. Cantor

Diana F. Cantor

Director

/s/ Vernon O. Hamilton

Vernon O. Hamilton

Director

/s/ Dennis F. Hightower

Dennis F. Hightower

Director

/s/ Mark E. Nunnally

Mark E. Nunnally

Director

/s/ Robert M. Rosenberg

Robert M. Rosenberg

Director

**Domino's Pizza®
Deferred Compensation Plan**

Amended and Restated Effective: January 1, 2005
Amendment History:

PREAMBLE

This Domino's Pizza Deferred Compensation Plan is amended and restated by Domino's Pizza, LLC for the benefit of certain of its Executive Employees, effective as of January 1, 2005 ("Effective Date"). The purpose of this amendment and restatement is to conform the Plan to the requirements of Section 409A of the Code with respect to deferrals on and after January 1, 2005. All amounts deferred under the Plan before January 1, 2005 (and earnings thereon) shall be governed by the Plan as in effect prior to January 1, 2005.

The purpose of the Plan is to provide supplemental retirement income and to permit Eligible Employees the option to defer receipt of Compensation, pursuant to the terms of the Plan. The Plan is intended to be an unfunded deferred compensation plan maintained for the benefit of a select group of management or highly compensated employees under sections 201(2), 301(a)(3), 401(a)(1) and 4021(b)(6) of ERISA.

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**Plan Provisions for the
Domino's Pizza® Deferred
Compensation Plan**

Article 1. Definitions.

1.1. **Definitions.** Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

- (a) **“Account”** means an account established on the books of the Employer for the purpose of recording amounts credited on behalf of a Participant and any income, expenses, gains or losses included thereon.
- (b) **“Administrator”** means the Employer adopting this Plan, or such other person or persons designated by the Employer to be responsible for the administration of the Plan. For purposes of interaction between the Employer and any third party administrator, the person that holds the title of Benefits Manager for the Employer shall be charged with communicating the Employer’s direction regarding the plan to such third party administrator
- (c) **“Beneficiary”** means the person or persons entitled under Section 7.1 to receive benefits under the Plan upon the death of a Participant.
- (d) **“Change of Control”** means a change in the ownership or effective control of the Employer or in the ownership of a substantial portion of the assets of the Employer which shall be interpreted in accordance with Code Section 409A(a)(2)(A)(v) and the regulations and other guidance thereunder. For purposes of this definition only, the term “Employer” shall include Domino’s Pizza, Inc. A Change in Control will be considered to have occurred as of the date that:
- (1) With respect to a change in the ownership of the Company as described in Prop. Treas. Reg. Section 1.409A-3(g)(5)(v), the date that any person, or more than one person acting as a group, acquires ownership of stock of the Employer that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Employer.
- (2) With respect to a change in the effective control of the employer as described in Prop. Treas. Reg. Section 1.409A-3(g)(5)(vi), the date either:
- (a) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Employer possessing 35% or more of the total voting power of the stock of the employer; or

(b) a majority of members of the Employer's Board of Directors is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Employer's Board of Directors prior to the date of the appointment or election.

(3) With respect to a change in the ownership of a substantial portion of the Employer's assets as described in Prop. Treas. Reg. Section 1.409A-3(g)(5) (vii), the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Employer that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all the assets of the Employer immediately prior to such acquisition or acquisitions.

For these purposes paragraph (d), "acting as a group" means persons that are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Employer. Persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(e) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

(f) "**Compensation**" means the base salary and bonus paid to a Participant before employee elective deferrals into the Domino's Pizza 401(k) Savings Plan and any salary reductions under the Domino's Employee Benefits Program.

(g) "**Eligible Employee**" means an Employee of the Employer designated for participation by the Compensation Committee of the Board of Directors who is a member of a "select group of management or highly compensated employees" of the Employer.

(h) "**Employee**" means any employee of the Employer.

(i) "**Employer**" means Domino's Pizza, LLC, and any successors and assigns unless otherwise provided herein, and shall include any Related Employers adopting this Plan.

(j) "**Entry Date**" means the first day of the Plan Year after the Employee is designated as an Eligible Employee. The Employer may also permit Eligible Employees to become Participants within thirty (30) days of their having become an Eligible Employee, provided they have made an election to defer compensation pursuant to section 3.1 and such election to defer is consistent with the requirements of Code section 409A.

(k) **“ERISA”** means the Employee Retirement Income Security Act of 1974, as from time to time amended.

(l) **“Normal Retirement Age”** means age sixty-five (65).

(m) **“Participant”** means any Eligible Employee who elects to participate in the Plan by an election made prior to the date on which a Participant’s participation commences in the Plan in accordance with Article 3 hereof.

(n) **“Plan”** means the plan established by the Employer as set forth herein.

(o) **“Plan Year”** means the 12-consecutive month period beginning January 1 and ending December 31.

(p) **“Related Employer”** means any employer other than the Employer named herein, if the Employer and such other employer are members of a controlled group of corporations (as defined in Section 414(b) of the Code) or an affiliated service group (as defined in Section 414(m)), or are trades or businesses (whether or not incorporated) which are under common control (as defined in Section 414(c)), or such other employer is required to be aggregated with the Employer pursuant to regulations issued under Code Section 414(o).

(q) **“Trust”** means the trust fund established pursuant to the terms of the Plan.

(r) **“Trustee”** means the corporation or individuals named in the agreement establishing the Trust and such successor and/or additional trustees as may be named in accordance with the Trust Agreement.

(s) **“Valuation Date”** means the last day of the Plan Year and such other date(s) as designated by the Employer.

Article 2. Participation.

2.1. Date of Participation. Each Eligible Employee on the Effective Date shall become a Participant as of that date provided the Eligible Employee has made an election to defer Compensation in accordance with Section 3.1. Other Eligible Employees will become Participant(s) in the Plan on the first Entry Date after which they become an Eligible Employee if they have made an election to defer Compensation pursuant to Section 4.1. If the Eligible Employee does not make an election pursuant to Section 3.1 prior to their first Entry Date, then the Eligible Employee will become a Participant in the Plan as of the first day of a Plan Year for which he/she has made a prior election to defer Compensation.

2.2. Resumption of Participation Following Re-employment. If a Participant ceases to be an Employee and thereafter returns to the employ of the Employer he/she will again become a Participant as of an Entry Date following the date on which he/she again begins service for the Employer following his/her re-employment, provided he/she is an Eligible Employee and has made an election to defer Compensation pursuant to Section 4.1.

2.3. Change in Employment Status. If any Participant continues in the employ of the Employer or Related Employer but ceases to be an Eligible Employee, the individual shall continue to be a Participant until the entire amount of his/her benefit is distributed according to the distribution provisions of Article 6; provided, however, the individual shall not be entitled to make Deferral Contributions or receive an allocation of Employer contributions during the period that he/she is not an Eligible Employee. In the event that the individual subsequently again becomes an Eligible Employee, the individual may resume full participation in accordance with Section 3.1. If a Participant has a voluntary or involuntary change in employment duties or pay grade classification change but the Participant remains an Eligible Employee, the Participant shall remain entitled to participate. All Distributions shall be made only when distribution is required pursuant to Article 6.

Article 3. Contributions.

3.1. Deferral Contributions. Each Participant may elect to execute a salary reduction agreement with the Employer to reduce his/her Compensation for the Plan Year by a specified percentage determined by the Administrator, not to exceed forty (40) percent of his or her Compensation in whole number multiples of one (1) percent. Notwithstanding, a salary reduction agreement with respect to deferrals relating to services performed through December 31, 2005 shall be made no later than March 15, 2005.

The Participant's salary reduction agreement must be made no later than and shall become irrevocable on the December 31 preceding the Plan Year for Compensation payable with respect to services rendered after such date through the following December 31. An agreement to defer Compensation for a Plan Year may be changed at any time prior to the December 31 immediately preceding the first day of each Plan Year.

At the discretion of the Administrator of the Employer, if the Participant becomes eligible to participate in the Plan after the first day of a Plan Year, he or she may make an initial deferral election within 30 days of the date he or she becomes an Eligible Employee, with respect to compensation paid for services to be performed after the election.

Each Participant also may elect to execute a salary reduction agreement with the Employer to reduce his/her Team Achievement Dividend Bonus by a specified percentage determined by the Administrator, not to exceed eighty (80) percent of his or her Team Achievement Dividend Bonus in whole number multiples of one (1) percent. Such agreement(s) shall be made no later than and shall become effective on the June 30 of the Plan Year to which the Bonus relates. In the case of a Participant who makes an initial deferral election after the first day of a Plan Year, the election will be deemed to apply to the Bonus as provided in Prop. Treas. Reg. section 1.409A-2(a)(6).

The election(s) may be made electronically or in writing and will be effective to defer Compensation and Bonus relating to all services performed in a Plan Year subsequent to the making of such an election. Amounts credited to a Participant's account prior to the effective date of any new election will not be affected and will be paid in accordance with prior election(s). A Participant shall have a nonforfeitable right to his or her Deferral Contributions.

Pursuant to Code Section 3121(v), FICA taxes are due and payable at the time of deferral rather than at the time of distribution to the Participant. Accordingly, at the time of deferral, each Participant will be required to pay to the Employer, either by payroll deduction or check, the Participant's share of FICA taxes due and payable.

3.2 Time of Making Contributions. With the exception of the Employer Contribution made necessary as a result of a Change of Control, the Employer will from time to time make a transfer of assets to the Trustee for each Plan Year, no less frequently than monthly. The transfer of assets to the account maintained on behalf of the Participant shall be in an amount corresponding to the amount of the Participants' salary deferrals. The Employer shall provide the Trustee with information on the amount to be credited to each Participant's account.

Article 4. Participants' Accounts.

4.1. Individual Accounts. The Administrator will establish and maintain an Account for each Participant which will reflect Deferral Contributions credited to the Account on behalf of the Participant plus credits as described in Article 5 below. The Administrator will establish and maintain such other accounts and records as it decides in its discretion to be reasonably required or appropriate in order to discharge its duties under the Plan. Participants will be furnished statements of their Account values at least quarterly during each Plan Year.

4.2 Accounting for Distributions. As of any date of a distribution to a Participant or a Beneficiary hereunder, the distribution to the Participant or to the Participant's Beneficiary(ies) shall be charged to the Participant's Account.

4.3 Designation of Investment Options. The Administrator shall have the discretion, subject to exercise from time to time, to designate the investment options that shall be available to the Participants as the measurement by which Earnings Credits will be determined. The Administrator may change the investment options available to Participants from time to time without approval from the Participants. Such change of investment options shall become applicable as determined by the Administrator in the exercise of its discretion.

Article 5. Earnings Credits.

5.1. Manner of Determination. Earnings Credits with respect to the Accounts of Participants shall be determined as though the Accounts were invested and reinvested in the eligible investments selected by the Employer in the proportions designed by the Participant pursuant to Section 5.2 and credited at least quarterly based on the then current fair market value of the option.

5.2. Investment Decisions. Investments in which the Accounts of Participants shall be treated as invested and reinvested shall be directed by the Employer or by each Participant, or both.

(a) All dividends, interest, gains and distributions of any nature earned in respect of an investment alternative in which the Account is treated as investing shall be credited to the Account in an amount equal to the net increase or decrease in the net asset value of each investment option since the preceding Valuation Date in accordance with the ratio that the portion of the Account of each Participant that is invested in the designated investment option bears to the aggregate of all amounts invested in the same investment option.

(b) Expenses attributable to the acquisition of investments, including without limitation, expense ratio fees, shall be charged to the Account(s) of the Participant(s) for which such investment is made.

(c) Participant elections relating to investment decisions shall be limited to those investment options permitted by the Employer and communicated to Eligible Employees. If the Employer determines to change the Investment Options available to Participants, any amounts credited to a terminated Investment Option shall be reallocated to the remaining Investment Options elected by the Participant on a pro-rata basis.

(d) To the extent directed by the Employer, the Trustee shall invest amounts held in the Trust in accordance with the standing investment direction of Participants, provided, however, that the Employer shall be under no obligation to do so. Notwithstanding the foregoing, however, at

least once annually the Employer shall contribute such additional amounts as may be necessary to assure that the sum of the assets held in the Trust is at least equal to the sum of the Account balances.

Article 6. Right to Benefits.

6.1. Retirement. Each Participant who attains his/her Normal Retirement Age will have an interest in his/her Account to be distributed as he/she has previously elected as provided below.

6.2 Termination of Employment. If a Participant retires on or after attainment of Normal Retirement Age, the balance of the Participant's Account, plus any amounts thereafter credited to their Account, will be distributed to him or her in accordance with Article 7. If a Participant terminates his/her employment for any reason other than death or normal retirement, they will be entitled to a termination benefit equal to the value of the Deferral Contributions to their Account as adjusted for income, expense, gain or loss. The amount payable under this Section will be distributed in accordance with Article 7.

6.3. Death. If a Participant dies before the distribution of his/her Account has commenced, or before such distribution has been completed, his/her designated Beneficiary or Beneficiaries will be entitled to receive the balance or remaining balance of his/her Account, plus any amounts thereafter credited to their Account. Distribution to the Beneficiary or Beneficiaries will be made in accordance with Article 7.

A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries by giving notice to the Administrator on a form designated by the Administrator. If more than one person is designated as the Beneficiary, their respective interests shall be as indicated on the designation form.

A copy of the death certificate or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for part or all of the Participant's Account, such amount will be paid to his/her surviving spouse or, if none, to his/her estate (such spouse or estate shall be deemed to be the Beneficiary for purposes of the Plan). If a Beneficiary dies after benefits to such Beneficiary have commenced, but before they have been completed, and, in the opinion of the Administrator, no person has been designated to receive such remaining benefits, then such benefits shall be paid to the deceased Beneficiary's estate.

6.4. Adjustment for Investment Experience. If any distribution under this Article 6 is not made in a single payment, the amount remaining in the Account after the distribution will be subject to adjustment until distributed to reflect the income and gain or loss on the investments as described in Article 5.

6.5. Distributions Due to an Unforeseen Emergency. A Participant shall not be permitted to withdraw his or her Account (and earnings thereon) prior to retirement or termination of employment, except a Participant may apply to the Administrator to withdraw some or all of his or her Account if such withdrawal is made on account of a financial hardship resulting from an unforeseen emergency in accordance with procedures set forth by the Administrator. The term “unforeseeable emergency” means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The amounts distributed with respect to an emergency shall not exceed amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

The Employer in its discretion may make the distribution to the Participant upon such terms and in such form as it deems appropriate and shall consider Treasury regulations and Internal Revenue Service revenue rulings in making all determinations.

6.6. Distributions Upon a Change of Control. Upon the happening of an event that constitutes a Change of Control, the Employer shall pay to the Participant in a lump sum payment, the amount of the Participant’s Account, calculated as of the date of the distribution due to a Change of Control. Such lump sum payment shall be made within sixty (60) days of the Change of Control, and any adjustments to the Participant’s Account as a result of the application of Paragraph 5.2 above, shall be made based upon the distribution date.

Article 7. Distribution of Benefits.

7.1. Distribution of Benefits to Participants and Beneficiaries.

Distributions under the Plan to a Participant or to the Beneficiary of the Participant shall be made in cash, in a lump sum, or, if elected by the Participant, in the form of distribution noted below, upon the Participant’s retirement, death or other termination of employment:

- (i) Annual installments commencing on the first day of the next calendar year following the event described above, payable over a period of not more than ten (10) years; or

(ii) A lump sum payment within sixty (60) days of such event; or

(iii) A lump sum payment within sixty (60) days of the beginning of the calendar year following the occurrence of such event.

Any election(s) regarding the form or timing of the Participant's distribution shall be made at the same time and in the same manner as described in Section 3.1. If the Participant fails to make such an election for any Plan Year, the Participant shall be deemed to have made the same election for the current Plan Year that he or she had made for the prior Plan Year.

A Participant may file a request to change his/her election with respect to the timing of commencement of benefits, payment method and/or payment period for deferrals relating to any succeeding Plan Year in the same manner as described in Section 3.1 with respect to salary deferral agreements. Such new election must be made prior to the commencement of the Plan Year to which it relates.

For installment payments described in subparagraph (i) above, the Employer (or Trustee, if applicable) shall determine the funds remaining credited to the Participant for each installment payment due, and shall distribute that fraction of the sums remaining credited to the Participant determined by dividing the number of installments which remain payable into one (1) (e.g., for installment one, the Employer or Trustee shall distribute 1/10th of the amounts credited to the Participant, for the second installment, the Employer shall distribute 1/9th of the amounts credited to the Participant, and so on).

Notwithstanding the Participant's election pursuant to this Plan, any Participant who is involuntarily terminated by the Employer shall be paid his or her entire Account balance in a lump sum within sixty (60) days of the Participant's last date of service for the Employer. Furthermore, a distribution (or commencement of annual distributions) to a Specified Employee shall be delayed at least six months following the Specified Employee's termination of employment (or death, if earlier). "Specified Employee" means Employees who (i) own at least 5 percent of the stock of the Employer; (ii) own at least 1 percent of the stock of the Employer and have compensation from the Employer in excess of \$150,000 a year (not indexed); or (iii) are officers of the Employer with compensation in excess of \$130,000 a year (indexed in \$5,000 increments), but not to exceed fifty (50) Employees (or if lesser, the greater of three (3) Employees or ten (10) percent of the Employer's Employees).

If the Participant does not elect a time or method of distribution to his or her Beneficiary, his or her entire Account balance shall be paid in a lump sum to the Beneficiary within sixty (60) days of the Participant's date of death.

7.2. Change in Time or Method of Distribution. The Participant's election with respect to the time and manner of distribution may be revoked or changed by the Participant according to the following rules:

- (a) The subsequent election shall take effect at least 12 months after the date on which the subsequent election is made; and
- (b) In the event of the Participant's retirement, termination of employment or upon a Change in Control, the payment with respect to which the election is made must be deferred for a period of at least 5 years from the date the payment otherwise would have been made.

For these purposes, the right to annual installments over a period of 10 years shall be treated as a right to a series of separate payments.

7.3. Notice to Trustee. The Administrator will notify the Trustee in writing whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice shall indicate the form, amount and frequency of benefits that such Participant or Beneficiary shall receive.

7.4 Withholding; Employment Taxes. To the extent required by the law in effect at the time payments are made, the Employer shall withhold any taxes required to be withheld by any Federal, state or local government.

Article 8. Amendment and Termination.

8.1 Amendment by Employer. The Employer reserves the authority to amend the Plan or a restated Plan document, executed by the Employer only, in which the Employer has indicated a change or changes in provisions previously elected by it. Such changes are to be effective on the effective date of such amendment or restated Plan document. Any such change notwithstanding, no Participant's Account shall be reduced by such change below the amount to which the Participant would have been entitled if he/she had voluntarily left the employ of the Employer immediately prior to the date of the change. The Employer may from time to time make any amendment to the Plan that may be necessary to satisfy the Code or ERISA. The Employer's board of directors or other individual specified in the resolution adopting this Plan shall act on behalf of the Employer for purposes of this Section.

8.2 Retroactive Amendments. An amendment made by the Employer in accordance with this Section may be made effective on a date prior to the first day of the Plan

Year in which it is adopted if such amendment is necessary or appropriate to enable the Plan and Trust to satisfy the applicable requirements of the Code or ERISA or to conform the Plan to any change in federal law or to any regulations or ruling thereunder. Any retroactive amendment by the Employer shall be subject to the provisions of Section 8.1.

8.3. Plan Termination. The Employer has adopted the Plan with the intention and expectation that it will be continued indefinitely. However, said Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may discontinue all contributions under the Plan or terminate the Plan at any time by written notice delivered to the Participants without any liability hereunder for any such discontinuance or termination.

8.4. Distribution upon Termination of the Plan. Upon termination of the Plan, no further contributions shall be made to the Plan. Accounts of Participants shall not be distributed at the time of termination but shall be maintained and continue to be governed by the Plan until paid out in accordance with the terms of the Plan.

8.5. Termination of Participation. To the extent necessary to maintain the Plan's status as a Plan described in ERISA sections 201(2), 301(a)(3), 401(a)(1) and 4021(b)(6), the Administrator may cause the termination of participation by any one or more employees, and the Accounts of such Participants shall continue to be governed by the terms of the Plan until paid out in accordance with the terms of the Plan.

Article 9. The Trust

9.1 Establishment of Trust. The Employer shall establish the Trust between the Employer and the Trustee, in accordance with the terms and conditions as set forth in the Trust Under the Domino's Pizza Executive Compensation Plan, under which assets are held, administered and managed, subject to the claims of the Employer's creditors in the event of the Employer's insolvency, until paid to Participants and their Beneficiaries as specified in the Plan. The Trust is intended to be treated as a grantor trust under the Code, and the establishment of the Trust is not intended to cause Participants to realize current income on amounts contributed thereto.

Article 10. Miscellaneous.

10.1. Communication to Participants. The Plan and Exhibits applicable to the Participant, along with any amendments, will be communicated to each Participant by the Employer promptly after the Plan or Exhibit is adopted or amended. Participants shall have no right to receive Plan documentation or information that is not applicable to their participation in the Plan.

10.2. Limitation of Rights. Neither the establishment of the Plan and the Trust, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against the Employer, Administrator or Trustee, except as provided herein; and in no event will the terms of employment or service of any Participant be modified or in any way affected hereby.

10.3 Spendthrift Provision. The benefits provided hereunder will not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, either voluntarily or involuntarily, and any attempt to cause such benefits to be so subjected will not be recognized, except to such extent as may be required by law.

10.4. Facility of Payment. In the event the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his/her affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Trustee to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments therefore, and any such payment to the extent thereof, shall discharge the liability of the Trust for the payment of benefits hereunder to such recipient.

10.5. Information between Employer and Trustee. The Employer agrees to furnish the Trustee, and the Trustee agrees to furnish the Employer with such information relating to the Plan and Trust as may be required by the other in order to carry out their respective duties hereunder, including without limitation information required under the Code or ERISA and any regulations issued or forms adopted thereunder.

10.6. No Implied Rights; Rights on Termination of Service. Neither the establishment of the Plan nor any amendment or restatement thereof shall be construed as giving any Participant, Beneficiary, or any other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by specific action of the Employer in accordance with the terms and provisions of the Plan. Except as expressly provided in this Plan, the Employer shall not be required or be liable to make any payment under this Plan.

10.7 No Right to Employer Assets. Neither the Participant nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of the Employer whatsoever including, without limiting the generality of the foregoing, any specific funds, assets, or other property which the Employer, in its sole discretion, may set aside in anticipation of a liability hereunder. Any benefits which become payable hereunder shall be paid from the general assets of the Employer. Participants and Beneficiaries shall have the status of general

unsecured creditors of the Employer. The Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Employer. Nothing herein contained in the Plan constitutes a guarantee by the Employer that the assets of the Employer shall be sufficient to pay any benefit to any person.

10.8 No Employment Rights. Nothing herein shall constitute a contract of employment or of continuing service or in any manner obligate the Employer to continue the services of the Participant, or obligate the Participant to continue in the service of the Employer, or as a limitation of the right of the Employer to discharge any of its employees, with or without cause. Nothing herein shall be construed as fixing or regulating the compensation payable to the Participant.

10.9 Offset. If, at the time payments or installments of payments are to be made hereunder, the Participant or the Beneficiary or both are indebted or obligated to the Employer, then the payments remaining to be made to the Participant or the Beneficiary or both may, at the discretion of the Employer, be reduced by the amount of such indebtedness or obligation, provided, however, that an election by the Employer not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligations.

10.10 Gender and Number. Wherever appropriate herein, the masculine may mean the feminine and the singular may mean the plural or vice versa.

10.12. Notices. Any notice or other communication in connection with this Plan shall be deemed delivered in writing if addressed as provided below and if either actually delivered at said address or, in the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified:

(a) If it is sent to the Employer or Administrator, it will be at the address specified by the Employer;

Domino's Pizza LLC
30 Frank Lloyd Wright Drive
Ann Arbor, MI 48105
Attention: Benefit Manager

(b) If it is sent to the Trustee, it will be sent to the address set forth in the Trust Agreement; or, in each case at such other address as the addressee shall have specified by written notice delivered in accordance with the foregoing to the addresser's then effective notice address.

10.13. Governing Law. The Plan will be construed, administered and enforced according to applicable provisions of ERISA, and to the extent not preempted thereby, the laws of the State of Michigan.

Article 11. Plan Administration.

11.1. Powers and responsibilities of the Administrator. The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however, to the applicable requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

- (a) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;
- (b) To interpret the Plan;
- (c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;
- (d) To administer the claims and review procedures specified in Section 11.3;
- (e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;
- (f) To determine the person or persons to whom such benefits will be paid;
- (g) To authorize the payment of benefits;
- (h) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;
- (i) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;
- (j) By written instrument, to allocate and delegate its responsibilities, including the formation of an Administrative Committee to administer the Plan;

11.2. Effect of Interpretation or Determination. Any interpretation or determination by the Administrator with respect to the Plan shall be final, binding and conclusive upon the persons in the absence of clear and convincing evidence that the Administrator acted arbitrarily and capriciously.

11.3. Claims and Review Procedures.

(a) Claim - A person who is eligible for a distribution under the Plan (hereinafter referred to as "Claimant") must file a written request for such benefit with the Administrator at the Employer's then principal place of business, setting forth his or her claim.

(b) Claim Decision - Upon receipt of a claim, the Administrator shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Administrator may, however, extend the reply period for an additional ninety (90) days for special circumstances.

If the claim is denied in whole or in part, the Administrator shall inform the Claimant in writing, using language calculated to be understood by the Claimant, setting forth: (A) the specified reason or reasons for such denial; (B) the specific reference to pertinent provisions of this Plan on which such denial is based; (C) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or such information is necessary; (D) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and (E) the time limits for requesting a review under subsection (c).

(c) Request For Review - Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Administrator review its determination. Such request must be addressed to the Administrator, at the Employer's then principal place of business. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Administrator. If the Claimant does not request a review within such sixty (60) day period, he or she shall be barred and estopped from challenging the Administrator's determination.

(d) Review of Decision - Within sixty (60) days after the Administrator's receipt of a request for review, after considering all materials presented by the Claimant, the Administrator will inform the Participant in writing, in a manner calculated to be understood by the Claimant, the decision setting forth the specific reasons for the decision containing specific references to the pertinent provisions of this Plan on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Administrator will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

11. 4 Plan's Administrative Costs

The Employer shall pay all reasonable costs and expenses (including legal, accounting, and employee communication fees) incurred by the Administrator and the Trustee in administering the Plan and Trust Fund.

IN WITNESS WHEREOF, the Employer by its duly authorized officer(s), has caused this Plan to be adopted on the 20th day of December, 2005.

DOMINO'S PIZZA LLC

By: /s/ L. David Mounts
Name: L. David Mounts
Title: Executive Vice President and Chief Financial Officer

Domino's Pizza Deferred Compensation Plan

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FIFTH AMENDMENT TO CREDIT AGREEMENT

FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Fifth Amendment"), dated as of December 1, 2005, among DOMINO'S, INC., a Delaware corporation ("Borrower"), DOMINO'S PIZZA, INC., a Delaware corporation (successor by merger to TISM, Inc.) ("Holdings"), various Subsidiaries of Borrower, the lenders from time to time party to the Credit Agreement referred to below (each a "Lender" and collectively, "Lenders"), J.P. MORGAN SECURITIES INC. ("JPMSI"), as sole lead arranger and book runner, and JPMORGAN CHASE BANK, N.A. (formerly known as JPMorgan Chase Bank), as administrative agent for Lenders (in such capacity, "Administrative Agent"). Unless otherwise indicated, all capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Credit Agreement referred to below.

WITNESSETH:

WHEREAS, Borrower, Holdings, JPMSI, Citigroup Global Markets, Inc., Lenders, Administrative Agent, Syndication Agent and Documentation Agent are parties to a Credit Agreement, dated as of July 29, 2002 and amended and restated as of June 25, 2003 (as so amended and restated and as the same has been further amended through, but not including, the date hereof, the "Credit Agreement"); and

WHEREAS, subject to the terms and conditions of this Fifth Amendment, the Lenders wish to amend the Credit Agreement as herein provided;

NOW, THEREFORE, it is agreed:

I. Amendments to Credit Agreement.

1. The definition of "Applicable Base Rate Margin" appearing in subsection 1.1 of the Credit Agreement is hereby amended by deleting the text "New 2004 Term Loans, 0.75%" appearing in said definition and inserting the text "2005 Term Loans, 0.50%" in lieu thereof.

2. The definition of "Applicable Eurodollar Rate Margin" appearing in subsection 1.1 of the Credit Agreement is hereby amended by deleting the text "New 2004 Term Loans, 1.75%" appearing in said definition and inserting the text "2005 Term Loans, 1.50%" in lieu thereof.

3. The definition of "Class" appearing in subsection 1.1 of the Credit Agreement is hereby amended by deleting the text "New 2004 Term Loan" appearing in said definition and inserting the text "2005 Term Loan" in lieu thereof.

4. The definition of “Loan” appearing in subsection 1.1 of the Credit Agreement is hereby amended by inserting the text “2005 Term Loans,” immediately following the text “New 2004 Term Loans,” appearing in said definition.

5. The definition of “Notes” appearing in subsection 1.1 of the Credit Agreement is hereby amended by inserting the text “2005 Term Notes,” immediately following the text “New 2004 Term Notes,” appearing in said definition.

6. The definition of “Requisite Lenders” appearing in subsection 1.1 of the Credit Agreement is hereby amended by (i) deleting the text “(v)” appearing in said definition and inserting the text “(vi)” in lieu thereof and (ii) inserting the text “, (v) the aggregate 2005 Term Loan Exposure of all Lenders” immediately prior to the text “and (vi)” appearing in said subsection (as modified pursuant to preceding subclause (i)).

7. The definition of “Shareholder Subordinated PIK Note” appearing in subsection 1.1 of the Credit Agreement is hereby amended by deleting the text “New 2004 Term Loans” appearing in said definition and inserting the text “2005 Term Loans” in lieu thereof.

8. Subsection 1.1 of the Credit Agreement is hereby further amended by (i) deleting the definitions of “Arrangers”, “Existing 2004 Term Loan Borrowing”, “Pro Rata Share” and “Repricing Transaction” in their entirety and (ii) inserting in appropriate alphabetical order the following new definitions:

“Additional 2005 Term Loan” has the meaning assigned to that term in subsection 2.1A(i)(V).

“Arrangers” means, collectively, Initial Arrangers, First Amendment Arranger, Second Amendment Arranger, Third Amendment Arranger and Fifth Amendment Arranger.

“Consenting New 2004 Term Lender” means each Lender holding outstanding New 2004 Term Loans that has theretofore executed and delivered a counterpart of the Fifth Amendment to the Administrative Agent on or prior to 5:00 P.M. (New York City time) on the later to occur of December 1, 2005 or the Fifth Amendment Effective Date.

“Converted 2005 Term Loan” has the meaning assigned to that term in subsection 2.1A(i)(V).

“Existing New 2004 Term Loan Borrowing” has the meaning assigned to that term in subsection 2.2B(x).

“Fifth Amendment” means the Fifth Amendment to Credit Agreement, dated as of December 1, 2005.

“Fifth Amendment Arranger” means JPMSI, in its capacity as sole lead arranger and book runner pursuant to the Fifth Amendment.

“Fifth Amendment Effective Date” has the meaning assigned to that term in the Fifth Amendment.

“Fifth Amendment Mortgage Amendments” has the meaning assigned to that term in subsection 6.16.

“New 2004 Term Loan Conversion” has the meaning assigned to that term in subsection 2.1A(i)(V).

“Non-Consenting New 2004 Term Lender” means each Lender holding New 2004 Term Loans on the Fifth Amendment Effective Date (immediately prior to giving effect thereto) that is not a Consenting New 2004 Term Lender.

“Pro Rata Share” means (i) with respect to all payments, computations and other matters relating to the Term Loan Commitment or the Term Loan of any Lender, the percentage obtained by dividing (x) the Term Loan Exposure of that Lender by (y) the aggregate Term Loan Exposure of all Lenders, (ii) with respect to all payments, computations and other matters relating to the New Term Loan Commitment or the New Term Loan of any Lender, the percentage obtained by dividing (x) the New Term Loan Exposure of that Lender by (y) the aggregate New Term Loan Exposure of all Lenders, (iii) with respect to all payments, computations and other matters relating to the 2004 Term Loan Commitment or the 2004 Term Loan of any Lender, the percentage obtained by dividing (x) the 2004 Term Loan Exposure of that Lender by (y) the aggregate 2004 Term Loan Exposure of all Lenders, (iv) with respect to all payments, computations and other matters relating to the New 2004 Term Loan Commitment or the New 2004 Term Loan of any Lender, the percentage obtained by dividing (x) the New 2004 Term Loan Exposure of that Lender by (y) the aggregate New 2004 Term Loan Exposure of all Lenders, (v) with respect to all payments, computations and other matters relating to the 2005 Term Loan Commitment or the 2005 Term Loan of any Lender, the percentage obtained by dividing (x) the 2005 Term Loan Exposure of that Lender by (y) the aggregate 2005 Term Loan Exposure of all Lenders, (vi) with respect to all payments, computations and other matters relating to the Revolving Loan Commitment or the Revolving Loans of any Lender or any Letters of Credit issued or participations therein purchased by any Lender or any participations in any Swing Line Loans purchased by any Lender, the percentage obtained by dividing (x) the Revolving Loan Exposure of that Lender by (y) the aggregate Revolving Loan Exposure of all Lenders, and (vii) for all other purposes with respect to each Lender, (A) prior to the occurrence of the Fifth Amendment Effective Date, the percentage obtained by dividing (x) the sum of the New 2004 Term Loan Exposure of that Lender plus the Revolving Loan Exposure of that Lender by (y) the aggregate New 2004 Term Loan Exposure of all Lenders plus the aggregate Revolving Loan Exposure of all Lenders or (B) on and after the occurrence of the Fifth Amendment Effective Date, the percentage obtained by dividing (x) the sum of the 2005 Term Loan Exposure of that Lender plus the Revolving Loan Exposure of that Lender by (y) the aggregate 2005 Term Loan Exposure of all Lenders plus the aggregate Revolving Loan Exposure of all Lenders, in any such case as the applicable percentage may be adjusted by assignments permitted pursuant to subsection 10.1. The Pro Rata Share of each Lender for purposes of each of clauses (i), (ii), (iii), (iv) and (v) of the preceding sentence is set forth opposite the name of that Lender in Schedule 2.1 annexed hereto.

“Repricing Transaction” shall mean the incurrence by Borrower of a new tranche of replacement term loans under this Agreement (including by way of a conversion of 2005 Term Loans into such replacement term loans) (i) having effective interest rate margins that are less than the Applicable Base Rate Margin and Applicable Eurodollar Rate Margin, as applicable, for 2005 Term Loans on the Fifth Amendment Effective Date (immediately after giving effect thereto) (with the comparative determinations of such margins to be made by Administrative Agent and to be made after taking account of all upfront or similar fees or original issue discount (amortized over the life of such tranche of replacement term loans or 2005 Term Loans, as the case may be) payable to all Lenders providing such replacement term loans or 2005 Term Loans, as the case may be, but exclusive of any arrangement, structuring or other fees payable in connection therewith that are not shared with all Lenders providing such tranche of replacement term loans or 2005 Term Loans, as the case may be) and (ii) except to the extent incurred by way of a conversion of 2005 Term Loans, all or a portion of the proceeds of which are used to repay, in whole or in part, principal of outstanding 2005 Term Loans. Any such determination by Administrative Agent as contemplated by preceding clause (i) shall be conclusive and binding on all Lenders holding 2005 Term Loans.

“2005 Term Loan” has the meaning assigned to that term in subsection 2.1A(i)(V).

“2005 Term Loan Commitment” means the commitment of a Lender to make Additional 2005 Term Loans to Borrower pursuant to subsection 2.1A(i)(V), and “2005 Term Loan Commitments” means such commitments of all Lenders in the aggregate.

“2005 Term Loan Exposure” means, with respect to any Lender as of any date of determination, the outstanding principal amount of the 2005 Term Loans of that Lender.

“2005 Term Notes” means any promissory notes of Borrower issued pursuant to subsection 2.1E to evidence the 2005 Term Loans of any Lenders, substantially in the form of Exhibit III-D annexed hereto, as the same may be amended, supplemented or otherwise modified from time to time.

9. Subsection 2.1A of the Credit Agreement is hereby amended by inserting the text “, 2.1A(i)(V)” immediately following the text “2.1A(i)(IV)” appearing in the first sentence of said subsection.

10. Subsection 2.1A(i) of the Credit Agreement is hereby amended by inserting the following new clause (V) at the end of said subsection:

“(V) 2005 Term Loans. (x) Each Consenting New 2004 Term Lender severally agrees to convert (the “New 2004 Term Loan Conversion”), on the Fifth Amendment Effective Date, all New 2004 Term Loans of such Consenting New 2004 Term Lender outstanding on the Fifth Amendment Effective Date (immediately prior to giving effect

thereto) into new term loans hereunder (each such term loan, a “Converted 2005 Term Loan” and, collectively, “Converted 2005 Term Loans”) and (ii) each Lender with a 2005 Term Loan Commitment severally agrees to make, on the Fifth Amendment Effective Date, a term loan or term loans in an initial principal amount equal to such Lender’s 2005 Term Loan Commitment (each, an “Additional 2005 Term Loan” and, collectively, “Additional 2005 Term Loans” and, together with the Converted 2005 Term Loans, “2005 Term Loans”) to Borrower to be used for the purposes identified in subsection 2.5H. The amount of each Lender’s 2005 Term Loan Commitment and Converted 2005 Term Loans (if any) is set forth opposite its name on Schedule 2.1 annexed hereto and the aggregate amount of (x) Additional 2005 Term Loans and (y) Converted 2005 Term Loans is \$458,012,821.00. The 2005 Term Loan Commitments of Lenders shall be adjusted to give effect to any assignments of the 2005 Term Loan Commitments pursuant to subsection 10.1B. Each Lender’s 2005 Term Loan Commitment shall expire immediately and without further action on December 1, 2005 if the Additional 2005 Term Loans are not made on or before that date. Borrower may make only one borrowing on the Fifth Amendment Effective Date under the 2005 Term Loan Commitments. Amounts borrowed under this subsection 2.1A(i)(V) or amounts borrowed as New 2004 Term Loans under subsection 2.1(A)(i)(IV) and continued as 2005 Term Loans pursuant to this subsection 2.1(A)(i)(V) and subsequently repaid or prepaid may not be reborrowed.”.

11. Subsection 2.1B of the Credit Agreement is hereby amended by (i) deleting each instance of the text “New 2004 Term Loans” appearing in said subsection and inserting the text “2005 Term Loans” in lieu thereof and (ii) deleting the text “Third Amendment Effective Date” appearing in clause (y) of the proviso to the first sentence of said subsection and inserting the text “Fifth Amendment Effective Date” in lieu thereof.

12. Subsection 2.1C of the Credit Agreement is hereby amended by (i) deleting each instance of the text “New 2004 Term Loans” appearing in said subsection and inserting the text “2005 Term Loans” in lieu thereof, (ii) deleting each instance of the text “Third Amendment Effective Date” appearing in said subsection and inserting the text “Fifth Amendment Effective Date” in lieu thereof, (iii) deleting each instance of the text “New 2004 Term Loan Commitments” and “Additional New 2004 Term Loan Commitment” appearing in said subsection and inserting the text “2005 Term Loan Commitments” or “Additional 2005 Term Loan Commitment”, as the case may be, in lieu thereof, (iv) deleting the text “subsections 4.1” appearing in the fourth sentence of said subsection and inserting the text “subsection 4.1” in lieu thereof, (v) inserting the text “subsection” immediately prior to the text “4.2” appearing in the fourth sentence of said subsection and (vi) inserting the text “, Part II, Section 5 of the Fifth Amendment (in the case of 2005 Term Loans)” immediately prior to the text “and subsection 4.2” appearing in the fourth sentence of said subsection (as modified pursuant to preceding subclause (v)).

13. Subsection 2.1D of the Credit Agreement is hereby amended by (i) deleting each instance of the text “New 2004 Term Loan” appearing in said subsection and inserting the text “2005 Term Loan” in lieu thereof and (ii) deleting each instance of the text “New 2004 Term Loans” appearing in said subsection and inserting the text “2005 Term Loans” in lieu thereof.

14. Subsection 2.1E of the Credit Agreement is hereby amended by (i) inserting the text “2005 Term Loan,” immediately after the text “New 2004 Term Loan,” appearing in said subsection, (ii) inserting the text “Exhibit III-D,” immediately after the text “Exhibit III-C,” appearing in said subsection and (iii) deleting the last sentence appearing in said subsection in its entirety and inserting the following new text in lieu thereof:

“Without limiting the foregoing, on and after the Fifth Amendment Effective Date, each Consenting New 2004 Term Lender which holds a New 2004 Term Note shall be entitled to surrender such New 2004 Term Note to Borrower against delivery of a 2005 Term Note completed in conformity with this subsection 2.1E, substantially in the form of Exhibit III-D annexed hereto, with appropriate insertions; provided that if any such New 2004 Term Note is not so surrendered, then from and after the Fifth Amendment Effective Date such New 2004 Term Note shall be deemed to evidence the Converted 2005 Term Loans into which the New 2004 Term Loans theretofore evidenced by such New 2004 Term Note have been converted.”.

15. Subsection 2.2 of the Credit Agreement is hereby amended by (i) deleting each instance of the text “New 2004 Term Loan” appearing in said subsection and inserting the text “2005 Term Loan” in lieu thereof and (ii) deleting each instance of the text “New 2004 Term Loans” appearing in said subsection and inserting the text “2005 Term Loans” in lieu thereof.

16. Subsection 2.2 of the Credit Agreement is hereby further amended by deleting the text “Third Amendment Effective Date” appearing in the third sentence of subsection 2.2A of the Credit Agreement and inserting the text “Fifth Amendment Effective Date” in lieu thereof.

17. Subsection 2.2B of the Credit Agreement is hereby amended by deleting clause (x) of said subsection and inserting the following new clause (x) in lieu thereof:

“(x) in connection with the New 2004 Term Loan Conversion and the incurrence of Additional 2005 Term Loans pursuant to subsection 2.1A(i)(V), (A) each borrowing of New 2004 Term Loans existing on the Fifth Amendment Effective Date immediately prior to the New 2004 Term Loan Conversion and maintained as Eurodollar Rate Loans subject to a given Interest Period (each, an “Existing New 2004 Term Loan Borrowing”) shall, upon the occurrence of the New 2004 Term Loan Conversion, be deemed to be a new borrowing of 2005 Term Loans for all purposes of this Agreement (including subsection 2.2F), (B) each such newly-deemed borrowing of 2005 Term Loans shall be subject to the same Interest Period (and Adjusted Eurodollar Rate) as the Existing New 2004 Term Loan Borrowing to which it relates, (C) Additional 2005 Term Loans shall be initially incurred pursuant to a single borrowing of Eurodollar Rate Loans which shall be added to (and thereafter be deemed to constitute a part of) each such newly-deemed borrowing of 2005 Term Loans on a pro rata basis (based on the relative sizes of the various such newly-deemed borrowings of 2005 Term Loans) and (D) Administrative Agent shall (and is hereby authorized to) take all appropriate actions to ensure that all Lenders with outstanding 2005 Term Loans (after giving effect to the New 2004 Term Loan Conversion and the incurrence of Additional 2005 Term Loans pursuant to subsection 2.1A(i)(V)) participate in each newly-deemed borrowing of 2005 Term

Loans on a pro rata basis (based upon the sum of such Lender's (x) 2005 Term Loan Commitment as in effect on the Fifth Amendment Effective Date (prior to the making of 2005 Term Loans on such date) and (y) and Converted 2005 Term Loans).”.

18. Subsection 2.3C of the Credit Agreement is hereby amended by deleting said subsection in its entirety and inserting the following new subsection 2.3C in lieu thereof:

“C. Prepayment Fees. All prepayments of principal (whether voluntary or mandatory) and/or conversions of 2005 Term Loans made in connection with a Repricing Transaction, in each case prior to the first anniversary of the Fifth Amendment Effective Date, will be subject to payment to Administrative Agent, for the ratable account of each Lender with outstanding 2005 Term Loans, of a fee in an amount equal to 1.0% of the aggregate principal amount of 2005 Term Loans so repaid or converted. The foregoing fees shall be due and payable upon the date of any such prepayment or conversion.

19. Subsection 2.4A of the Credit Agreement is hereby amended by deleting said subsection in its entirety and inserting the following new subsection 2.4A in lieu thereof:

“A. Scheduled Payments of 2005 Term Loans. Borrower shall make principal payments on the 2005 Term Loans in installments on the dates and in the amounts set forth below:

| DATE | SCHEDULED REPAYMENT OF 2005 TERM LOANS |
|--------------------|--|
| December 31, 2006 | \$1,168,371.00 |
| March 31, 2007 | \$1,168,371.00 |
| June 30, 2007 | \$1,168,371.00 |
| September 30, 2007 | \$1,168,371.00 |
| December 31, 2007 | \$1,168,371.00 |
| March 31, 2008 | \$1,168,371.00 |
| June 30, 2008 | \$1,168,371.00 |
| September 30, 2008 | \$1,168,371.00 |
| December 31, 2008 | \$1,168,371.00 |
| March 31, 2009 | \$1,168,371.00 |
| June 30, 2009 | \$1,168,371.00 |
| September 30, 2009 | \$1,168,371.00 |
| December 31, 2009 | \$1,168,371.00 |
| March 31, 2010 | \$221,412,000.00 |
| June 25, 2010 | \$221,411,998.00 |

; provided that the scheduled installments of principal of the 2005 Term Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the 2005 Term Loans in accordance with subsection 2.4B(iv); and provided further, that the 2005 Term Loans and all other amounts owed hereunder with respect to the 2005 Term Loans shall be paid in full no later than June 25, 2010 and the final installment payable by Borrower in respect of the 2005 Term Loans on such date shall be in an amount, if such amount is different from that specified above, sufficient to repay all amounts owing by Borrower under this Agreement with respect to the 2005 Term Loans.”.

20. Subsection 2.4B of the Credit Agreement is hereby amended by deleting each instance of the text “New 2004 Term Loans” appearing in said subsection and inserting the text “2005 Term Loans” in lieu thereof.

21. Subsection 2.4B(i) of the Credit Agreement is hereby amended by deleting the last sentence of said subsection and inserting the following new sentence in lieu thereof:

“Each prepayment of 2005 Term Loans made pursuant to this subsection 2.4B(i) prior to the first anniversary of the Fifth Amendment Effective Date shall be subject to the payment of the fee described in subsection 2.3(C).”.

22. Subsection 2.4B(iv)(a) of the Credit Agreement (after giving effect to the amendments described in Section 20 above) is hereby amended by deleting the text “scheduled amortization payments of the 2005 Term Loans which will be due and payable during the 12 months immediately succeeding the date of the respective prepayment” appearing in the last sentence of said subsection and inserting the text “the next four scheduled amortization payments of the 2005 Terms Loans which will be due and payable during the 12-month period immediately succeeding the date of the respective prepayment (or, if such prepayment is made on the last Business Day of December in a given calendar year (and such Business Day is not December 31), the next five scheduled amortization payments of the 2005 Terms Loans which will be due and payable during the 12-month and one-week period immediately succeeding the date of the respective prepayment” in lieu thereof.

23. Subsection 2.4C of the Credit Agreement is hereby amended by deleting the text “New 2004 Term Loans” appearing in clause (iii) of said subsection and inserting the text “2005 Term Loans” in lieu thereof.

24. Subsection 2.5 of the Credit Agreement is hereby amended by inserting the following new subsection 2.5H at the end of said subsection:

“H. Additional 2005 Term Loans. The Additional 2005 Term Loans incurred on the Fifth Amendment Effective Date shall be used on the Fifth Amendment Effective Date to solely repay outstanding New 2004 Term Loans of Non-Consenting New 2004 Term Lenders (if any).”.

25. Subsection 2.6D is hereby amended by inserting the following text at the end of said subsection:

“In connection with the New 2004 Term Loan Conversion and the incurrence of Additional 2005 Term Loans pursuant to subsection 2.1A(i)(V), Lenders and Borrower hereby agree that, notwithstanding anything to the contrary contained in this Agreement, (A) if requested by any Lender making Additional 2005 Term Loans which actually “match funds” in the manner described in subsection 2.6F below, Borrower shall pay to such Lender such amounts necessary, as reasonably determined by such Lender, to compensate such Lender for making such 2005 Term Loans in the middle of an existing Interest Period (rather than at the beginning of the respective Interest Period, based upon the rates then applicable thereto) and (B) Borrower shall be obligated to pay to Non-Consenting New 2004 Term Lenders breakage or other costs of the type referred to above in this subsection 2.6D (if any) incurred in connection with the repayment of outstanding New 2004 Term Loans of such Non-Consenting New 2004 Term Lenders (if any) on the Fifth Amendment Effective Date.”.

26. Subsection 2.6F of the Credit Agreement is hereby amended by deleting the word “three” appearing in the last sentence of said subsection and inserting the word “four” in lieu thereof.

27. Section 6 of the Credit Agreement is hereby amended by inserting the following new subsection 6.16 at the end of said Section:

“6.16 Fifth Amendment Mortgage Amendments. Within 60 days following the Fifth Amendment Effective Date (unless otherwise agreed by the Collateral Agent), Borrower shall have delivered to the Collateral Agent, or caused to be delivered to the Collateral Agent, fully executed counterparts of amendments (the “Fifth Amendment Mortgage Amendments”), in form and substance reasonably satisfactory to the Administrative Agent, to each of the Mortgages covering a Mortgaged Property, together with evidence that counterparts of each of the Fifth Amendment Mortgage Amendments have been delivered to the title company insuring the Lien on the Mortgages for recording in all places to the extent necessary or desirable, in the judgment of the Collateral Agent, effectively to maintain a valid and enforceable first priority mortgage lien on the Mortgaged Properties in favor of the Collateral Agent for the benefit of the Secured Creditors securing all of the Obligations (including the Additional 2005 Term Loans); provided that the actions required to be taken by Borrower pursuant to this subsection 6.16 shall not be required to be so taken in the event that no Additional 2005 Term Loans are made available to Borrower on the Fifth Amendment Effective Date.”

27. Subsection 7.5(viii) of the Credit Agreement is hereby amended by deleting said subsection in its entirety and inserting the following new subsection 7.5(viii) in lieu thereof:

“(viii) so long as no Potential Event of Default or Event of Default then exists or would result therefrom, Borrower may make Restricted Junior Payments to Holdings to the extent required for Holdings to make, and Holdings may make additional Restricted Junior Payments in an aggregate amount not to exceed \$20,000,000 in any Fiscal Year to the extent necessary to make repurchases of capital stock (and options or warrants to purchase such capital stock) of Holdings held by any shareholder of Holdings and/or to make payments of principal and/or interest under (and in accordance with the terms of) Shareholder Subordinated Notes and Shareholder Subordinated PIK Notes permitted under subsection 7.1(viii) (subject, however, to the subordination provisions contained in such Shareholder Subordinated Notes and Shareholder Subordinated PIK Notes), provided that Borrower and Holdings may make additional Restricted Junior Payments for the purposes described above in this subsection 7.5(viii) in an aggregate amount not to exceed \$20,000,000, at any time on and after a Qualified IPO, if on or after a Qualified IPO Holdings shall have delivered to Administrative Agent an Officer’s Certificate (together with supporting calculations), in form and substance reasonably satisfactory to Administrative Agent, certifying that the Senior Leverage Ratio, calculated as of the last day of the Test Period then last ended (which day shall be on or after the date of consummation of the Qualified IPO) immediately prior to the date of such Officer’s Certificate, is less than 2.25:1.0 (such calculation to be determined on a pro forma basis, as if all indebtedness incurred after the last day of the Test Period then last ended and then outstanding (including any indebtedness incurred to finance such repurchases) had been incurred on the first day of the Test Period then last ended and taking account of any additional adjustments required by subsection 7.6D);”.

28. Subsection 7.5(xviii) of the Credit Agreement is hereby amended by inserting the text “for the then current Fiscal Year” immediately following the text “subsection 7.5(viii)” appearing in said subsection.

29. Subsection 9.1A of the Credit Agreement is hereby amended by (i) deleting the text “(w)” appearing in the first sentence of said subsection and inserting the text “(v)” in lieu thereof, (ii) deleting the text “(x)” appearing in the first sentence of said subsection and inserting the text “(w)” in lieu thereof, (iii) deleting the text “(y)” appearing in the first sentence of said subsection and inserting the text “(x)” in lieu thereof, (iv) deleting the text “and (z)” appearing in the first sentence of said subsection and inserting the text “, (y)” in lieu thereof, (v) inserting the text “and (z) JPMSI is hereby appointed Fifth Amendment Arranger hereunder as of the Fifth Amendment Effective Date” immediately following the text “Third Amendment Effective Date” appearing in clause (y) of the first sentence of said subsection (as modified pursuant to preceding subclause (iv)), (vi) deleting the text “Initial Arrangers, First Amendment Arranger, Second Amendment Arranger and Third Amendment Arranger” appearing in the first sentence of said subsection and inserting the text “Initial Arrangers, First Amendment Arranger, Second Amendment Arranger, Third Amendment Arranger and Fifth Amendment Arranger” in lieu thereof and (vii) inserting the sentence “Concurrently with the occurrence of the Fifth Amendment Effective Date, all obligations of JPMSI, in its capacity as Fifth Amendment Arranger hereunder, shall terminate.” immediately prior to the last sentence appearing in said subsection.

30. Subsection 10.1B of the Credit Agreement is hereby amended by deleting the text “New 2004 Term Loans” appearing in clause (ii) of said subsection and inserting the text “2005 Term Loans” in lieu thereof.

31. Schedule 2.1 to the Credit Agreement is hereby amended by deleting same in its entirety and inserting in lieu thereof a new Schedule 2.1 in the form of Schedule 2.1 attached hereto.

32. The Credit Agreement is hereby further amended by adding Exhibit III-D thereto in the form of Exhibit III-D attached hereto.

33. Exhibits IV and VII to the Credit Agreement are hereby amended by deleting each instance of the text "New 2004 Term Loans" appearing in said Exhibits and inserting the text "2005 Term Loans" in lieu thereof.

II. Miscellaneous Provisions.

1. In order to induce Lenders to enter into this Fifth Amendment, each of Borrower and Holdings hereby represents and warrants that (i) no Potential Event of Default or Event of Default exists as of the Fifth Amendment Effective Date after giving effect to this Fifth Amendment, (ii) all of the representations and warranties contained in the Credit Agreement or the other Loan Documents are true and correct in all material respects on the Fifth Amendment Effective Date after giving effect to this Fifth Amendment, with the same effect as though such representations and warranties had been made on and as of the Fifth Amendment Effective Date (it being understood that any representation or warranty made as of a specific date shall be true and correct in all material respects as of such specific date) and (iii) concurrently with the effectiveness of this Fifth Amendment, the proceeds of the Additional 2005 Term Loans shall be immediately applied by Borrower to repay all outstanding New 2004 Term Loans of Non-Consenting New 2004 Term Lenders (if any).

2. This Fifth Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement, the Subsidiaries Guaranty or any other Loan Document.

3. This Fifth Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with Borrower and Administrative Agent.

4. THIS FIFTH AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

5. This Fifth Amendment shall become effective on the date (the "Fifth Amendment Effective Date") when each of the following conditions shall have been satisfied (it being understood that the condition set forth in clause (iv) below may be satisfied concurrently with the occurrence of the Fifth Amendment Effective Date):

(i) Borrower, Holdings, each other Loan Party, Lenders constituting the Requisite Lenders (determined prior to giving effect to this Fifth Amendment) and each

Lender with a 2005 Term Loan Commitment and/or converting New 2004 Term Loans into Converted 2005 Term Loans pursuant to the New 2004 Term Loan Conversion shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile or other electronic transmission) the same to White & Case LLP, 1155 Avenue of the Americas, New York, NY 10036 Attention: May Yip (facsimile number 212-354-8113 / email address: myip@whitecase.com);

(ii) there shall have been delivered to Administrative Agent for the account of each Consenting New 2004 Term Lender and each Lender with a 2005 Term Loan Commitment which has requested same, an appropriate 2005 Term Note executed by Borrower in each case in the amount, maturity and otherwise as provided in the Credit Agreement;

(iii) there shall have been delivered to Administrative Agent copies of resolutions of the Board of Directors of each Loan Party approving and authorizing the execution, delivery and performance of this Fifth Amendment and the Loan Documents as amended by this Fifth Amendment, certified as of the Fifth Amendment Effective Date by the corporate secretary or an assistant secretary of such Loan Party as being in full force and effect without modification or amendment; and

(iv) (x) all accrued and unpaid interest on all New 2004 Term Loans shall have been paid in full (regardless of whether payment of such interest would otherwise have been required pursuant to subsection 2.2C of the Credit Agreement) and (y) the principal of all outstanding New 2004 Term Loans of Non-Consenting New 2004 Term Lenders shall have been repaid in full;

provided however that in the event that any of the resolutions required to be delivered to Administrative Agent pursuant to clause (iii) of this Section 5 shall not have been so delivered to Administrative Agent on the date that all of the other conditions set forth in this Section 5 have been satisfied, then, subject to the immediately succeeding proviso, this Fifth Amendment shall nevertheless be deemed to have become effective and the Fifth Amendment Effective Date shall be deemed to have occurred, provided further however, that if Borrower shall fail to deliver any of the resolutions referred to in clause (iii) of this Section 5 on the Fifth Amendment Effective Date (determined as provided above and without regard to this proviso) within 5 Business Days following the Fifth Amendment Effective Date (as so determined) (or such longer period determined by Administrative Agent (in its sole discretion) not to exceed 15 Business Days following the Fifth Amendment Effective Date (as so determined), then, notwithstanding the foregoing proviso, (i) the Fifth Amendment Effective Date shall be deemed not to have occurred and (ii) Holdings and Borrower shall, and shall cause their respective Subsidiaries to, take any actions requested by Administrative Agent to unwind any transactions which may have occurred as a result of the deemed occurrence of the Fifth Amendment Effective Date pursuant to the immediately preceding proviso. Any failure to deliver resolutions within the time period required by the last proviso in the preceding sentence shall be deemed to be an Event of Default for all purposes of the Credit Agreement and the other Loan Documents.

6. By executing and delivering a copy hereof, each Loan Party hereby agrees that all Obligations of the Loan Parties (including, without limitation, the 2005 Term Loans) are

fully guaranteed pursuant to the Holdings Guaranty and the Subsidiaries Guaranty in accordance with the terms and provisions thereof and are fully secured pursuant to the Collateral Documents.

7. From and after the Fifth Amendment Effective Date, all references in the Credit Agreement and each of the other Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby.

* * *

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Fifth Amendment as of the date first above written.

DOMINO'S PIZZA, INC.

By: _____

Name:
Title:

DOMINO'S, INC.

By: _____

Name:
Title:

JPMORGAN CHASE BANK, N.A. (formerly known as JPMorgan Chase Bank), individually and as Administrative Agent

By: _____

Name:
Title:

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF DECEMBER 1, 2005, AMONG DOMINO'S, INC., DOMINO'S PIZZA, INC., J.P. MORGAN SECURITIES INC., AS SOLE LEAD ARRANGER AND BOOK RUNNER, THE LENDERS PARTY HERETO AND JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT FOR THE LENDERS

NAME OF INSTITUTION:

By: _____

Name:

Title:

Each of the undersigned, each being a Subsidiary Guarantor under, and as defined in, the Credit Agreement referenced in the foregoing Fifth Amendment, hereby consents to the entering into of the Fifth Amendment and agrees to the provisions thereof (including, without limitation, Part II, Section 6 thereof).

DOMINO'S PIZZA LLC
DOMINO'S PIZZA INTERNATIONAL
PAYROLL SERVICES, INC.
DOMINO'S PIZZA PMC, INC.
DOMINO'S FRANCHISE HOLDING CO.

By: _____
Name:
Title:

DOMINO'S PIZZA INTERNATIONAL, INC.

By: _____
Name:
Title:

DOMINO'S PIZZA GOVERNMENT SERVICES DIVISION,
INC.

By: _____
Name:
Title:

SCHEDULE 2.1

Lender Commitments

| <u>Lender</u> | <u>Initial Term Loan Commitment</u> | <u>Tranche B Term Loans</u> | <u>2005 Term Loan Commitments</u> | <u>Converted 2005 Term Loans</u> | <u>Revolving Loan Commitment</u> |
|---------------|---|---------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
|---------------|---|---------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|

Allocations to be determined by the Borrower and Administrative Agent prior to the Fifth Amendment Effective Date.

[FORM OF 2005 TERM NOTE]

PROMISSORY NOTE DUE JUNE 25, 2010

\$[1]

New York, New York
[Date]

FOR VALUE RECEIVED, DOMINO'S, INC., a Delaware corporation ("Borrower") hereby promises to pay to [2] ("Payee") or its registered assigns the principal amount of [3] (\$[1]) in the installments referred to below.

Borrower promises to pay interest on the unpaid principal amount hereof, from the date hereof until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of that certain Credit Agreement, dated as of July 29, 2002 and amended and restated as of June 25, 2003, by and among Borrower, DOMINO'S PIZZA, INC., a Delaware corporation (successor by merger to TISM, Inc.), the financial institutions from time to time party thereto (each individually referred to therein as a "Lender" and collectively as "Lenders"), J.P. MORGAN SECURITIES INC. and CITIGROUP GLOBAL MARKETS INC., as joint lead arrangers, JPMORGAN CHASE BANK, N.A. (formerly known as JPMorgan Chase Bank), as administrative agent for Lenders (in such capacity, "Administrative Agent"), CITICORP NORTH AMERICA, INC., as syndication agent, and BANK ONE, NA, as documentation agent (as so amended and restated and as the same may be further amended, supplemented, restated and/or otherwise modified from time to time, the "Credit Agreement", with the terms defined therein and not otherwise defined herein being used herein as therein defined).

Borrower shall make principal payments on this Note in consecutive quarterly installments, commencing on December 31, 2005 and ending on June 25, 2010. Each such installment shall be due on the date specified in the Credit Agreement and in an amount determined in accordance with the provisions thereof; provided that the last such installment shall be in an amount sufficient to repay the entire unpaid principal balance of this Note, together with all accrued and unpaid interest thereon.

This Note is one of Borrower's "2005 Term Notes" in the aggregate principal amount of \$458,012,821.00 and is issued pursuant to and entitled to the benefits of the Credit Agreement, to which reference is hereby made for a more complete statement of the terms and conditions under which the 2005 Term Loan evidenced hereby was made and is to be repaid, and the other Loan Documents.

[1] Insert amount of Lender's 2005 Term Loan in numbers.

[2] Insert Lender's name in capital letters.

[3] Insert amount of Lender's 2005 Term Loan in words.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the Funding and Payment Office or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Credit Agreement. Unless and until an Assignment Agreement effecting the assignment or transfer of this Note shall have been accepted by Administrative Agent and recorded in the Register as provided in subsection 10.1B(iv) of the Credit Agreement, Borrower and Administrative Agent shall be entitled to deem and treat Payee as the owner and holder of this Note and the Loan evidenced hereby. Payee hereby agrees, by its acceptance hereof, that before disposing of this Note or any part hereof it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligations of Borrower hereunder with respect to payments of principal of or interest on this Note.

Whenever any payment on this Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest on this Note.

This Note is subject to mandatory prepayment as provided in subsection 2.4B(iii) of the Credit Agreement and to prepayment at the option of Borrower as provided in subsection 2.4B(i) of the Credit Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF BORROWER AND PAYEE HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued and unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

This Note is subject to restrictions on transfer or assignment as provided in subsection 10.1 of the Credit Agreement.

No reference herein to the Credit Agreement and no provision of this Note or the Credit Agreement shall alter or impair the obligations of Borrower, which are absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

After the occurrence of an Event of Default, Borrower promises to pay all costs and expenses, including reasonable attorneys' fees, all as provided in subsection 10.2 of the Credit Agreement, incurred in the collection and enforcement of this Note. Borrower hereby consents to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waives diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

* * *

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed and delivered by its officer thereunto duly authorized as of the date and at the place first written above.

DOMINO'S, INC.

By: _____

Name:

Title:

Domino's Pizza, Inc.
Computation of Ratio of Earnings to Fixed Charges

| <i>(dollars in thousands)</i> | Fiscal years ended | | | | |
|--|----------------------|----------------------|----------------------|--------------------|--------------------|
| | December 30, 2001 | December 29, 2002 | December 28, 2003 | January 2, 2005 | January 1, 2006 |
| Income before provision for income taxes | \$ 60,277 | \$ 96,173 | \$ 62,435 | \$ 100,060 | \$ 173,251 |
| Fixed charges | 79,127 | 71,878 | 86,363 | 74,642 | 61,846 |
| Earnings as defined | \$ 139,404 | \$ 168,051 | \$ 148,798 | \$ 174,702 | \$ 235,097 |
| Fixed charges (1): | | | | | |
| Interest expense | \$ 68,380 | \$ 60,321 | \$ 74,678 | \$ 61,068 | \$ 48,755 |
| Portion of rental expense representative of interest | 10,747 | 11,557 | 11,685 | 13,574 | 13,091 |
| Total fixed charges | \$ 79,127 | \$ 71,878 | \$ 86,363 | \$ 74,642 | \$ 61,846 |
| Ratio of earnings to fixed charges | 1.8x | 2.3x | 1.7x | 2.3x | 3.8x |

- (1) Fixed charges are determined as defined in instructions for Item 503 of Regulation S-K and include interest expense and our estimate of interest included in rental expense (one-third of rent expense under operating leases).

SIGNIFICANT SUBSIDIARIES OF DOMINO'S PIZZA, INC.

| | |
|---|----------|
| Domino's, Inc. | Delaware |
| Domino's Pizza LLC | Michigan |
| Domino's Pizza PMC, Inc. | Michigan |
| Domino's Pizza International, Inc. | Delaware |
| Domino's National Advertising Fund Inc. | Michigan |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-118486, 333-121830 and 333-121923) of Domino's Pizza, Inc. of our report dated March 3, 2006 relating to the financial statements and the financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
March 3, 2006

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, DOMINO'S PIZZA, INC.

I, David A. Brandon, Chief Executive Officer, Domino's Pizza, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Domino's Pizza, Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the flexibility of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 3, 2006

/s/ David A. Brandon

Date

David A. Brandon
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER, DOMINO'S PIZZA, INC.

I, L. David Mounts, Chief Financial Officer, Domino's Pizza, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Domino's Pizza, Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the flexibility of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 3, 2006

/s/ L. David Mounts

Date

L. David Mounts
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, DOMINO'S, INC.

I, David A. Brandon, Chief Executive Officer, Domino's, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Domino's, Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 3, 2006

/s/ David A. Brandon

Date

David A. Brandon
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER, DOMINO'S, INC.

I, L. David Mounts, Chief Financial Officer, Domino's, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Domino's, Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 3, 2006

/s/ L. David Mounts

Date

L. David Mounts
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Domino's Pizza, Inc. (the "Company") on Form 10-K for the period ended January 1, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Brandon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David A. Brandon

David A. Brandon
Chief Executive Officer

Dated: March 3, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Domino's Pizza, Inc. and will be retained by Domino's Pizza, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Domino's Pizza, Inc. (the "Company") on Form 10-K for the period ended January 1, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, L. David Mounts, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ L. David Mounts

L. David Mounts
Chief Financial Officer

Dated: March 3, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Domino's Pizza, Inc. and will be retained by Domino's Pizza, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Domino's, Inc. (the "Company") on Form 10-K for the period ended January 1, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Brandon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David A. Brandon

David A. Brandon
Chief Executive Officer

Dated: March 3, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Domino's, Inc. and will be retained by Domino's, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Domino's, Inc. (the "Company") on Form 10-K for the period ended January 1, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, L. David Mounts, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ L. David Mounts

L. David Mounts
Chief Financial Officer

Dated: March 3, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Domino's, Inc. and will be retained by Domino's, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.