

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-15283

DineEquity, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-3038279

(I.R.S. Employer Identification No.)

**450 North Brand Boulevard,
Glendale, California**

(Address of principal executive offices)

91203-1903

(Zip Code)

(818) 240-6055

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding as of April 25, 2014

Common Stock, \$0.01 par value

19,148,067

DineEquity, Inc. and Subsidiaries
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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

DineEquity, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	March 31, 2014	December 31, 2013
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 133,218	\$ 106,011
Receivables, net	91,493	144,137
Prepaid gift cards	39,559	49,223
Prepaid income taxes	—	4,708
Deferred income taxes	26,501	23,853
Other current assets	8,092	3,650
Total current assets	<u>298,863</u>	<u>331,582</u>
Long-term receivables	194,066	197,153
Property and equipment, net	264,855	274,295
Goodwill	697,470	697,470
Other intangible assets, net	791,033	794,057
Other assets, net	108,960	110,085
Total assets	<u>\$ 2,355,247</u>	<u>\$ 2,404,642</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 4,720	\$ 4,720
Accounts payable	39,857	40,050
Gift card liability	111,020	171,955
Accrued employee compensation and benefits	10,099	24,956
Accrued interest payable	31,671	13,575
Income taxes payable	12,890	—
Current maturities of capital lease and financing obligations	12,577	12,247
Other accrued expenses	22,940	16,770
Total current liabilities	<u>245,774</u>	<u>284,273</u>
Long-term debt, less current maturities	1,203,247	1,203,517
Capital lease obligations, less current maturities	108,533	111,707
Financing obligations, less current maturities	46,848	48,843
Deferred income taxes	334,195	341,578
Other liabilities	98,470	99,545
Total liabilities	<u>2,037,067</u>	<u>2,089,463</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, shares: 40,000,000 authorized; March 31, 2014 - 25,284,475 issued, 19,155,078 outstanding; December 31, 2013 - 25,299,315 issued, 19,040,890 outstanding	253	253
Additional paid-in-capital	274,557	274,202
Retained earnings	343,095	336,578
Accumulated other comprehensive loss	(170)	(164)
Treasury stock, at cost; shares: March 31, 2014 - 6,129,397; December 31, 2013 - 6,258,425	<u>(299,555)</u>	<u>(295,690)</u>
Total stockholders' equity	<u>318,180</u>	<u>315,179</u>
Total liabilities and stockholders' equity	<u>\$ 2,355,247</u>	<u>\$ 2,404,642</u>

See the accompanying Notes to Consolidated Financial Statements.

DineEquity, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
Segment Revenues:		
Franchise and restaurant revenues	\$ 131,795	\$ 128,329
Rental revenues	30,753	31,003
Financing revenues	4,653	3,837
Total segment revenues	167,201	163,169
Segment Expenses:		
Franchise and restaurant expenses	45,678	44,476
Rental expenses	23,866	24,269
Financing expenses	585	—
Total segment expenses	70,129	68,745
Gross segment profit	97,072	94,424
General and administrative expenses	34,185	34,032
Interest expense	24,969	25,295
Amortization of intangible assets	3,071	3,071
Closure and impairment charges	200	838
Loss on extinguishment of debt	6	20
Debt modification costs	—	1,296
Loss (gain) on disposition of assets	927	(318)
Income before income taxes	33,714	30,190
Income tax provision	(12,890)	(11,951)
Net income	20,824	18,239
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(6)	(4)
Total comprehensive income	\$ 20,818	\$ 18,235
Net income available to common stockholders:		
Net income	\$ 20,824	\$ 18,239
Less: Net income allocated to unvested participating restricted stock	(343)	(329)
Net income available to common stockholders	\$ 20,481	\$ 17,910
Net income available to common stockholders per share:		
Basic	\$ 1.09	\$ 0.95
Diluted	\$ 1.08	\$ 0.93
Weighted average shares outstanding:		
Basic	18,794	18,911
Diluted	19,054	19,193
Dividends declared per common share	\$ 0.75	\$ 0.75
Dividends paid per common share	\$ 0.75	\$ 0.75

See the accompanying Notes to Consolidated Financial Statements.

DineEquity, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 20,824	\$ 18,239
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	8,783	8,836
Non-cash interest expense	1,642	1,503
Deferred income taxes	(10,031)	(8,253)
Non-cash stock-based compensation expense	3,143	3,189
Tax benefit from stock-based compensation	3,524	2,228
Excess tax benefit from share-based compensation	(4,455)	(966)
Loss (gain) on disposition of assets	927	(318)
Debt modification costs	—	1,282
Other	(196)	1,806
Changes in operating assets and liabilities:		
Receivables	52,887	47,216
Current income tax receivables and payables	18,020	16,528
Other current assets	8,913	16,678
Accounts payable	775	1,659
Accrued employee compensation and benefits	(14,857)	(11,482)
Gift card liability	(60,936)	(54,332)
Other accrued expenses	23,877	27,413
Cash flows provided by operating activities	<u>52,840</u>	<u>71,226</u>
Cash flows from investing activities:		
Additions to property and equipment	(2,039)	(1,495)
Proceeds from sale of property and equipment	681	—
Principal receipts from notes, equipment contracts and other long-term receivables	3,415	3,810
Other	(55)	68
Cash flows provided by investing activities	<u>2,002</u>	<u>2,383</u>
Cash flows from financing activities:		
Repayment of long-term debt	(1,200)	(1,200)
Payment of debt modification costs	—	(1,282)
Principal payments on capital lease and financing obligations	(2,695)	(2,483)
Repurchase of DineEquity common stock	(15,002)	—
Dividends paid on common stock	(14,293)	(14,512)
Repurchase of restricted stock	(1,831)	(2,590)
Proceeds from stock options exercised	6,623	3,018
Excess tax benefit from share-based compensation	4,455	966
Change in restricted cash	(3,692)	(2,681)
Cash flows used in financing activities	<u>(27,635)</u>	<u>(20,764)</u>
Net change in cash and cash equivalents	27,207	52,845
Cash and cash equivalents at beginning of period	106,011	64,537
Cash and cash equivalents at end of period	<u>\$ 133,218</u>	<u>\$ 117,382</u>
Supplemental disclosures:		
Interest paid in cash	\$ 8,901	\$ 9,030
Income taxes paid in cash	\$ 2,294	\$ 912

See the accompanying Notes to Consolidated Financial Statements.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. General

The accompanying unaudited consolidated financial statements of DineEquity, Inc. (the “Company”) have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2014.

The consolidated balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

2. Basis of Presentation

The Company’s fiscal quarters end on the Sunday closest to the last day of each quarter. For convenience, the fiscal quarters of each year are referred to as ending on March 31, June 30, September 30 and December 31. The first quarter of fiscal 2014 began December 30, 2013 and ended on March 30, 2014; the first quarter of fiscal 2013 began December 31, 2012 and ended on March 31, 2013.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that are consolidated in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated.

The preparation of financial statements in conformity with U.S. GAAP requires the Company’s management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to provisions for doubtful accounts, legal contingencies, income taxes, long-lived assets, and the valuation of goodwill and intangible assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

3. Accounting Policies

Accounting Standards Adopted in the Current Fiscal Year

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date* (“ASU 2013-04”). The amendments in ASU 2013-04 require an entity to measure obligations resulting from joint and several liability arrangements as the amount the entity agreed to pay on the basis of the arrangement among its co-obligors plus the amount an entity expects to pay on behalf of co-obligors. ASU 2013-04 also requires an entity to disclose the nature, amount and other information about each obligation or group of similar obligations. The adoption of ASU 2013-04 as of January 1, 2014 did not have an impact on the Company’s consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (“ASU 2013-11”). ASU 2013-11 provides guidance on the financial statement presentation of an unrecognized tax benefit, as either a reduction of a deferred tax asset or as a liability, when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. The adoption of ASU 2013-11 as of January 1, 2014 did not have a material impact on the Company’s consolidated financial statements.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

3. Accounting Policies (Continued)***Newly Issued Accounting Standards Not Yet Adopted***

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”). The amendments in ASU 2014-08 change the criteria for the reporting of discontinued operations. Under ASU 2014-08, only disposals resulting in a strategic shift that will have a major effect on an entity's operations and financial results will be reported as discontinued operations. ASU 2014-08 also removes the requirement under current U.S. GAAP that an entity not have any significant continuing involvement in the operations of the component after disposal to qualify for reporting of the disposal as a discontinued operation. The Company will be required to apply the provisions of ASU 2014-08 prospectively to all disposals of components beginning with its first fiscal quarter of 2015. Early adoption is permitted for any disposal transaction not previously reported.

The Company reviewed all other newly issued accounting pronouncements and concluded that they either are not applicable to the Company or are not expected to have a material effect on the Company's consolidated financial statements as a result of future adoption.

4. Long-Term Debt

Long-term debt consisted of the following components:

	March 31, 2014	December 31, 2013
<i>(In millions)</i>		
Senior Secured Credit Facility, due October 2017, at a variable interest rate of 3.75% as of March 31, 2014 and December 31, 2013	\$ 466.0	\$ 467.2
Senior Notes due October 2018, at a fixed rate of 9.5%	760.8	760.8
Discount	(18.9)	(19.8)
Total long-term debt	1,207.9	1,208.2
Less: current maturities	(4.7)	(4.7)
Long-term debt, less current maturities	\$ 1,203.2	\$ 1,203.5

For a description of the respective instruments, refer to Note 7 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Debt Modification Costs

In February 2013, the Company entered into Amendment No. 2 (“Amendment No. 2”) to the Credit Agreement under the Senior Secured Credit Facility (the “Credit Agreement”). For a description of Amendment No. 2, refer to Note 7 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Fees of \$1.3 million paid to third parties in connection with Amendment No. 2 were included as “Debt modification costs” in the Consolidated Statement of Comprehensive Income for the three months ended March 31, 2013.

Compliance with Covenants and Restrictions

The Credit Agreement contains provisions considered customary for similar types of facilities that limit certain permitted restricted payments, including those related to dividends on and repurchases of the Company's common stock. The limitation on restricted payments under the Credit Agreement is calculated quarterly. Such restricted payments are limited to a cumulative amount comprised of (i) a general restricted payments allowance of \$ 35.0 million, plus (ii) 50% of Excess Cash Flow (as defined in the Credit Agreement) for each fiscal quarter in which the consolidated leverage ratio is greater than or equal to 5.75:1; (iii) 75% of Excess Cash Flow for each fiscal quarter in which the consolidated leverage ratio is less than 5.75:1 and greater than or equal to 5.25:1; (iv) 100% of Excess Cash Flow for each fiscal quarter in which the consolidated leverage ratio is less than 5.25:1; and (v) proceeds from the exercise of stock options, less any amounts paid as dividends or to repurchase the Company's common stock. As of March 31, 2014, our permitted amount of future restricted payments under the Credit Agreement was approximately \$120 million.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

4. Long-Term Debt (Continued)

The Indenture under which the Senior Notes due October 2018 (the "Senior Notes") were issued (the "Indenture") also contains a limitation on restricted payments that is calculated on an annual basis. Such restricted payments are limited to a cumulative amount comprised of (i) 50% of consolidated net income (as defined in the Indenture), plus (ii) proceeds from exercise of stock options, less any amounts paid as dividends or to repurchase the Company's common stock. The permitted amount of future restricted payments under the Indenture, calculated as of December 31, 2013, was approximately \$112 million.

The Company was in compliance with all the covenants and restrictions related to its Senior Secured Credit Facility and Senior Notes as of March 31, 2014.

5. Stockholders' Equity

Dividends

In February 2014, the Company's Board of Directors approved payment of a first quarter 2014 cash dividend of \$0.75 per share of common stock to the stockholders of record as of the close of business on March 14, 2014. The cash dividend totaling \$14.3 million was paid on March 28, 2014. Payment of dividends is subject to limitations under both the Credit Agreement and the Indenture (see Note 4 - Long-Term Debt).

Stock Repurchase Program

In February 2013, the Company's Board of Directors approved a stock repurchase authorization of up to \$100 million of DineEquity common stock. Under this program, the Company may repurchase shares on an opportunistic basis from time to time in open market transactions and in privately negotiated transactions based on business, market, applicable legal requirements, and other considerations. The repurchase program does not require the repurchase of a specific number of shares and may be terminated at any time. During the three months ended March 31, 2014, the Company repurchased 178,528 shares of common stock at a cost of \$15.0 million. As of March 31, 2014, the Company has repurchased under the current authorization a cumulative total of 590,550 shares of common stock at a total cost of \$44.7 million. The Company may repurchase up to an additional \$55.3 million of common stock under the outstanding Board authorization. Repurchases of common stock are subject to limitations under both the Credit Agreement and the Indenture (see Note 4 - Long-Term Debt).

Treasury Stock

Repurchases of DineEquity common stock are included in treasury stock at the cost of shares repurchased plus any transaction costs. Treasury stock may be re-issued when stock options are exercised, when restricted stock awards are granted and when restricted stock units settle in stock upon vesting. The cost of treasury stock re-issued is determined using the first-in, first-out ("FIFO") method. During the three months ended March 31, 2014, the Company re-issued 307,556 treasury shares at a total FIFO cost of \$11.1 million.

6. Income Taxes

The Company's effective tax rate was 38.2% for the three months ended March 31, 2014 as compared to 39.6% for the three months ended March 31, 2013. The effective tax rate in 2014 was lower compared to the same period of 2013 due to the tax provision in 2013 reflecting a higher amount of unrecognized tax benefits as a result of audits from taxing authorities.

The total gross unrecognized tax benefit as of March 31, 2014 and December 31, 2013 was \$2.8 million and \$2.7 million, respectively, excluding interest, penalties and related tax benefits. The Company estimates the unrecognized tax benefit may decrease over the upcoming 12 months by an amount up to \$0.9 million related to settlements with taxing authorities and the lapse of statutes of limitations. For the remaining liability, due to the uncertainties related to these tax matters, the Company is unable to make a reasonably reliable estimate when cash settlement with a taxing authority will occur.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

6. Income Taxes (Continued)

As of March 31, 2014, accrued interest was \$3.1 million and accrued penalties were less than \$0.1 million, excluding any related income tax benefits. As of December 31, 2013, accrued interest and penalties were \$2.9 million and \$0.1 million, respectively, excluding any related income tax benefits. The increase of \$0.2 million of accrued interest is primarily related to an increase in unrecognized tax benefits as a result of recent audits by taxing authorities. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as a component of its income tax provision recognized in the Consolidated Statements of Comprehensive Income.

The Company files federal income tax returns and the Company or one of its subsidiaries files income tax returns in various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to federal, state or non-United States tax examinations by tax authorities for years before 2008. In the second quarter of 2013, the Internal Revenue Service (“IRS”) issued a Revenue Agent’s Report (“RAR”) related to its examination of the Company’s U.S federal income tax return for the tax years 2008 to 2010. The Company disagrees with a portion of the proposed assessments and has contested them through the IRS administrative appeals procedures. We anticipate the appeals process to continue into 2014. The Company believes that adequate reserves have been provided relating to all matters contained in the tax periods open to examination.

7. Stock-Based Compensation

From time to time, the Company has granted nonqualified stock options, restricted stock, cash-settled and stock-settled restricted stock units and performance units to officers, other employees and non-employee directors of the Company. Currently, the Company is authorized to grant nonqualified stock options, stock appreciation rights, restricted stock, cash-settled and stock-settled restricted stock units and performance units to officers, other employees and nonemployee directors under the DineEquity, Inc. 2011 Stock Incentive Plan (the “2011 Plan”). The 2011 Plan was approved by stockholders on May 17, 2011 and permits the issuance of up to 1,500,000 shares of the Company’s common stock. The 2011 Plan will expire in May 2021.

The nonqualified stock options generally vest ratably over a three-year period in one-third increments and have a term of ten years from the grant date. Option exercise prices equal the closing price of the Company’s common stock on the New York Stock Exchange on the date of grant. Restricted stock and restricted stock units are issued at no cost to the holder and vest over terms determined by the Compensation Committee of the Company’s Board of Directors, generally three years from the grant date.

The following table summarizes the components of the Company’s stock-based compensation expense included in general and administrative expenses in the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013:

	Three Months Ended	
	March 31,	
	2014	2013
	(In millions)	
Total stock-based compensation expense:		
Equity classified awards expense	\$ 3.2	\$ 3.2
Liability classified awards (credit) expense	(0.2)	0.5
Total pre-tax stock-based compensation expense	3.0	3.7
Tax benefit	(1.1)	(1.4)
Total stock-based compensation expense, net of tax	\$ 1.9	\$ 2.3

As of March 31, 2014, total unrecognized compensation costs of \$13.4 million related to restricted stock and restricted stock units and \$5.8 million related to stock options are expected to be recognized over a weighted average period of 1.8 years for restricted stock and restricted stock units and 1.7 years for stock options.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

7. Stock-Based Compensation (Continued)

Equity Classified Awards - Stock Options

The estimated fair value of the stock options granted during the three months ended March 31, 2014 was calculated using a Black-Scholes option pricing model. The following summarizes the assumptions used in the Black-Scholes model:

Risk-free interest rate	1.57%
Weighted average historical volatility	51.4%
Dividend yield	3.68%
Expected years until exercise	4.6
Forfeitures	11.0%
Weighted average fair value of options granted	\$27.02

Stock option balances as of March 31, 2014 and activity related to stock options for the three months ended March 31, 2014 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	775,059	\$ 42.09		
Granted	117,424	81.57		
Exercised	(221,725)	29.87		
Forfeited	(1,889)	72.28		
Outstanding at March 31, 2014	<u>668,869</u>	52.99	6.7	\$ 17,200,000
Vested at March 31, 2014 and Expected to Vest	<u>634,658</u>	51.77	6.6	\$ 17,000,000
Exercisable at March 31, 2014	<u>451,812</u>	\$ 44.17	5.6	\$ 15,300,000

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price of the Company's common stock on the last trading day of the first quarter of 2014 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 31, 2014. The aggregate intrinsic value will change based on the fair market value of the Company's common stock and the number of in-the-money options.

Equity Classified Awards - Restricted Stock and Restricted Stock Units

Outstanding balances as of March 31, 2014 and activity related to restricted stock and restricted stock units for the three months ended March 31, 2014 were as follows:

	Restricted Stock	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2013	266,252	\$ 58.87	47,230	\$ 64.57
Granted	85,831	81.69	12,483	81.57
Released	(54,267)	56.35	(14,784)	72.28
Forfeited	(6,923)	65.11	—	—
Outstanding at March 31, 2014	<u>290,893</u>	\$ 65.92	<u>44,929</u>	\$ 66.61

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

7. Stock-Based Compensation (Continued)

Liability Classified Awards - Restricted Stock Units

The Company previously had issued shares of cash-settled restricted stock units to members of the Board of Directors. Originally these instruments were expected to be settled in cash and were recorded as liabilities based on the closing price of the Company's common stock as of each period end. In February 2013, it was determined that, pursuant to the terms of the Plan, these restricted stock units would be settled in shares of common stock and all outstanding restricted stock units were converted to equity classified awards. Prior to the conversion, for the three months ended March 31, 2013, \$0.3 million was included in pre-tax stock-based compensation expense for the cash-settled restricted stock units.

Liability Classified Awards - Long-Term Incentive Awards

The Company has granted cash long-term incentive awards ("LTIP awards") to certain employees. Annual LTIP awards vest over a three-year period and are determined using a multiplier from 0% to 200% of the target award based on the total shareholder return of DineEquity, Inc. common stock compared to the total shareholder returns of a peer group of companies. Although LTIP awards are both denominated and paid only in cash, because the multiplier is based on the price of the Company's common stock, the awards are considered stock-based compensation in accordance with U.S. GAAP and are liability classified awards. For the three months ended March 31, 2014 and 2013, a credit of \$0.2 million and an expense of \$0.2 million, respectively, were included in total stock-based compensation expense related to the LTIP awards. At March 31, 2014 and December 31, 2013, liabilities of \$1.4 million and \$2.8 million, respectively, related to LTIP awards were included as accrued employee compensation and benefits in the Consolidated Balance Sheets.

8. Segments

The Company has four reporting segments: franchise operations, company restaurant operations, rental operations and financing operations.

As of March 31, 2014, the franchise operations segment consisted of (i) 1,988 restaurants operated by Applebee's franchisees in the United States, one U.S. territory and 14 countries outside the United States; and (ii) 1,617 restaurants operated by IHOP franchisees and area licensees in the United States, two U.S. territories and nine countries outside the United States. Franchise operations revenue consists primarily of franchise royalty revenues, sales of proprietary products to franchisees (primarily pancake and waffle dry mixes for the IHOP restaurants), IHOP franchise advertising fees and the portion of the franchise fees allocated to IHOP and Applebee's intellectual property. Franchise operations expenses include IHOP advertising expenses, the cost of IHOP proprietary products, IHOP and Applebee's pre-opening training expenses and other franchise-related costs.

At March 31, 2014, the company restaurant operations segment consisted of 23 Applebee's company-operated restaurants and 10 IHOP company-operated restaurants, all of which are located in the United States. Company restaurant sales are retail sales at company-operated restaurants. Company restaurant expenses are operating expenses at company-operated restaurants and include food, labor, utilities, rent and other restaurant operating costs.

Rental operations revenue includes revenue from operating leases and interest income from direct financing leases. Rental operations expenses are costs of operating leases and interest expense from capital leases on franchisee-operated restaurants.

Financing operations revenue primarily consists of interest income from the financing of franchise fees and equipment leases and sales of equipment associated with refranchised IHOP restaurants. Financing expenses are primarily the cost of restaurant equipment associated with refranchised IHOP restaurants.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

8. Segments (Continued)

Information on segments and a reconciliation to net income before income taxes for the three months ended March 31, 2014 and 2013 were as follows:

	Three Months Ended	
	March 31,	
	2014	2013
(In millions)		
Revenues (all from external customers)		
Franchise operations	\$ 115.5	\$ 111.9
Company restaurants	16.3	16.5
Rental operations	30.7	31.0
Financing operations	4.7	3.8
Total	\$ 167.2	\$ 163.2
Interest expense		
Company restaurants	\$ 0.1	\$ 0.1
Rental operations	3.9	4.1
Corporate	25.0	25.3
Total	\$ 29.0	\$ 29.5
Depreciation and amortization		
Franchise operations	\$ 2.6	\$ 2.8
Company restaurants	0.5	0.5
Rental operations	3.4	3.4
Corporate	2.3	2.1
Total	\$ 8.8	\$ 8.8
Income before income taxes		
Franchise operations	\$ 86.1	\$ 83.7
Company restaurants	(0.0)	0.2
Rental operations	6.9	6.7
Financing operations	4.1	3.8
Corporate	(63.4)	(64.2)
Total	\$ 33.7	\$ 30.2

9. Net Income per Share

The computation of the Company's basic and diluted net income per share for the three months ended March 31, 2014 and 2013 was as follows:

	Three Months Ended	
	March 31,	
	2014	2013
(In thousands, except per share data)		
Numerator for basic and dilutive income per common share:		
Net income	\$ 20,824	\$ 18,239
Less: Net income allocated to unvested participating restricted stock	(343)	(329)
Net income available to common stockholders - basic	20,481	17,910
Effect of unvested participating restricted stock in two-class calculation	2	1
Net income available to common stockholders - diluted	\$ 20,483	\$ 17,911
Denominator:		
Weighted average outstanding shares of common stock - basic	18,794	18,911
Dilutive effect of stock options	260	282
Weighted average outstanding shares of common stock - diluted	19,054	19,193
Net income per common share:		
Basic	\$ 1.09	\$ 0.95
Diluted	\$ 1.08	\$ 0.93



DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

10. Fair Value Measurements

The Company does not have a material amount of financial assets or liabilities that are required under U.S. GAAP to be measured on a recurring basis at fair value. The Company is not a party to any derivative financial instruments. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required under U.S. GAAP to be measured at fair value on a recurring basis. The Company has not elected to use the fair value measurement option, as permitted under U.S. GAAP, for any assets or liabilities for which fair value measurement is not presently required.

The Company believes the fair values of cash equivalents, accounts receivable, accounts payable and the current portion of long-term debt approximate their carrying amounts due to their short duration.

The fair values of non-current financial liabilities at March 31, 2014 and December 31, 2013, determined based on Level 2 inputs, were as follows:

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Long-term debt, less current maturities	\$ 1,203.2	\$ 1,294.4	\$ 1,203.5	\$ 1,306.2

11. Commitments and Contingencies

Litigation, Claims and Disputes

The Company is subject to various lawsuits, administrative proceedings, audits, and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. The Company is required under U.S. GAAP to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of the Company's litigation are expensed as such fees and expenses are incurred. Management regularly assesses the Company's insurance coverage, analyzes litigation information with the Company's attorneys and evaluates the Company's loss experience in connection with pending legal proceedings. While the Company does not presently believe that any of the legal proceedings to which it is currently a party will ultimately have a material adverse impact on the Company, there can be no assurance that the Company will prevail in all the proceedings the Company is party to, or that the Company will not incur material losses from them.

Lease Guarantees

In connection with the sale of Applebee's restaurants or previous brands to franchisees and other parties, the Company has, in certain cases, guaranteed or has potential continuing liability for lease payments totaling \$405.1 million as of March 31, 2014. This amount represents the maximum potential liability for future payments under these leases. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from 2014 through 2048. In the event of default, the indemnity and default clauses in the sale or assignment agreements govern the Company's ability to pursue and recover damages incurred. No material liabilities have been recorded as of March 31, 2014.

Contingencies

In February 2013, an IHOP franchisee and its affiliated entities which owned and operated 19 restaurants located in the states of Illinois, Wisconsin and Missouri filed for bankruptcy protection. As a result of an order issued by the bankruptcy court, two of the 19 restaurants were returned to the Company in the third quarter of 2013. A non-cash charge of \$0.5 million was recorded in the Consolidated Statement of Comprehensive Income against deferred rental revenue associated with the leases for those two restaurants. During the third quarter of 2013, the Company received favorable rulings from the bankruptcy court which, if upheld, would allow the Company to transfer the remaining 17 restaurants to another franchisee. These rulings have been appealed by the current franchisee and are presently subject to a stay, pursuant to which the current franchisee is operating these restaurants only on a day-to-day basis and is continuing to make payments to the Company pursuant to the terms of the original franchise agreements.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

12. Consolidating Financial Information

Certain of the Company's subsidiaries have guaranteed the Company's obligations under the Senior Secured Credit Facility. The following presents the condensed consolidating financial information separately for: (i) the parent Company, the issuer of the guaranteed obligations; (ii) the guarantor subsidiaries, on a combined basis, as specified in the Credit Agreement; (iii) the non-guarantor subsidiaries, on a combined basis; (iv) consolidating eliminations and reclassifications; and (v) DineEquity, Inc. and Subsidiaries on a consolidated basis.

Each guarantor subsidiary is 100% owned by the Company at the date of each balance sheet presented. The notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. Each entity in the consolidating financial information follows the same accounting policies as described in Note 2 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Supplemental Condensed Consolidating Balance Sheet
March 31, 2014
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	\$ 65.8	\$ 66.8	\$ 0.6	\$ —	\$ 133.2
Receivables, net	3.1	96.2	0.1	(8.0)	91.5
Prepaid expenses and other current assets	197.6	49.7	—	(199.7)	47.7
Deferred income taxes	(3.7)	30.2	—	—	26.5
Intercompany	(425.8)	419.6	6.2	—	—
Total current assets	(163.0)	662.6	6.9	(207.7)	298.9
Long-term receivables	—	194.1	—	—	194.1
Property and equipment, net	22.7	241.1	1.0	—	264.9
Goodwill	—	697.5	—	—	697.5
Other intangible assets, net	—	791.0	—	—	791.0
Other assets, net	15.5	93.5	—	—	109.0
Investment in subsidiaries	1,697.6	—	—	(1,697.6)	—
Total assets	\$ 1,572.8	\$ 2,679.8	\$ 8.0	\$ (1,905.2)	\$ 2,355.2
Liabilities and Stockholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	\$ 12.7	\$ —	\$ —	\$ (8.0)	\$ 4.7
Accounts payable	1.3	38.6	—	—	39.9
Accrued employee compensation and benefits	5.5	4.6	—	—	10.1
Gift card liability	—	111.0	—	—	111.0
Other accrued expenses	28.5	251.3	(0.1)	(199.7)	80.1
Total current liabilities	47.9	405.6	—	(207.7)	245.8
Long-term debt	1,203.2	—	—	—	1,203.2
Financing obligations	—	46.8	—	—	46.8
Capital lease obligations	—	108.5	—	—	108.5
Deferred income taxes	(2.9)	337.3	(0.3)	—	334.2
Other liabilities	6.1	91.5	0.9	—	98.5
Total liabilities	1,254.4	989.8	0.6	(207.7)	2,037.1
Total stockholders' equity	318.4	1,690.0	7.4	(1,697.6)	318.2
Total liabilities and stockholders' equity	\$ 1,572.8	\$ 2,679.8	\$ 8.0	\$ (1,905.2)	\$ 2,355.2

⁽¹⁾ Supplemental condensed statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

12. Consolidating Financial Information (Continued)

Supplemental Condensed Consolidating Balance Sheet
December 31, 2013
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	\$ 50.3	\$ 54.7	\$ 1.0	\$ —	\$ 106.0
Receivables, net	2.0	150.0	0.1	(8.0)	144.1
Prepaid expenses and other current assets	189.2	56.1	—	(187.7)	57.6
Deferred income taxes	(4.1)	28.0	—	—	23.9
Intercompany	(435.2)	429.4	5.8	—	—
Total current assets	(197.8)	718.1	7.0	(195.7)	331.6
Long-term receivables	—	197.2	—	—	197.2
Property and equipment, net	23.5	249.7	1.0	—	274.3
Goodwill	—	697.5	—	—	697.5
Other intangible assets, net	—	794.1	—	—	794.1
Other assets, net	16.2	93.9	—	—	110.1
Investment in subsidiaries	1,697.6	—	—	(1,697.6)	—
Total assets	<u>\$ 1,539.5</u>	<u>\$ 2,750.4</u>	<u>\$ 8.0</u>	<u>\$ (1,893.3)</u>	<u>\$ 2,404.6</u>
Liabilities and Stockholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	\$ 12.7	\$ —	\$ —	\$ (8.0)	\$ 4.7
Accounts payable	1.4	38.6	—	—	40.1
Accrued employee compensation and benefits	14.5	10.4	—	—	25.0
Gift card liability	—	172.0	—	—	172.0
Other accrued expenses	(13.7)	244.1	—	(187.7)	42.6
Total current liabilities	15.0	465.0	—	(195.7)	284.3
Long-term debt	1,203.5	—	—	—	1,203.5
Financing obligations	—	48.8	—	—	48.8
Capital lease obligations	—	111.7	—	—	111.7
Deferred income taxes	(0.3)	342.1	(0.3)	—	341.6
Other liabilities	5.9	92.7	0.9	—	99.5
Total liabilities	1,224.2	1,060.4	0.6	(195.7)	2,089.5
Total stockholders' equity	315.3	1,690.0	7.4	(1,697.6)	315.2
Total liabilities and stockholders' equity	<u>\$ 1,539.5</u>	<u>\$ 2,750.4</u>	<u>\$ 8.0</u>	<u>\$ (1,893.3)</u>	<u>\$ 2,404.6</u>

⁽¹⁾ Supplemental condensed statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

12. Consolidating Financial Information (Continued)

Supplemental Condensed Consolidating Statement of Comprehensive Income
For the Three Months Ended March 31, 2014
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Revenues					
Franchise and restaurant revenues	\$ 0.7	\$ 130.8	\$ 0.3	\$ —	\$ 131.8
Rental revenues	—	30.8	—	—	30.7
Financing revenues	—	4.7	—	—	4.7
Total revenue	0.7	166.3	0.3	—	167.2
Franchise and restaurant expenses	0.7	45.0	—	—	45.7
Rental expenses	—	23.9	—	—	23.8
Financing expenses	—	0.6	—	—	0.6
General and administrative expenses	9.2	24.9	0.1	—	34.2
Interest expense	24.6	0.4	—	—	25.0
Amortization of intangible assets	—	3.1	—	—	3.1
Closure and impairment charges	—	0.1	0.1	—	0.2
Loss on disposition of assets	—	0.9	—	—	0.9
Intercompany dividend	(46.8)	—	—	46.8	—
Income before income taxes	12.9	67.5	0.1	(46.8)	33.7
Benefit (provision) for income taxes	7.9	(20.8)	—	—	(12.9)
Net income	\$ 20.8	\$ 46.8	\$ 0.1	\$ (46.8)	\$ 20.8
Total comprehensive income	\$ 20.8	\$ 46.8	\$ 0.1	\$ (46.8)	\$ 20.8

⁽¹⁾ Supplemental condensed statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

Supplemental Condensed Consolidating Statement of Comprehensive Income
For the Three Months Ended March 31, 2013
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Revenues					
Franchise and restaurant revenues	\$ 0.7	\$ 127.3	\$ 0.3	\$ —	\$ 128.3
Rental revenues	—	31.0	—	—	31.0
Financing revenues	—	3.8	—	—	3.8
Total revenue	0.7	162.1	0.3	—	163.2
Franchise and restaurant expenses	0.8	43.6	—	—	44.5
Rental expenses	—	24.3	—	—	24.3
General and administrative expenses	9.2	24.5	0.3	—	34.0
Interest expense	25.0	0.3	—	—	25.3
Amortization of intangible assets	—	3.1	—	—	3.1
Closure and impairment charges	—	0.7	0.1	—	0.8
Gain on disposition of assets	—	(0.1)	(0.3)	—	(0.3)
Debt modification costs	1.3	—	—	—	1.3
Intercompany dividend	(39.8)	—	—	39.8	—
Income before income taxes	4.2	65.7	0.1	(39.8)	30.2
Benefit (provision) for income taxes	14.1	(26.0)	—	—	(12.0)
Net income	\$ 18.2	\$ 39.7	\$ 0.1	\$ (39.8)	\$ 18.2
Total comprehensive income	\$ 18.2	\$ 39.7	\$ 0.1	\$ (39.8)	\$ 18.2

⁽¹⁾ Supplemental condensed statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

12. Consolidating Financial Information (Continued)

Supplemental Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2014
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Cash flows provided by (used in) operating activities	\$ (22.8)	\$ 75.6	\$ —	\$ —	\$ 52.8
Investing cash flows:					
Additions to property and equipment	(1.3)	(0.7)	—	—	(2.0)
Principal receipts from long-term receivables	—	3.4	—	—	3.4
Proceeds from sale of assets	—	0.7	—	—	0.7
Other	—	(0.1)	—	—	(0.1)
Cash flows provided by (used in) investing activities	(1.3)	3.3	—	—	2.0
Financing cash flows:					
Payment of debt	(1.2)	(2.7)	—	—	(3.9)
Repurchase of common stock	(15.0)	—	—	—	(15.0)
Dividends paid on common stock	(14.3)	—	—	—	(14.3)
Restricted cash	—	(3.7)	—	—	(3.7)
Other	9.2	0.1	—	—	9.2
Intercompany transfers	60.9	(60.5)	(0.4)	—	—
Cash flows provided by (used in) financing activities	39.6	(66.9)	(0.4)	—	(27.6)
Net change	15.5	12.1	(0.4)	—	27.2
Beginning cash and equivalents	50.3	54.7	1.0	—	106.0
Ending cash and equivalents	\$ 65.8	\$ 66.8	\$ 0.6	\$ —	\$ 133.2

⁽¹⁾ Supplemental condensed statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

Supplemental Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2013
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Cash flows provided by (used in) operating activities	\$ (14.5)	\$ 85.5	\$ 0.2	\$ —	\$ 71.2
Investing cash flows:					
Additions to property and equipment	(0.9)	(0.6)	—	—	(1.5)
Principal receipts from long-term receivables	—	3.8	—	—	3.8
Other	—	0.1	—	—	0.1
Cash flows provided by (used in) investing activities	(0.9)	3.3	—	—	2.4
Financing cash flows:					
Payment of debt	(1.2)	(2.5)	—	—	(3.7)
Payment of debt modification costs	(1.3)	—	—	—	(1.3)
Dividends paid on common stock	(14.5)	—	—	—	(14.5)
Restricted cash	—	(2.7)	—	—	(2.7)
Other	1.3	0.1	—	—	1.4
Intercompany transfers	74.0	(74.0)	—	—	—
Cash flows provided by (used in) financing activities	58.2	(79.0)	—	—	(20.8)
Net change	42.9	9.7	0.2	—	52.8
Beginning cash and equivalents	9.9	54.0	0.6	—	64.5
Ending cash and equivalents	\$ 52.8	\$ 63.7	\$ 0.9	\$ —	\$ 117.4

⁽¹⁾ Supplemental condensed statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

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

Cautionary Statement Regarding Forward-Looking Statements

Statements contained in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. You can identify these forward-looking statements by words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan” and other similar expressions. You should consider our forward-looking statements in light of the risks discussed under the heading “Risk Factors” in our most recent Annual Report on Form 10-K, as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the United States Securities and Exchange Commission. The forward-looking statements contained in this report are made as of the date hereof and the Company assumes no obligation to update or supplement any forward-looking statements.

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the consolidated financial statements and the related notes that appear elsewhere in this report.

Overview

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Except where the context indicates otherwise, the words “we,” “us,” “our” and the “Company” refer to DineEquity, Inc., together with its subsidiaries that are consolidated in accordance with United States generally accepted accounting principles (“U.S. GAAP”).

Through various subsidiaries we own, franchise and operate two restaurant concepts: Applebee's Neighborhood Grill & Bar[®] (“Applebee's[®]”), in the bar and grill segment within the casual dining category of the restaurant industry, and International House of Pancakes[®] (“IHOP[®]”), in the family dining category of the restaurant industry. References herein to Applebee's and IHOP restaurants are to these two restaurant concepts, whether operated by franchisees, area licensees or by us. Over 99% of our 3,638 restaurants are franchised. We have 33 company-operated restaurants primarily to test new remodel programs, operating procedures, products, technology, cooking platforms and service models. In addition, from time to time we may also operate, on a temporary basis until refranchised, IHOP restaurants that we reacquire for a variety of reasons from IHOP franchisees. There were no such restaurants included as company-operated restaurants as of March 31, 2014.

Domestically, Applebee's restaurants are located in every state except Hawaii, while IHOP restaurants are located in all 50 states and the District of Columbia. Internationally, Applebee's restaurants are located in one United States territory and 14 foreign countries; IHOP restaurants are located in two United States territories and nine foreign countries. With over 3,600 restaurants combined, we believe we are one of the largest full-service restaurant companies in the world.

Key Performance Indicators

In evaluating the performance of each concept, we consider the key performance indicators to be net franchise restaurant development and the percentage change in domestic system-wide same-restaurant sales. Since we are a 99% franchised company, expanding the number of franchise restaurants is an important driver of revenue growth because we currently do not plan to open any new Applebee's or IHOP company-operated restaurants. Revenue from our rental and financing operations, legacies from the IHOP business model we operated under prior to 2003, is subject to a progressive decline over time as interest-earning balances are repaid. Growth in both the number of franchise restaurants and sales at those restaurants will drive franchise revenues in the form of higher royalty revenues, additional franchise fees and, in the case of IHOP restaurants, sales of proprietary pancake and waffle dry mix.

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An overview of these key performance indicators for the three months ended March 31, 2014 is as follows:

	Three Months Ended March 31, 2014	
	Applebee's	IHOP
Percentage (decrease) increase in domestic system-wide same-restaurant sales	(0.5)%	3.9%
Net franchise restaurant development ⁽¹⁾	—	10

⁽¹⁾ Franchise and area license openings, net of closings

IHOP's increase of 3.9% in domestic system-wide restaurant sales for three months ended March 31, 2014 was the fourth consecutive quarterly increase in domestic system-wide restaurant sales. The increase resulted from a higher average customer check partially offset by a slight decrease in customer traffic. IHOP significantly outperformed the overall restaurant industry as well as the family dining segment in this metric for the three months ended March 31, 2014. Based on data from Black Box Intelligence, a restaurant sales reporting firm ("Black Box"), same-restaurant sales decreased for both the overall restaurant industry and the family dining segment during the first quarter of 2014.

Applebee's domestic system-wide restaurant sales for three months ended March 31, 2014 decreased 0.5% as a decline in customer traffic was partially offset by an increase in average customer check. Applebee's performance was in line with that of the overall restaurant industry as well of as the casual dining segment, both of which decreased during the first quarter of 2014 based on data from Black Box.

During the three months ended March 31, 2014, Applebee's opened eight new restaurants while IHOP franchisees and area licensees opened 14 new restaurants. Applebee's franchisees closed eight restaurants during that time period, resulting in no net franchise restaurant growth. The closures were unrelated as each restaurant was closed by a different Applebee's franchisee. In addition to the 14 IHOP franchise restaurant openings, three restaurants that had been temporarily operated by us were refranchised to new owners. IHOP franchisees closed seven restaurants, resulting in net growth of 10 franchise restaurants. Of the seven IHOP closures, two were closed by the same franchisee and the other five were closed by different franchisees.

In 2014, we expect both IHOP and Applebee's franchisees to each open a total of between 40 to 50 new restaurants. The majority of openings for each brand are expected to be in domestic markets.

The actual number of openings may differ from both our expectations and development commitments. Historically, the actual number of restaurants developed in a particular year has been less than the total number committed to be developed due to various factors, including economic conditions and franchisee noncompliance with development agreements. The timing of new restaurant openings also may be affected by various factors including weather-related and other construction delays, difficulties in obtaining timely regulatory approvals and the impact of currency fluctuations on our international franchisees.

In evaluating the performance of the consolidated enterprise, we consider the key performance indicators to be consolidated cash flows from operating activities and consolidated free cash flow (cash from operations, plus receipts from notes, equipment contracts and other long-term receivables, minus capital expenditures, principal payments on capital leases and financing obligations and the mandatory annual repayment of 1% of the principal balance of our Term Loans).

Consolidated cash flows from operating activities and consolidated free cash flow for the three months ended March 31, 2014 and 2013 were as follows:

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Consolidated cash flows from operating activities	\$ 52.8	\$ 71.2
Consolidated free cash flow	\$ 50.3	\$ 69.8

Additional detail on each of our key performance indicators is presented under the captions "Restaurant Development Activity," "Restaurant Data," and "Liquidity and Capital Resources" that follow.

Capital Allocation Strategy

In February 2013, our Board of Directors approved a capital allocation strategy that incorporates the return of a significant portion of our free cash flow to our stockholders. In conjunction therewith, the Board of Directors approved an authorization to repurchase up to \$100 million of our common stock. Pursuant to that strategy, during the three months ended March 31, 2014 we declared and paid a quarterly cash dividend of \$0.75 per share of our common stock totaling \$14.3 million. We also repurchased 178,528 shares of our common stock at a total cost of \$15.0 million during this period. As of March 31, 2014 we may repurchase up to an additional \$55.3 million of common stock under the current authorization.

Restaurant Development Activity

The following table summarizes Applebee's restaurant development activity during the three months ended March 31, 2014 and 2013:

	Three Months Ended	
	March 31,	
	2014	2013
	(Unaudited)	
<u>Applebee's Restaurant Development Activity</u>		
Summary - beginning of period:		
Franchise	1,988	2,011
Company restaurants	23	23
Total Applebee's restaurants, beginning of period	2,011	2,034
Franchise restaurants opened:		
Domestic	8	2
International	—	—
Total franchise restaurants opened	8	2
Franchise restaurants closed:		
Domestic	(5)	(3)
International	(3)	(2)
Total franchise restaurants closed	(8)	(5)
Net franchise restaurant additions (reductions)	—	(3)
Summary - end of period:		
Franchise	1,988	2,008
Company restaurants	23	23
Total Applebee's restaurants, end of period	2,011	2,031

The following table summarizes IHOP restaurant development activity during the three months ended March 31, 2014 and 2013:

	Three Months Ended	
	March 31,	
	2014	2013
	(Unaudited)	
<u>IHOP Restaurant Development Activity</u>		
Summary - beginning of period:		
Franchise	1,439	1,404
Area license	168	165
Company	13	12
Total IHOP restaurants, beginning of period	1,620	1,581
Franchise/area license restaurants opened:		
Domestic franchise	9	8
Domestic area license	1	2
International franchise	4	2
Refranchised from Company	3	—
Total franchise/area license restaurants opened	17	12
Franchise/area license restaurants closed:		
Domestic franchise	(5)	(4)
International franchise	(1)	—
International area license	(1)	—
Total franchise/area license restaurants closed	(7)	(4)
Net franchise/area license restaurant additions	10	8
Summary - end of period:		
Franchise	1,449	1,410
Area license	168	167
Company	10	12
Total IHOP restaurants, end of period	1,627	1,589

Restaurant Data

The following table sets forth, for the three months ended March 31, 2014 and 2013, the number of “Effective Restaurants” in the Applebee’s and IHOP systems and information regarding the percentage change in sales at those restaurants compared to the same periods in the prior year. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties and advertising fees that are generally based on a percentage of their sales, and, where applicable, rental payments under leases that partially may be based on a percentage of their sales. Management also uses this information to make decisions about future plans for the development of additional restaurants as well as evaluation of current operations.

	Three Months Ended	
	March 31,	
	2014	2013
	(Unaudited)	
<u>Applebee's Restaurant Data</u>		
Effective Restaurants^(a)		
Franchise	1,985	2,006
Company	23	23
Total	<u>2,008</u>	<u>2,029</u>
System-wide^(b)		
Sales percentage change ^(c)	(0.7)%	(0.4)%
Domestic same-restaurant sales percentage change ^(d)	(0.5)%	(1.3)%
Franchise^(b)		
Sales percentage change ^{(c) (e)}	(0.7)%	7.2 %
Domestic same-restaurant sales percentage change ^(d)	(0.5)%	(1.2)%
Average weekly domestic unit sales (in thousands)	\$ 49.5	\$ 49.3
<u>IHOP Restaurant Data</u>		
Effective Restaurants^(a)		
Franchise	1,439	1,408
Area license	169	167
Company	11	12
Total	<u>1,619</u>	<u>1,587</u>
System-wide^(b)		
Sales percentage change ^(c)	6.5 %	2.4 %
Domestic same-restaurant sales percentage change ^(d)	3.9 %	(0.5)%
Franchise^(b)		
Sales percentage change ^(c)	6.4 %	2.3 %
Domestic same-restaurant sales percentage change ^(d)	3.9 %	(0.5)%
Average weekly domestic unit sales (in thousands)	\$ 36.4	\$ 34.9
Area License^(b)		
Sales percentage change ^(c)	8.0 %	4.1 %

- (a) “Effective Restaurants” are the weighted average number of restaurants open in a given fiscal period, adjusted to account for restaurants open for only a portion of the period. Information is presented for all Effective Restaurants in the Applebee’s and IHOP systems, which includes restaurants owned by franchisees and area licensees as well as those owned by the Company.
- (b) “System-wide sales” are retail sales at Applebee’s restaurants operated by franchisees and IHOP restaurants operated by franchisees and area licensees, as reported to the Company, in addition to retail sales at company-operated restaurants. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. Unaudited reported sales for Applebee’s domestic franchise restaurants, IHOP franchise restaurants and IHOP area license restaurants for the three months ended March 31, 2014 and 2013 were as follows:

Three Months Ended	
March 31,	
2014	2013
(In millions)	

Reported sales (unaudited)

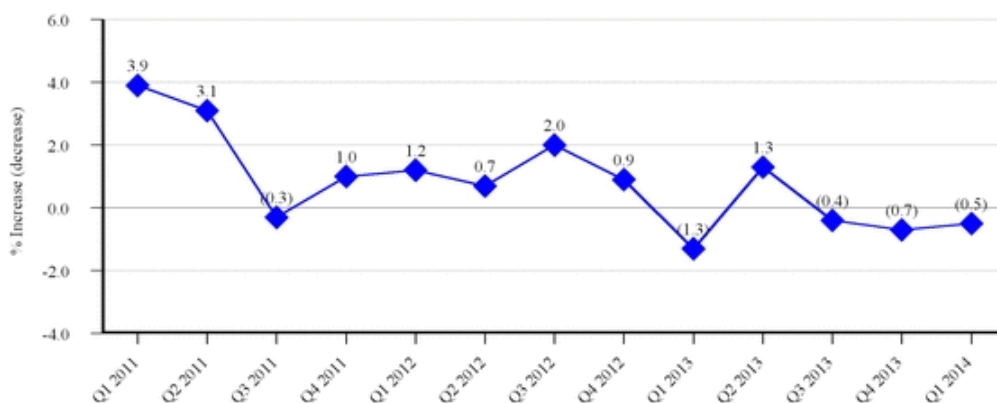
Applebee’s franchise restaurant sales	\$ 1,183.1	\$ 1,191.5
IHOP franchise restaurant sales	\$ 680.3	\$ 639.3
IHOP area license restaurant sales	\$ 70.1	\$ 64.9

- (c) “Sales percentage change” reflects, for each category of restaurants, the percentage change in sales in any given fiscal period compared to the prior fiscal period for all restaurants in that category.
- (d) “Domestic same-restaurant sales percentage change” reflects the percentage change in sales in any given fiscal period, compared to the same weeks in the prior fiscal period, for domestic restaurants that have been operated throughout both fiscal periods that are being compared and have been open for at least 18 months. Because of new unit openings and restaurant closures, the domestic restaurants open throughout both fiscal periods being compared may be different from period to period. Domestic same-restaurant sales percentage change does not include data on IHOP area license restaurants.
- (e) The sales percentage change for the three months ended March 31, 2013 for Applebee’s franchise restaurants was impacted by the refranchising of 154 company-operated restaurants during 2012.

Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results

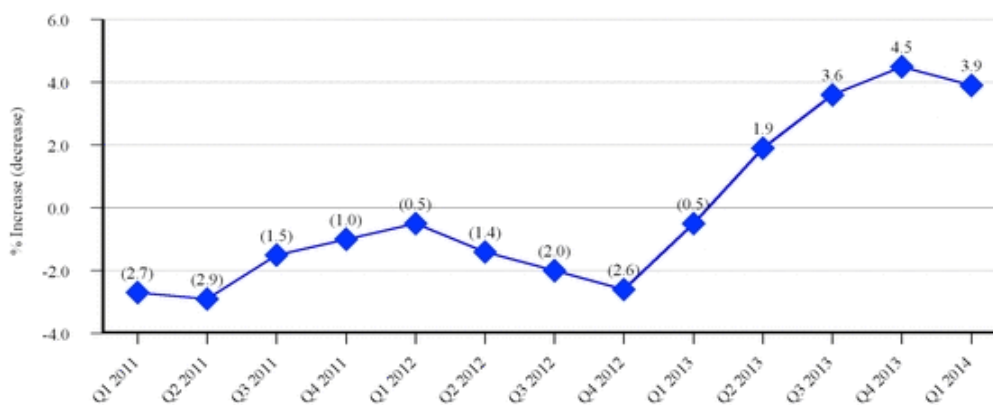
Same-restaurant Sales Trends

Applebee's Domestic System-wide Same-restaurant Sales



Applebee's domestic system-wide same-restaurant sales decreased 0.5% for the three months ended March 31, 2014 from the same period in 2013. A decline in customer traffic was partially offset by an increase in average customer check. Same-restaurant sales performance for the first three months of 2014 is not necessarily indicative of results expected for the full year.

IHOP Domestic System-wide Same-restaurant Sales



IHOP's domestic system-wide same-restaurant sales increased 3.9% for the three months ended March 31, 2014 from the same period in 2013, the fourth consecutive quarterly increase in same-restaurant sales. The improvement resulted from a higher average customer check partially offset by a slight decrease in customer traffic. Same-restaurant sales performance for the first three months of 2014 is not necessarily indicative of results expected for the full year.

Both of our brands experienced a decline in customer traffic during the three months ended March 31, 2014. Based on data from Black Box, customer traffic declined during that period for the restaurant industry overall, as well as for both the casual dining and family dining segments of the restaurant industry. We believe the inclement weather experienced by much of the country during the first quarter exacerbated the traffic decline of both our brands and the restaurant industry as a whole. In the short term, a decline in customer traffic may be offset by an increase in average customer check resulting from an increase in menu prices, a favorable change in product sales mix, or a combination thereof. A sustained decline in same-restaurant customer traffic that cannot be offset by an increase in average customer check could have an adverse effect on our business, results of operations and financial condition.

We continue to evaluate opportunities to improve same-restaurant sales and traffic. We focus on differentiating our two brands through innovative advertising, enhancing our menus and bar offerings, achieving operational excellence each day, and keeping our restaurants contemporary. To drive each brand forward, we will leverage what has worked to improve sales, while remaining focused on generating sustainable positive traffic. A key element of our strategy includes updating the core menus of each brand several times per year. Our first IHOP update of 2014 added Sweet Cream Cheese Crepes, available with different fruit toppings, as well as the integration of spicy flavor into several menu items. Applebee's renowned "2 for \$20" offering was updated with two new "Fresh Flavors of the Southwest" dishes, Citrus Lime Sirloin and Chicken & Shrimp Tequila Tango.

Applebee's franchisees remodeled 64 restaurants in the first quarter of 2014. At the end of the quarter, 75% of the domestic Applebee's system had the new revitalized look and we project that the remodel program will be 95% complete by the end of this year.

Franchisee Matters

In February 2013, an IHOP franchisee and its affiliated entities which owned and operated 19 restaurants located in the states of Illinois, Wisconsin and Missouri filed for bankruptcy protection. As a result of an order issued by the bankruptcy court, two of the 19 restaurants were returned to us in the third quarter of 2013. A non-cash charge of \$0.5 million was recorded in the Consolidated Statement of Comprehensive Income against deferred rental revenue associated with the leases for those two restaurants. During the third quarter of 2013, we received favorable rulings from the bankruptcy court which, if upheld, would allow us to transfer the remaining 17 restaurants to another franchisee. These rulings have been appealed by the current franchisee and are presently subject to a stay, pursuant to which the current franchisee is operating these restaurants only on a day-to-day basis and is continuing to make payments to us pursuant to the terms of the original franchise agreements.

RESULTS OF OPERATIONS
Comparison of the Three Months Ended March 31, 2014 and 2013

SUMMARY

	Three Months Ended		Favorable (Unfavorable) Variance
	March 31,		
	2014	2013	
	(In millions)		
Revenue	\$ 167.2	\$ 163.2	\$ 4.0
Segment profit	97.1	94.4	2.7
Segment profit as % of revenue	58.1%	57.9%	0.2%
General & administrative expenses	34.2	34.0	(0.2)
Interest expense	25.0	25.3	0.3
Debt modification costs	—	1.3	1.3
Other expenses, net ⁽¹⁾	4.2	3.6	(0.6)
Income tax provision	12.9	12.0	(0.9)
Effective tax rate	38.2%	39.6%	1.4%
Net income	\$ 20.8	\$ 18.2	\$ 2.6

⁽¹⁾ Amortization of intangible assets, closure and impairment charges, loss on extinguishment of debt and gain/loss on disposition of assets

Net income for three months ended March 31, 2014 increased 14.1% compared with the same period of the prior year. This was primarily due to an increase in franchise segment profit that resulted from a 3.9% increase in IHOP's domestic same-restaurant sales and a 2.1% increase in the weighted average number of IHOP franchise and area license restaurants open during the period. Additionally, we had incurred \$1.3 million in debt modification costs during the three months ended March 31, 2013 with no similar costs in 2014. General and administrative ("G&A") and interest expenses were essentially consistent with the prior year period.

REVENUE

	Three Months Ended		Favorable (Unfavorable) Variance
	March 31,		
	2014	2013	
	(In millions)		
Franchise	\$ 115.5	\$ 111.9	\$ 3.6
Company	16.3	16.5	(0.2)
Rental	30.7	31.0	(0.3)
Financing	4.7	3.8	0.9
Total revenue	\$ 167.2	\$ 163.2	\$ 4.0

Total revenue for the three months ended March 31, 2014 increased 2.5% compared to the prior year. The improvement was primarily due to higher franchise revenues that resulted from an increase in IHOP same-restaurant sales during the quarter and IHOP restaurant development over the past twelve months. Financing segment revenues increased due to fees of \$1.4 million associated with the negotiated early termination of two leases. Early lease terminations such as these occur relatively infrequently and should not be considered indicative of any trend with respect to financing segment revenue.

SEGMENT PROFIT (LOSS)

	Three Months Ended		Favorable (Unfavorable) Variance
	March 31,		
	2014	2013	
	(In millions)		
Franchise operations	\$ 86.1	\$ 83.7	\$ 2.4
Company restaurant operations	(0.0)	0.2	(0.2)
Rental operations	6.9	6.7	0.2
Financing operations	4.1	3.8	0.3
Total	\$ 97.1	\$ 94.4	\$ 2.7

Segment profit for the three months ended March 31, 2014 increased 2.8% compared to the prior year, primarily due to the higher franchise revenues resulting from a 3.9% increase in IHOP's domestic same-restaurant sales during the quarter and IHOP restaurant development over the past twelve months.

Franchise Operations

	Three Months Ended		Favorable (Unfavorable) Variance
	March 31,		
	2014	2013	
(In millions, except number of restaurants)			
Effective Franchise Restaurants: ⁽¹⁾			
Applebee's	1,985	2,006	(21)
IHOP	1,608	1,575	33
Franchise Revenues:			
Applebee's	\$ 50.7	\$ 50.7	\$ 0.0
IHOP	43.6	41.2	2.4
IHOP advertising	21.2	20.0	1.2
Total franchise revenues	115.5	111.9	3.6
Franchise Expenses:			
Applebee's	1.4	1.5	0.1
IHOP	6.8	6.7	(0.1)
IHOP advertising	21.2	20.0	(1.2)
Total franchise expenses	29.4	28.2	(1.2)
Franchise Segment Profit:			
Applebee's	49.3	49.2	0.1
IHOP	36.8	34.5	2.3
Total franchise segment profit	\$ 86.1	\$ 83.7	\$ 2.4
Segment profit as % of revenue ⁽²⁾	74.6%	74.8%	

⁽¹⁾ Effective Franchise Restaurants are the weighted average number of franchise and area license restaurants open in a given fiscal period, adjusted to account for restaurants open for only a portion of the period.

⁽²⁾ Percentages calculated on actual amounts, not rounded amounts presented above.

Applebee's franchise revenue for the three months ended March 31, 2014 was consistent with the same period of the prior year. An increase in franchise fees associated with eight restaurant openings in the first quarter of 2014 was offset by a 1.0% decrease in Effective Franchise Restaurants and a 0.5% decrease in domestic same-restaurant sales.

The \$2.4 million increase in IHOP franchise revenue (other than advertising) for the three months ended March 31, 2014 was due to higher royalty revenues resulting from a 3.9% increase in domestic same-restaurant sales and a 2.1% increase in Effective Franchise Restaurants, as well as a \$0.5 million increase in sales volumes of pancake and waffle dry mix. The increase in IHOP franchise expenses (other than advertising) for the three months ended March 31, 2014 was primarily due to higher purchase volumes of pancake and waffle dry mix, partially offset by lower bad debt expense.

IHOP's franchise expenses are substantially higher than Applebee's due to advertising expenses. Franchise fees designated for IHOP's national advertising fund and local marketing and advertising cooperatives are recognized as revenue and expense of franchise operations. However, because we have less contractual control over Applebee's advertising expenditures, that activity is considered to be an agency relationship and therefore is not recognized as franchise revenue and expense. The increases in IHOP advertising revenue and expense for the three months ended March 31, 2014 were primarily due to the increase in domestic franchise same-restaurant sales and the increase in Effective Franchise Restaurants that also impacted IHOP franchise revenue as noted above.

The \$2.4 million increase in franchise segment profit for the three months ended March 31, 2014 was primarily due to a 3.9% increase in IHOP's domestic same-restaurant sales and an increase in IHOP's Effective Franchise Restaurants due to new restaurant development over the past twelve months.

Company Restaurant Operations

	Three Months Ended March 31,		Favorable (Unfavorable) Variance
	2014	2013	
(In millions, except number of restaurants)			
Effective Company Restaurants: ⁽¹⁾			
Applebee's	23	23	—
IHOP	11	12	(1)
Company restaurant sales	\$ 16.3	\$ 16.5	\$ (0.2)
Company restaurant expenses	16.3	16.3	—
Company restaurant segment profit	\$ (0.0)	\$ 0.2	\$ (0.2)
Segment profit as % of revenue ⁽²⁾	(0.0)%	1.1%	

⁽¹⁾ Effective Company Restaurants are the weighted average number of company restaurants open in a given fiscal period, adjusted to account for company restaurants open for only a portion of the period.

⁽²⁾ Percentages calculated on actual amounts, not rounded amounts presented above.

As of March 31, 2014, company restaurant operations comprised 23 Applebee's company-operated restaurants and 10 IHOP company-operated restaurants. We operate these restaurants primarily to test new remodel programs, operating procedures, products, technology, cooking platforms and service models and accordingly, we do not anticipate these restaurants will generate a significant amount of profit or loss in any given period. Additionally, from time to time we may also operate restaurants reacquired from IHOP franchisees on a temporary basis until the restaurants are refranchised. On a weighted average basis, there were several reacquired IHOP restaurants operated by us during the three months ended March 31, 2014 and 2013, but as of March 31, 2014 there were no such reacquired restaurants operated by us.

Rental Operations

	Three Months Ended March 31,		Favorable (Unfavorable) Variance
	2014	2013	
(In millions)			
Rental revenues	\$ 30.7	\$ 31.0	\$ (0.3)
Rental expenses	23.8	24.3	0.5
Rental operations segment profit	\$ 6.9	\$ 6.7	\$ 0.2
Segment profit as % of revenue ⁽¹⁾	22.4%	21.7%	

⁽¹⁾ Percentages calculated on actual amounts, not rounded amounts presented above.

Rental operations relate primarily to IHOP franchise restaurants. Rental income includes revenue from operating leases and interest income from direct financing leases. Rental expenses are costs of prime operating leases and interest expense on prime capital leases on certain franchise restaurants.

Rental revenue for the three months ended March 31, 2014 decreased primarily due to a decline in interest income as direct financing leases are repaid. The decrease in rental segment expenses during the three months ended March 31, 2014 was primarily due to progressive declines over time in interest expense on capital lease obligations and depreciation expense on capital lease assets.

Financing Operations

	Three Months Ended		Favorable (Unfavorable) Variance
	March 31,		
	2014	2013	
	(In millions)		
Financing revenues	\$ 4.7	\$ 3.8	\$ 0.9
Financing expenses	0.6	—	(0.6)
Financing operations segment profit	\$ 4.1	\$ 3.8	\$ 0.3
Segment profit as % of revenue ⁽¹⁾	87.4%	100.0%	

⁽¹⁾ Percentages calculated on actual amounts, not rounded amounts presented above

All financing operations relate to IHOP franchise restaurants. Financing operations revenue primarily consists of interest income from the financing of franchise fees and equipment leases, as well as sales of equipment associated with refranchised IHOP restaurants. Financing expenses are primarily the cost of restaurant equipment associated with refranchised IHOP restaurants.

The increase in financing revenue for the three months ended March 31, 2014 was primarily due to fees of \$1.4 million associated with the negotiated early termination of two leases. This increase was partially offset by a \$0.4 million decrease in sales of equipment associated with IHOP restaurants reacquired from franchisees and a \$0.2 million decrease in interest revenue resulting from the progressive decline in note balances due to repayments. Financing expenses for the three months ended March 31, 2014 were the cost of sales of equipment associated with IHOP restaurants reacquired from franchisees. There were no franchise segment expenses associated with refranchising activity in the first quarter of 2013.

OTHER EXPENSE AND INCOME ITEMS

	Three Months Ended		Favorable (Unfavorable) Variance
	March 31,		
	2014	2013	
	(In millions)		
General and administrative expenses	\$ 34.2	\$ 34.0	\$ (0.2)
Interest expense	25.0	25.3	0.3
Amortization of intangible assets	3.1	3.1	—
Closure and impairment charges	0.2	0.8	0.6
Debt modification costs	—	1.3	1.3
Loss (gain) on disposition of assets	0.9	(0.3)	(1.2)
Provision for income taxes	12.9	12.0	(0.9)

General and Administrative Expenses

G&A expenses for the three months ended March 31, 2014 increased less than 1% compared to the same period of the prior year. Higher costs for severance and consumer research were offset by lower costs for professional services, lower bonus expenses and lower costs for liability-classified stock based compensation awards.

Interest Expense

Interest expense for the three months ended March 31, 2014 decreased by \$0.3 million compared to the same period of the prior year. The interest rate on our Term Loans was 3.75% for three months ended March 31, 2014, whereas the interest rate on our Term Loans was 4.25% at the beginning of 2013 but was reduced to 3.75% after the debt modification noted below. Additionally, average interest-bearing debt outstanding (our Term Loans, Senior Notes and financing obligations) during the three months ended March 31, 2014 was approximately \$5 million lower than the same period of the prior year.

Amortization of Intangible Assets

Amortization of intangible assets relates to intangible assets, primarily franchising rights, that arose from the November 2007 acquisition of Applebee's. Absent any impairment of the assets, the annual amount of amortization expense will decline by approximately \$2 million on an annualized basis in 2015 as intangible assets with shorter lives become fully amortized.

Closure and Impairment Charges

Closure and impairment charges were \$0.2 million and \$0.8 million for the three months ended March 31, 2014 and 2013, respectively. There were no individually significant transactions in either period.

During the quarter ended March 31, 2014, we performed an assessment of whether events or changes in circumstances have occurred that potentially indicate the carrying value of tangible long-lived assets may not be recoverable. No significant impairments were noted in performing that assessment. We also considered whether there were any indicators of potential impairment to our goodwill and indefinite-lived intangible assets. No such indicators were noted.

Debt Modification Costs

On February 4, 2013, we entered into Amendment No. 2 ("Amendment No. 2") to the Credit Agreement under our Senior Secured Credit Facility (the "Credit Agreement"). For a description of Amendment No. 2, refer to Note 7 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Fees paid to third parties of \$1.3 million in connection with Amendment No. 2 were included as "Debt modification costs" in the Consolidated Statement of Comprehensive Income for the three months ended March 31, 2013.

Loss (Gain) on Disposition of Assets

We recognized a loss on disposition of assets of \$0.9 million for the three months ended March 31, 2014 compared to a gain of \$0.3 million for the three months ended March 31, 2013. There were no individually significant dispositions during either period.

Provision for Income Taxes

Our effective tax rate was 38.2% for the three months ended March 31, 2014 compared to 39.6% for the three months ended March 31, 2013. The effective tax rate in 2014 was lower compared to the same period of 2013 due to the tax provision in 2013 reflecting a higher amount of unrecognized tax benefits as a result of audits from taxing authorities.

Liquidity and Capital Resources

Credit Facilities

We have a \$75.0 million revolving credit facility (the "Revolving Facility") under our Credit Agreement. During the three months ended March 31, 2014, we did not borrow from our Revolving Facility and there were no outstanding borrowings under the Revolving Facility at March 31, 2014. The Revolving Facility is also used to collateralize letters of credit we are required to maintain for insurance purposes. Our available borrowing capacity under the Revolving Facility is reduced by the outstanding letters of credit, which totaled \$11.1 million at March 31, 2014.

Restricted Payments

The Credit Agreement contains provisions considered customary for similar types of facilities that limit certain permitted restricted payments, including those related to dividends on and repurchases of our common stock. The limitation on restricted payments under the Credit Agreement is calculated quarterly. Such restricted payments are limited to a cumulative amount comprised of (i) a general restricted payments allowance of \$35.0 million, plus (ii) 50% of Excess Cash Flow (as defined in the Credit Agreement) for each fiscal quarter in which the consolidated leverage ratio is greater than or equal to 5.75:1; (iii) 75% of Excess Cash Flow for each fiscal quarter in which the consolidated leverage ratio is less than 5.75:1 and greater than or equal to 5.25:1; (iv) 100% of Excess Cash Flow for each fiscal quarter in which the consolidated leverage ratio is less than 5.25:1; and (v) proceeds from the exercise of stock options, less any restricted payments made. The permitted amount of future restricted payments under the Credit Agreement, calculated as of March 31, 2014, was approximately \$120 million.

The Indenture under which the Senior Notes due October 2018 (the “Senior Notes”) were issued (the “Indenture”) also contains a limitation on restricted payments that is calculated on an annual basis. Such restricted payments are limited to a cumulative amount comprised of (i) 50% of consolidated net income (as defined in the Indenture), plus (ii) proceeds from exercise of stock options, less any restricted payments made. The permitted amount of future restricted payments under the Indenture, calculated as of December 31, 2013, was approximately \$112 million. We estimate the net activity during the three months ended March 31, 2014 has reduced the permitted amount of future restricted payments under the Indenture by approximately \$10 million.

We made restricted payments of \$29.3 million during the three months ended March 31, 2014, comprised of cash dividends on our common stock of \$14.3 million and repurchases of common stock of \$15.0 million.

Debt Covenants

Pursuant to our Credit Agreement, we are required to comply with a maximum consolidated leverage ratio and a minimum consolidated cash interest coverage ratio. Our current maximum consolidated leverage ratio of total debt (net of unrestricted cash not to exceed \$75 million) to adjusted EBITDA is 6.75:1. Our current minimum ratio of adjusted EBITDA to consolidated cash interest is 1.75:1. Compliance with each of these ratios is required quarterly, calculated on a trailing four-quarter basis. The ratio thresholds become more rigorous over time. The maximum consolidated leverage ratio, which began at 7.5:1, declines in annual 25-basis-point decrements, beginning with the first quarter of 2012, to 6.5:1 by the first quarter of 2015, then to 6.0:1 for the first quarter of 2016 until the Credit Agreement expires in October 2017. The minimum consolidated cash interest coverage ratio began at 1.5:1, increased to 1.75:1 beginning with the first quarter of 2013, will increase to 2.0:1 beginning with the first quarter of 2016 and will remain at that level until the Credit Agreement expires in October 2017. There are no financial maintenance covenants associated with our Senior Notes.

For the trailing four quarters ended March 31, 2014, our consolidated leverage ratio was 4.7:1 and our cash interest coverage ratio was 2.5:1 (see Exhibit 12.1). Our adjusted EBITDA for the trailing twelve months ended March 31, 2014 exceeded the amount necessary to remain in compliance with these ratios by 43% and 46%, respectively.

The adjusted EBITDA used in calculating these ratios is considered to be a non-U.S. GAAP measure. The reconciliation between our income before income taxes, as determined in accordance with U.S. GAAP, and adjusted EBITDA used for covenant compliance purposes is as follows:

Trailing Twelve Months Ended March 31, 2014

	(In thousands)
U.S. GAAP income before income taxes	\$ 114,141
Interest charges	115,888
Depreciation and amortization	35,302
Non-cash stock-based compensation	9,318
Closure and impairment charges	974
Gain on sale of assets	1,022
Other	4,301
Adjusted EBITDA	\$ 280,946

We believe this non-U.S. GAAP measure is useful in evaluating our results of operations in reference to compliance with the debt covenants discussed above. This non-U.S. GAAP measure is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the U.S. GAAP information contained within our financial statements.

Our Senior Notes and our Credit Agreement are also subject to affirmative and negative covenants considered customary for similar types of facilities, including, but not limited to, covenants with respect to incremental indebtedness, liens, investments, affiliate transactions, and capital expenditures. These covenants are subject to a number of important limitations, qualifications and exceptions. Certain of these covenants will not be applicable to the Senior Notes during any time that the Senior Notes maintain investment grade ratings.

Potential Refinancing of Indebtedness

Our Credit Agreement expires in October 2017 and our Senior Notes are due in October 2018. We continually review all available options to efficiently manage our debt portfolio in light of, among other things, prevailing interest rates, the current and forecast economic climate and our overall business strategy. We anticipate refinancing some or all of our indebtedness in 2014 if financial market and economic conditions are favorable for us to do so. There can be no assurance regarding the timing of the refinancing transaction or that the transaction will be completed. In the event the Senior Notes are repaid prior to October 2018, we may be liable for certain make-whole payments. These make-whole payments, should they be required, will be determined in accordance with the terms of the Indenture under which the Senior Notes were issued. We estimate the make-whole payment was approximately \$75.3 million at March 31, 2014. The make-whole payment will decline monthly from that amount to approximately \$36.1 million as of October 30, 2014. The make-whole payment will then decline in two step-downs, first to \$18.1 million on October 30, 2015, then to zero on October 30, 2016. The monthly decline between March 2014 and October 2014 will be relatively linear, although the actual calculation includes a number of unpredictable variables, including prevailing interest rates at the specific point in time a make-whole payment, should one be required, is calculated.

Dividends

Our Board of Directors approved payment of a first quarter 2014 cash dividend of \$0.75 per share of our common stock to the stockholders of record as of the close of business on March 14, 2014. The cash dividend totaling \$14.3 million was paid on March 28, 2014. As discussed under “Restricted Payments” above, payment of dividends is subject to limitations under both our Credit Agreement and Senior Notes. We evaluate dividend payments on common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements, the limitations on restricted payments and other factors.

Share Repurchases

In February 2013, our Board of Directors approved a stock repurchase authorization of up to \$100 million of our common stock. During the three months ended March 31, 2014, we repurchased 178,528 shares of our common stock at a cost of \$15.0 million. As of March 31, 2014, we have repurchased a cumulative total of 590,550 shares of our common stock under the current authorization at a total cost of \$44.7 million. We may repurchase up to an additional \$55.3 million of our common stock under the outstanding Board authorization. As discussed under “Restricted Payments” above, repurchases of common stock are subject to limitations under both our Credit Agreement and Senior Notes. We evaluate repurchases of common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements, the limitations on restricted payments and other factors.

Cash Flows

In summary, our cash flows for the three months ended March 31, 2014 and 2013 were as follows:

	Three Months Ended		
	March 31,		
	2014	2013	Variance
	(In millions)		
Net cash provided by operating activities	\$ 52.8	\$ 71.2	\$ (18.4)
Net cash provided by investing activities	2.0	2.4	(0.4)
Net cash used in financing activities	(27.6)	(20.8)	(6.8)
Net increase in cash and cash equivalents	<u>\$ 27.2</u>	<u>\$ 52.8</u>	<u>\$ (25.6)</u>

Operating Activities

Cash provided by operating activities decreased \$18.4 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013, primarily due to an unfavorable net change in working capital. Net changes in working capital provided cash of \$28.7 million during the first three months of 2014 compared to \$43.7 million of cash provided during the first three months of 2013, an unfavorable variance of \$15.0 million. This variance was due primarily to changes in prepaid rent balances that arise solely from the variability of our non-calendar fiscal period ends and an increase in payments for bonuses accrued for fiscal 2013.

Additionally, for the first three months of 2014, our net income plus the non-cash reconciling items shown in our statements of cash flows (primarily depreciation, gains on asset sales, deferred taxes and stock-based compensation) decreased by \$3.4 million compared to 2013. Net income for the three months ended March 31, 2014 increased \$2.6 million compared to the same period of 2013, primarily due to higher franchise segment profit, but this was more than offset by an increase in excess tax benefits for stock-based compensation that reduce operating cash flows.

Investing Activities

Investing activities provided net cash of \$2.0 million for the three months ended March 31, 2014. Principal receipts from notes, equipment contracts and other long-term receivables of \$3.4 million and proceeds from asset sales of \$0.7 million were partially offset by \$2.0 million in capital expenditures. Capital expenditures are expected to be approximately \$10 million for fiscal 2014.

Financing Activities

Financing activities used net cash of \$27.6 million for the three months ended March 31, 2014. Cash used in financing activities primarily consisted of repurchases of our common stock totaling \$15.0 million, cash dividends on our common stock totaling \$14.3 million, repayments of capital lease, financing obligations and long-term debt of \$3.9 million, and an increase in marketing fund restricted cash of \$3.7 million. Cash provided by financing activities primarily consisted of a net cash inflow of \$9.2 million related to equity awards.

At March 31, 2014, our cash and cash equivalents totaled \$133.2 million, including approximately \$65.1 million of cash held for gift card programs and advertising funds.

Based on our current level of operations, we believe that our cash flow from operations, available cash and available borrowing capacity under our Revolving Facility will be adequate to meet our liquidity needs for the next twelve months. We have not entered into hedging agreements to mitigate the effect of changes in variable interest rates charged on borrowings under the Credit Agreement.

Free Cash Flow

We define “free cash flow” for a given period as cash provided by operating activities, plus receipts from notes, equipment contracts and other long-term receivables (collectively, “long-term receivables”), less additions to property and equipment, principal payments on capital lease and financing obligations and the mandatory annual repayment of 1% of the principal balance of our borrowings under Amendment No. 2 of our Credit Agreement (the “Term Loans”). We believe this information is helpful to investors to determine our cash available for general corporate purposes and for the return of cash to stockholders pursuant to our capital allocation strategy.

Free cash flow is considered to be a non-U.S. GAAP measure. Reconciliation of the cash provided by operating activities to free cash flow is as follows:

	Three Months Ended		
	March 31,		
	2014	2013	Variance
	(In millions)		
Cash flows provided by operating activities	\$ 52.8	\$ 71.2	\$ (18.4)
Principal receipts from long-term receivables	3.4	3.8	(0.4)
Additions to property and equipment	(2.0)	(1.5)	(0.5)
Principal payments on capital lease and financing obligations	(2.7)	(2.5)	(0.2)
Mandatory 1% repayment of principal balance of Term Loans	(1.2)	(1.2)	—
Free cash flow	\$ 50.3	\$ 69.8	\$ (19.5)

This non-U.S. GAAP measure is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the U.S. GAAP information contained within our financial statements.

Off-Balance Sheet Arrangements

As of March 31, 2014, we had no off-balance sheet arrangements, as defined in Item 303(a)(4) of SEC Regulation S-K.

Contractual Obligations and Commitments

There were no material changes to the contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. GAAP requires we make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. We continually review the estimates and underlying assumptions to ensure they are appropriate for the circumstances. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates.

A summary of our critical accounting estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2013. During the three months ended March 31, 2014, there were no significant changes in our estimates and critical accounting policies.

See Note 3, "Accounting Policies," in the Notes to Consolidated Financial Statements for a discussion of recently adopted accounting standards and newly issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There were no material changes from the information contained in the Company's Annual Report on Form 10-K as of December 31, 2013.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting.

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION**Item 1. Legal Proceedings.**

We are subject to various lawsuits, administrative proceedings, audits, and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. We are required to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of our litigation are expensed as such fees and expenses are incurred. Management regularly assesses our insurance deductibles, analyzes litigation information with our attorneys and evaluates our loss experience in connection with pending legal proceedings. While we do not presently believe that any of the legal proceedings to which we are currently a party will ultimately have a material adverse impact on us, there can be no assurance that we will prevail in all the proceedings we are party to, or that we will not incur material losses from them.

Item 1A. Risk Factors.

There were no material changes from the risk factors set forth under Item 1A of Part I of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Purchases of Equity Securities by the Company**

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (c)	Approximate dollar value of shares that may yet be purchased under the plans or programs (c)
December 30, 2013 – January 26, 2014 ^(a)	741	\$83.83	—	\$70,300,000
January 27, 2014 – February 23, 2014 ^(a)	643	\$77.81	—	\$70,300,000
February 24, 2014 – March 30, 2014 ^(b)	199,099	\$83.99	178,528	\$55,300,000
Total	200,483	\$83.97	178,528	\$55,300,000

^(a) These amounts represent shares owned and tendered by employees to satisfy tax withholding obligations arising upon vesting of restricted stock awards.

^(b) These amounts include 20,571 shares owned and tendered by employees at an average price of \$83.58 to satisfy tax withholding obligations arising upon vesting of restricted awards during the month ended March 30, 2014.

^(c) On February 26, 2013, our Board of Directors approved a stock repurchase authorization of up to \$100 million of our common stock, replacing the previously announced \$45 million authorization. Repurchases are subject to prevailing market prices and may take place in open market transactions and in privately negotiated transactions, based on business, market, applicable legal requirements and other considerations. The program does not require the repurchase of a specific number of shares and may be terminated at any time.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

3.1	Restated Certificate of Incorporation of DineEquity, Inc. (Exhibit 99.3 to Registrant's Form 8-K filed on December 18, 2012 is incorporated herein by reference).
3.2	Amended Bylaws of DineEquity, Inc. (Exhibit 3.2 to Registrant's Form 8-K filed on June 2, 2008 is incorporated herein by reference).
*† 10.1	Employment Agreement between DineEquity, Inc. and Steven R. Layt dated February 25, 2014.
* 12.1	Computation of Consolidated Leverage Ratio and Cash Interest Coverage Ratio for the trailing twelve months ended March 31, 2014.
* 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
* 31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
* 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
* 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.***
101.SCH	XBRL Schema Document.***
101.CAL	XBRL Calculation Linkbase Document.***
101.DEF	XBRL Definition Linkbase Document.***
101.LAB	XBRL Label Linkbase Document.***
101.PRE	XBRL Presentation Linkbase Document.***

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 accompany this Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

*** Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

† A contract, compensatory plan or arrangement in which directors or executive officers are eligible to participate.

SIGNATURES

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

DineEquity, Inc.
(Registrant)

Dated: May 1, 2014

By: _____
/s/ Julia A. Stewart
Julia A. Stewart
Chairman and Chief Executive Officer
(Principal Executive Officer)

Dated: May 1, 2014

By: _____
/s/ Thomas W. Emrey
Thomas W. Emrey
Chief Financial Officer
(Principal Financial Officer)

Dated: May 1, 2014

By: _____
/s/ Gregory Calvin
Gregory Calvin
Senior Vice President, Corporate Controller
(Principal Accounting Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made effective as of February 25, 2014 by and between DineEquity, Inc., a Delaware corporation (the “**Corporation**”), and Steven R. Layt (the “**Executive**”).

WHEREAS, the Corporation desires to employ Executive on the terms and conditions set forth in this Agreement; and

WHEREAS, the Executive is willing to render services to the Corporation on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual terms and conditions hereof, the Corporation and the Executive hereby agree as follows:

1. **Employment.** The Corporation hereby employs the Executive and the Executive hereby accepts employment with the Corporation upon the terms and conditions hereinafter set forth.

2. **Exclusive Services.** The Executive shall devote all necessary working time, ability and attention to the business of the Corporation during the term of this Agreement and shall not, directly or indirectly, render any material services to any business, corporation, or organization whether for compensation or otherwise, without the prior knowledge and written consent of the Board of Directors of the Corporation (hereinafter referred to as the “**Board**”). During the Employment Period, the Executive may (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive’s responsibilities as an employee of the Corporation in accordance with this Agreement and any service on public company boards of directors is approved in advance by the Board. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the effective date of this Agreement, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the effective date of this Agreement shall not thereafter be deemed to interfere with the performance of the Executive’s responsibilities to the Corporation.

3. **Duties.** The Executive is hereby employed as the President, Applebee’s Business Unit (hereinafter referred to as the “President, Applebee’s”) of the Corporation and shall render services at the business office of the Corporation to which the Executive is assigned. The Executive shall have such authority and shall perform such duties as are described in **Exhibit A** attached hereto.

4. **Term.** This Agreement shall have an initial term of two years commencing as of February 25, 2014 (the “**Start Date**”). This Agreement will automatically renew at the end of the initial term and at the end of each subsequent term, for a subsequent term of one year unless either party gives written notice of non-renewal to the other at least 90 days prior to the

expiration of the then current term. Such notice may be given for any or no reason. This Agreement is subject to earlier termination as hereinafter provided.

5. **Compensation.** As compensation for services rendered under this Agreement, the Executive shall be entitled to receive the following:

a. **Base Salary.** The Executive shall be paid a base salary of at least \$450,000 per year, payable in 26 equal bi-weekly installments during the term of this Agreement, prorated for any partial employment month. Such base salary (“**Base Salary**”) shall be reviewed by the Compensation Committee of the Board (the “**Compensation Committee**”) no less frequently than annually. The Base Salary may be increased by the Compensation Committee in its discretion, subject to ratification by the Board. The Base Salary may not be decreased, except in the event of an across the board salary reduction approved by the Board affecting employees of the Corporation at the Chief Officer Level (as defined in **Section 6(a)**, below).

b. **Additional Compensation.** The Executive shall be paid such additional compensation and bonuses as may be determined and authorized in the discretion of the Compensation Committee, subject to ratification by the Board. The Executive’s target bonus, to be payable under the Corporation’s annual incentive plan, shall be 75% of the Executive’s Base Salary.

6. **Benefits.** In addition to the compensation to be paid to the Executive pursuant to **Section 5** hereof, the Executive shall further be entitled to receive the following:

a. **Participation in Employee Plans.** The Executive shall be entitled to participate in any health, disability, life insurance, pension, retirement, profit sharing, executive bonus, long term incentive, or deferred compensation plan or any other perquisites and fringe benefits that may be extended generally from time to time to employees of the Corporation at the Chief Officer Level. For purposes of this Agreement, employees of the Corporation at the “**Chief Officer Level**” shall mean the Chief Executive Officer, the Chief Financial Officer, the President of Applebee’s, the President of IHOP, and such other employees of the Corporation as may from time to time be designated as being at the Chief Officer Level by the Board.

b. **Vacation.** The Executive shall be entitled to vacation in accordance with the Corporation’s vacation or paid time off policy as in effect from time to time for employees of the Corporation at the Chief Officer Level.

c. **Equity and Long-Term Incentive Awards.** The Executive shall be entitled to equity and other long-term incentive awards that may be extended generally from time to time to employees of the Corporation at the Chief Officer Level, as approved by the Compensation Committee or the Board, subject to the terms and conditions of the respective equity and long-term incentive compensation plans and award agreements and the provisions of this Agreement.

7. **Reimbursement of Expenses.** Subject to such rules and procedures as from time to time are specified by the Corporation, the Corporation shall reimburse the Executive for reasonable business expenses incurred in the performance of the Executive's duties under this Agreement.

8. **Confidentiality/Trade Secrets.** The Executive acknowledges that the Executive's position with the Corporation is one of the highest trust and confidence both by reason of the Executive's position and by reason of the Executive's access to and contact with the trade secrets and confidential and proprietary business information of the Corporation. Both during the term of this Agreement and thereafter, the Executive covenants and agrees as follows:

a. The Executive shall use best efforts and exercise reasonable diligence to protect and safeguard the trade secrets and confidential and proprietary information of the Corporation, including but not limited to any non-public strategies, business plans, marketing and advertising plans, the identity of its customers and suppliers, its arrangements with customers and suppliers, and its technical and financial data, records, compilations of information, processes, recipes and specifications relating to its customers, suppliers, products and services;

b. The Executive shall not disclose any of such trade secrets and confidential and proprietary information, except as may be required in the course of the Executive's employment with the Corporation or by law; and

c. The Executive shall not use, directly or indirectly, for the Executive's own benefit or for the benefit of another, any of such trade secrets and confidential and proprietary information.

All original and any copies of files, records, documents, emails, drawings, specifications, memoranda, notes, or other documents relating to the business of the Corporation, including printed, electronic or digital copies thereof, whether prepared by the Executive or otherwise coming into the Executive's possession, shall be the exclusive property of the Corporation and shall be delivered to the Corporation and not retained by the Executive upon termination of the Executive's employment for any reason whatsoever or at any other time upon request of the Corporation's General Counsel or the Board.

9. **Discoveries.** The Executive covenants and agrees to fully inform the Corporation of and disclose to the Corporation all inventions, designs, improvements, discoveries, and processes ("**Discoveries**") that the Executive has now or may hereafter have during the Executive's employment with the Corporation and that pertain or relate to the business of the Corporation, including but not limited to the operation and franchising of restaurants, or to any experimental work, products, services, or processes of the Corporation in progress or planned for the future, whether conceived by the Executive alone or with others, and whether or not conceived during regular working hours or in conjunction with the use of any Corporation assets. The Executive will hold in trust for the sole right and benefit of the Corporation, and will transfer, convey, release and assign to the Corporation all of the Executive's right, title, and interest, if any, in and

to any and all Discoveries, whether or not patentable or registrable under copyright or similar laws, that the Executive has solely or jointly conceived or developed or reduced to practice, or caused to be conceived or developed or reduced to practice, during the period of time that the Executive is employed with the Corporation.

Notwithstanding the foregoing, the Executive is not required to assign, or offer to assign, to the Corporation any invention that fully qualifies under California Labor Code Section 2870, which section is reproduced below:

- “(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
- (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
 - (2) Result from any work performed by the employee for the employer.
- (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.”

The Executive will assist the Corporation, or its designee, at the Corporation's expense, in every proper way to secure and enforce the Corporation's rights in the Discoveries as set forth above and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Corporation of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Corporation shall deem necessary in order to apply for, obtain and maintain such rights and in order to assign and convey to the Corporation, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to such Discoveries, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. The Executive will execute or cause to be executed, when it is in the Executive's power to do so, any such instrument or papers shall continue after the termination of my employment. If the Corporation is unable because of the Executive's mental or physical incapacity or for any other reason to secure the Executive's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Discoveries assigned to the Corporation as set forth above, then the Executive hereby irrevocably designates and appoints the Corporation and its duly authorized officers and agents as the

Executive's agent and attorney in fact, to act for and in the Executive's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by the Executive.

10. **Non-Competition.** The Executive covenants and agrees that during the period of the Executive's employment, the Executive shall not, without the prior written consent of the Chief Executive Officer of the Corporation (the "CEO") and the Board, directly or indirectly, as an employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director, or through any other kind of ownership (other than ownership of securities of publicly held corporations of which the Executive owns less than 5% of any class of outstanding securities) or in any other representative or individual capacity, engage in or render any services to any business in North America engaged in the casual dining restaurant industry, the family dining restaurant industry, or in any other segment of the restaurant industry in which the Corporation or any subsidiary of the Corporation may become involved after the date hereof and prior to the date of termination of the Executive's employment. For purposes of this Agreement "casual dining restaurant industry" consists of "sit down table service" restaurants serving alcoholic beverages, with a per guest average guest check within the United States of under \$20.00 (adjusted upward each year to recognize Corporation menu price increases). For purposes of this Agreement "family dining restaurant industry" consists of "sit down table service" restaurants, with a per guest average guest check within the United States of under \$15.00 (adjusted upward each year to recognize Corporation menu price increases).

11. **Non-Solicitation.** The Executive agrees that during the period of the Executive's employment, and for a period of 24 months following the effective date of the termination of the Executive's employment for any reason, the Executive will not, either directly or indirectly, for the Executive or for any third party, except as otherwise agreed to in writing by the then CEO, solicit, induce, recruit, or cause any other person who is then employed by the Corporation to terminate his/her employment for the purpose of joining, associating, or becoming employed with any business or activity that is engaged in the casual dining restaurant industry, the family dining restaurant industry or any other segment of the restaurant industry in which the Corporation may become involved after the date hereof and prior to the date of any termination of employment.

12. **Remedies for Breach of Covenants of the Executive.**

a. The Corporation and the Executive specifically acknowledge and agree that the foregoing covenants of the Executive in **Sections 8, 9, 10 and 11** are reasonable in content and scope and are given by the Executive for adequate consideration. The Corporation and the Executive further acknowledge and agree that, if any court of competent jurisdiction or other appropriate authority shall disagree with the parties' foregoing agreement as to reasonableness, then such court or other authority shall reform or otherwise construe the foregoing covenants as reason dictates.

b. The covenants set forth in **Sections 8, 9, and 11** of this Agreement, as provided in **Section 13 or 14**, shall continue to be binding upon the Executive, notwithstanding the termination of the Executive's employment with the Corporation for any reason whatsoever. Such covenants shall be deemed and construed as separate agreements independent of any other provisions of this Agreement and any other agreement between the Corporation and the Executive. The existence of any claim or cause of action by the Executive against the Corporation, unless predicated on this Agreement, shall not constitute a defense to the enforcement by the Corporation of any or all such covenants. It is expressly agreed that the remedy at law for the breach of any such covenant is inadequate and injunctive relief and specific performance shall be available to prevent the breach or any threatened breach thereof.

c. If the Executive breaches any of the covenants set forth in **Sections 8, 9, 10 and 11** of this Agreement, the Executive shall reimburse the Corporation for (i) any long-term incentive compensation received by the Executive from the Corporation during the 12-month period preceding the breach, and (ii) any profits realized from the sale of securities of the Corporation during such 12-month period.

13. **Termination.** This Agreement (other than **Sections 8, 9, and 11**, as provided in **Section 13 or 14**, which shall survive any termination hereof for any reason, including the expiration hereof due to non-renewal (an "**Expiration**") may be terminated as follows:

a. The Corporation may terminate this Agreement and the Executive's employment hereunder at any time, with or without Cause, upon written notice to the Executive. The Executive may terminate this Agreement and the Executive's employment hereunder, at any time, with or without Good Reason.

b. In the event of termination by the Corporation without Cause or by the Executive for Good Reason, which shall not include a termination due to the Executive's death or Disability, (i) the effective date thereof shall be stated in a written notice from the Board or the Executive, as the case may be, to the other party, which in the case of a termination for Good Reason shall not be earlier than 30 days from the date such written notice is delivered, and (ii) the Executive shall be entitled to receive (1) within 10 business days following the effective date of such termination the payment of that portion of the Executive's Base Salary accrued through the date of termination to the extent not previously paid, any annual bonus earned during the prior fiscal year but not yet paid to the Executive, any incurred but unreimbursed expenses owed to the Executive in accordance with the Corporation's policy or this Agreement, and any accrued but unused vacation pay owed to the Executive in accordance with the Corporation's policy (the "**Accrued Obligations**") and (2) all amounts arising from the Executive's participation in, or benefits under, any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (the "**Other Benefits**"). In addition, subject to the Executive's entering into and not revoking the General Release (the "**Release**") set

forth in **Exhibit B** attached hereto within 30 days after the effective date of termination (i) the Executive shall be entitled to receive all Severance Payments under **Section 13(g)**, (ii) any unvested stock options, stock appreciation rights, restricted stock awards, restricted stock units and any other equity-based awards held by the Executive that are subject only to service or time based vesting conditions (and not performance-based vesting conditions) and that would have vested during the 12-month period following the Executive's termination will vest as of the day immediately preceding the effective date of termination, (iii) any unvested equity-based or long-term cash-based awards held by the Executive that are subject to any performance-based vesting conditions shall become vested on a prorated basis, based on the portion of the performance period that has elapsed prior to the date of termination, determined in accordance with the Corporation's administrative practices, and shall be paid at the time such award would have been paid to the Executive had he or she remained employed through the end of the applicable performance period, based on actual performance during such performance period, and (iv) any stock options or stock appreciation rights held by the Executive shall remain exercisable until the earlier of 24 months after the date of termination or their original expiration date. The Severance Payment under **Section 13(g)(i)** shall be made to the Executive within 30 days after the effective date of termination; provided that if such 30-day period straddles two consecutive calendar years, payment shall be made in the second of such years.

c. The Executive's employment shall terminate automatically upon the Executive's death. Upon the Disability of the Executive, the Corporation may give to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Corporation shall terminate effective on the 30th day after receipt of such notice by the Executive (the "**Disability Effective Date**"), provided that, within the 30 days after such receipt, the Executive shall not have returned to perform, with or without reasonable accommodation, the essential functions of his or her position. For purposes of this Agreement, "**Disability**" shall mean the Executive's inability to perform, with or without reasonable accommodation, the essential functions of his or her position hereunder for a period of 180 consecutive days (or 180 days within any period of 12 consecutive months) due to mental or physical incapacity, as determined by mutual agreement of a physician selected by the Corporation or its insurers and a physician selected by the Executive; provided, however, if the opinion of the Corporation's physician and the Executive's physician conflict, the Corporation's physician and the Executive's physician shall together agree upon a third physician, whose opinion shall be binding. In the event the Executive's employment terminates due to death or Disability, the Corporation shall pay to the Executive (i) the Accrued Obligations, (ii) the Other Benefits and (iii) an amount equal to the annual bonus payout for the Executive for such fiscal year based on actual Corporation performance for such fiscal year, prorated pursuant to the terms of the Corporation's annual bonus plan and payable at the time the annual bonus would have been paid to the Executive had he or she remained employed through the end of such fiscal year.

d. In the event of termination by the Corporation with Cause, the Executive shall be entitled to receive only the Accrued Obligations and Other Benefits.

e. The following shall constitute “**Cause**”:

(i) The willful failure by the Executive to substantially perform the Executive’s duties with the Corporation (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive’s duties; or

(ii) The Executive’s willful misconduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise; or

(iii) The Executive’s commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of the Executive’s duties; or

(iv) The Executive’s conviction or plea of no contest to a felony or a crime of moral turpitude.

For purposes of this **subsection e.**, no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without the reasonable belief that the Executive’s action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of a majority of the non-employee members of the Board at a meeting of such members (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel, to be heard before such members of the Board), finding that the Executive has engaged in the conduct set forth above in this **subsection e.** and specifying the particulars thereof in detail.

f. The Executive shall have “**Good Reason**” to effect a termination in the event that the Corporation (i) breaches its obligations to pay any salary, benefit or bonus due hereunder, or (ii) requires the Executive to relocate more than 50 miles from the Executive’s current, principal place of employment other than requiring Executive to relocate to the Corporation’s restaurant service center located in Glendale, California, (iii) assigns to the Executive any duties inconsistent with the Executive’s position with the Corporation or significantly and adversely alters the nature or status of the Executive’s responsibilities or the conditions of the Executive’s employment, or (iv) reduces the Executive’s base salary and/or bonus opportunity, except for across-the-board reductions similarly affecting all management personnel of the Corporation and all

management personnel of any corporation or other entity which is in control of the Corporation; and in the event of any of (i), (ii), (iii) or (iv), the Executive has given written notice to the Board as to the details of the basis for such Good Reason within 30 days following the date on which the Executive alleges the event giving rise to such Good Reason occurred, the Corporation has failed to provide a reasonable cure within 30 days after its receipt of such notice and the effective date of the termination for Good Reason occurs within 180 days after the initial existence of the facts or circumstances constituting Good Reason. In the event of a termination by the Executive with Good Reason, the Executive will be entitled to all Severance Payments under **Section 13(g)**.

g. The “**Severance Payments**” consist of the following and, subject to **subsection h. of Section 20**, shall be paid as follows: (i) an amount, in one lump sum, equal to one times the sum of (A) the Executive’s annual Base Salary, at the then current effective annual rate, plus (B) the average of the Executive’s actual bonus attributable to each of the preceding three fiscal years; and (ii) the payment by the Corporation of premiums on behalf of the Executive, for coverage substantially similar to that provided under the Corporation’s health and life insurance plans, at the same cost to the Executive as was effective immediately prior to termination, and for so long as the Executive elects to continue such coverage up to a 12-month period. To the extent that the Executive becomes covered under a health or life insurance plan maintained by a subsequent employer, the Executive shall cease to be covered under the same type of plan maintained by the Corporation. The Executive agrees to notify the Corporation within 30 days after similar health or life benefits become available to the Executive from a subsequent employer. The Executive shall not be entitled to a prorated bonus pursuant to **subsection b. of Section 5** for the year in which the Executive is terminated.

h. In the event of any termination of the Executive other than by the Executive for Good Reason, by the Corporation without Cause or due to the Executive’s death or Disability, the Executive shall be entitled only to the Accrued Obligations and Other Benefits. In the event of any termination of the Executive, all amounts owed by the Executive to the Corporation for any reasons whatsoever will become immediately due and payable and the Corporation will transfer to the Executive any life insurance policy maintained by the Corporation for the Executive’s benefit.

i. In the event of any termination of the Executive by the Executive for Good Reason or by the Corporation without Cause, the Corporation shall provide standard outplacement services at the expense of the Corporation, but not to exceed in total an amount equal to \$10,000, from an outplacement firm selected by the Corporation. In order to receive outplacement services, the Executive must begin utilizing the services within 90 days of his or her date of termination.

14. **Change in Control and Termination Thereafter.** If within 24 months following a Change in Control, as defined below, the employment of the Executive is terminated by the Corporation without Cause or by the Executive for Good Reason, which shall not include a

termination due to the Executive's death or Disability, then the provisions of **Section 13** shall not apply and the following shall apply:

a. The Executive shall be entitled to receive all Accrued Obligations and Other Benefits. In addition, subject to **subsection h. of Section 20** and subject to the Executive's entering into and not revoking the Release within 30 days after the effective date of termination, the Executive shall receive the following: (i) a lump sum payment equal to two times the sum of (A) the Executive's Base Salary in effect immediately prior to the Change in Control, plus (B) the average of the Executive's actual bonus attributable to each of the preceding three fiscal years; and (ii) a lump sum payment equal to the bonus to which the Executive would have been entitled under the Corporation's annual incentive plan for the then current fiscal year, determined based on actual performance for the full performance period, and prorated based on the portion of the performance period that has elapsed prior to the date of termination, determined in accordance with the Corporation's administrative practices. The payment described in **clause (i) of this subsection a.** shall be made to the Executive within 30 days after the effective date of termination; provided that if such 30-day period straddles two consecutive calendar years, payment shall be made in the second of such years. The payment described in **clause (ii) of this subsection a.** shall be paid at the time the annual bonus would have been paid to the Executive had he or she remained employed through the last day of the applicable fiscal year.

b. The Corporation shall pay premiums on behalf of the Executive, for coverage substantially similar to that provided under the Corporation's health and life insurance plans, at the same cost to the Executive as was effective immediately prior to termination, and for so long as the Executive elects to continue such coverage up to a 24 month period. To the extent that the Executive becomes covered under a health or life insurance plan maintained by a subsequent employer, the Executive shall cease to be covered under the same type of plan maintained by the Corporation. The Executive agrees to notify the Corporation within 30 days after similar health or life benefits become available to the Executive from a subsequent employer.

c. Any unvested stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other equity-based awards held by the Executive that are subject only to service or time based vesting conditions (and not performance-based vesting conditions) will vest as of the day immediately preceding the effective date of termination and, to the extent applicable, will become exercisable, and any restrictions or conditions on such equity-based awards shall immediately lapse and be deemed satisfied. Any stock options or stock appreciation rights held by the Executive shall remain exercisable until the earlier of 24 months after the date of termination or their original expiration date.

Upon the occurrence of a Change in Control, the Executive shall, with respect to all outstanding, unvested performance units and any other equity-based and long-term cash-based compensation awards subject to performance-based vesting criteria that are

held by the Executive immediately prior to the Change in Control, be deemed to have satisfied any performance-based vesting criteria based on the Corporation's actual performance through the date of the Change in Control, and following the Change in Control any such awards shall continue to vest based upon the time or service-based vesting criteria, if any, to which the award is subject. If the Executive's employment terminates in accordance with the terms and conditions of this Section 14(c) after a Change in Control, such performance-based awards shall become immediately and fully vested, and shall be paid to the Executive not later than 30 days after the date of such termination.

d. The Executive shall be bound by the non-solicitation provisions of **Section 11**, which shall remain in full force and effect for a period of 24 months following the effective date of the Executive's termination.

e. If the Executive dies after signing the Release and prior to receiving Severance Payments to which he or she is entitled pursuant to this Agreement, payment shall be made to the beneficiary designated by the Executive to the Corporation or, in the event of no designation of beneficiary, then to the estate of the deceased Executive.

15. **Definition of Change in Control.** A "Change in Control" shall be deemed to have occurred if:

a. any "person," as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**") (other than the Corporation; any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation; or any Corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of Stock of the Corporation) is or becomes after the Effective Date the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation (not including in the securities beneficially owned by such person any securities acquired directly from the Corporation or its affiliates) representing 35% or more of the combined voting power of the Corporation's then outstanding securities; or

b. during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in **subsections a., c. or d. of this Section 15**) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or

c. the consummation of a merger or consolidation of the Corporation with any other corporation, other than (A) a merger or consolidation which would result in the

voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, at least 75% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no person acquires more than 50% of the combined voting power of the Corporation's then outstanding securities; or

d. the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets;

provided, that with respect to any non-qualified deferred compensation that becomes payable on account of the Change in Control, the transaction or event described in **subsection a., b., c. or d.** also constitutes a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5) if required in order for the payment not to violate Section 409A of the Code.

16. **Parachute Payment Matters.**

Notwithstanding any other provision of this Agreement, if by reason of Section 280G of the Code any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (whether payable pursuant to the terms of this Agreement ("**Contract Payments**") or any other plan, arrangements or agreement with the Corporation or an Affiliate (as defined below) (collectively with the Contract Payments, "**Total Payments**")) would not be deductible (in whole or part) by the Corporation, an Affiliate or other person making such payment or providing such benefit, then the Contract Payments shall be reduced and, if Contract Payments are reduced to zero, other Total Payments shall be reduced (in the reverse order in which they are due to be paid) until no portion of the Total Payments is not deductible by reason of Section 280G of the Code, provided, however, that no such reduction shall be made unless the net after-tax benefit received by the Executive after such reduction would exceed the net after-tax benefit received by the Executive if no such reduction was made. The foregoing determination and all determinations under this **Section 16** shall be made by the Accountants (as defined below). For purposes of this **Section 16**, "net after-tax benefit" shall mean (i) the Total Payments that would constitute "parachute payments" within the meaning of Section 280G of the Code, less (ii) the amount of all federal, state and local income taxes payable with respect to such payments calculated at the maximum marginal income tax rate for each year in which the foregoing shall be paid to the Executive (based on the rate in effect for such year as set forth in the Code as in effect at the time of the first payment of the foregoing), less (iii) the amount of excise taxes imposed with respect to the payments and benefits described in (i) above by Section 4999 of the Code. For purposes of the foregoing determinations, (a) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing prior to the date of payment of any Contract Payment shall be taken into account; (b) no portion of the Total Payments shall be taken

into account which in the opinion of the Accountants does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (without regard to subsection (A)(ii) thereof); (c) the Contract Payments (and, thereafter, other Total Payments) shall be reduced only to the extent necessary so that the Total Payments in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code, in the opinion of the Accountants; and (d) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Accountants in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of this **Section 16**, the term “**Affiliate**” means the Corporation’s successors, any Person whose actions result in a Change in Control or any company affiliated (or which, as a result of the completion of the transactions causing a Change in Control shall become affiliated) with the Corporation within the meaning of Section 1504 of the Code and “**Accountants**” shall mean the Corporation’s independent certified public accountants serving immediately prior to the Change in Control, unless the Accountants are also serving as accountant or auditor for the individual, entity or group effecting the Change in Control, in which case the Corporation shall appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accountants hereunder). For purposes of making the determinations and calculations required herein, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code, provided that the Accountant’s determinations must be made on the basis of “substantial authority” (within the meaning of Section 6662 of the Code). All fees and expenses of the Accountants shall be borne solely by the Corporation.

17. **Arbitration of Disputes.**

a. Any dispute or claim arising out of or relating to this Agreement or any termination of the Executive’s employment, other than with respect to **Sections 8 through 12**, shall be settled by final and binding arbitration in the greater Los Angeles metropolitan area in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

b. Except as provided by applicable law, the fees and expenses of the arbitration panel shall be shared equally by the Executive and the Corporation.

c. Except as provided by applicable law, the prevailing party in any arbitration brought hereunder shall be entitled to an award of its costs (including expenses and attorneys’ fees), incurred in such arbitration.

18. **No Mitigation.** The Executive shall have no duty to attempt to mitigate the level of benefits payable by the Corporation to the Executive hereunder, by seeking other employment or otherwise. To the extent that the Executive becomes covered under a health or life insurance plan maintained by a subsequent employer, the Corporation will discontinue the Executive’s coverage; otherwise, the Corporation shall not be entitled to set off against the amounts payable

hereunder any amounts received by the Executive from any other source, including any subsequent employer.

19. **Notices.** Any notices to be given hereunder by either party to the other may be effected either by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed as follows:

a. If to the Corporation:

DineEquity, Inc.
450 N. Brand Boulevard
Glendale, CA 91410
Attn: General Counsel

b. If to the Executive:

Steven R. Layt
12714 Melrose St.
Overland Park, KS 66213

Either party may change its address for notice by giving notice in accordance with the terms of this **Section 19**.

20. **General Provisions.**

a. **Law Governing.** This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to its conflict of laws rules.

b. **Invalid Provisions.** If any provision of this Agreement is held to be illegal, invalid, or unenforceable, then such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance here from. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and still be legal, valid or enforceable.

c. **Entire Agreement.** With the exception of the General Release of Claims (**Exhibit B**) executed as a condition to receiving certain separation benefits hereunder, and all equity award agreements, this Agreement sets forth the entire understanding of the parties and supersedes all prior agreements or understandings, whether written or oral, with respect to the subject matter hereof and all agreements, acknowledgments, designations and directions of the Executive made or given under any Corporation policy

statement or benefit program. No terms, conditions, warranties, other than those contained herein, and no amendments or modifications hereto shall be binding unless made in writing and signed by the parties hereto.

d. **Binding Effect.** This Agreement shall extend to and be binding upon and inure to the benefit to the parties hereto, their respective heirs, representatives, successors and assigns. This Agreement may not be assigned by the Executive, but may be assigned by the Corporation to any person or entity that succeeds to the ownership or operation of the business in which the Executive is primarily employed by the Corporation.

e. **Waiver.** The waiver by either party hereto of a breach of any term or provision of this Agreement shall not operate or be construed as a waiver of a subsequent breach of the same provision by any party or of the breach of any other term or provision of this Agreement.

f. **Titles.** Titles of the paragraphs herein are used solely for convenience and shall not be used for interpretation or construing any work, clause, paragraph, or provision of this Agreement.

g. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

h. **Compliance with IRC Section 409A.** The following provisions shall apply to this Agreement with respect to Section 409A of the Code:

(i) The lump sum cash severance payments which are payable under clause (i) of **subsection g. of Section 13 and subsection a. of Section 14.** are intended to satisfy the short-term deferral exemption under Treasury Regulation Section 1.409A-1(b)(4) and shall be made not later than the last day of the applicable two and one-half month period with respect to such payment, within the meaning of Treasury Regulation Section 1.409A-1(b)(4).

(ii) If any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, the Corporation shall, after consulting with the Executive, reform such provision to comply with Section 409A of the Code, provided that the Corporation agrees to maintain, to the maximum extent practicable, the original intent and economic benefit the Executive of the applicable provision without violating the provisions of Section 409A of the Code.

(iii) Notwithstanding any provision to the contrary in this **subsection h.**, if Executive is deemed on the Termination Date to be a “specified employee” within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit that is required to be delayed in compliance with

Section 409A(a)(2)(B) of the Code such payment or benefit shall not be made or provided (subject to the last sentence hereof) prior to the earlier of (A) the expiration of the six-month period measured from the date of the Executive's "separation from service" (as such term is defined under Section 409A of the Code) or (B) the date of the Executive's death (the "**Delay Period**"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this **subsection h.** (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to the Executive that would not be required to be delayed if the premiums therefore were paid by Executive, the Executive shall pay the full cost of premiums for such welfare benefits during the Delay Period and the Corporation shall pay the Executive an amount equal to the amount of such premiums paid by the Executive during the Delay Period promptly after its conclusion.

i. **Withholding.** The Corporation may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulations.

IN WITNESS WHEREOF, the Corporation and the Executive have executed this Agreement as of the date and year first above written.

THIS AGREEMENT CONTAINS AN ARBITRATION CLAUSE.

EXECUTIVE:

DineEquity, Inc.:

By: /s/Steven R. Layt
Steven R. Layt

By: /s/ John B. Jakubek
John B. Jakubek

Exhibit A

Executive's Authorities and Duties

During the Employment Period, the Executive will serve as President, Applebee's Business Unit, reporting directly to the Chief Executive Officer of the Corporation, with duties, authorities and responsibilities commensurate with such title and office at the Corporation and the Executive's services shall be performed at the Corporation's Applebee's Business Unit offices in Kansas City, Missouri or at the Corporation's restaurant service center in Glendale, California.

Exhibit B**General Release**

1. **General Release by Executive.** In consideration of the benefits provided under Section 13 or 14, as applicable of the Employment Agreement by and between [Executive Name] (“**Executive**”) and DineEquity, Inc., a Delaware corporation, and subject to Section 2 below, Executive hereby releases and discharges forever the Corporation, and each of its divisions, affiliates and subsidiaries, and each of their present and former directors, officers, employees, trustees, agents, attorneys, administrators, plans, plan administrators, insurers, parent corporations, subsidiaries, divisions, related and affiliated companies and entities, shareholders, members, representatives, predecessors, successors and assigns, and all persons acting by, through, under or in concert with them (hereinafter collectively referred to as the “**Executive Released Parties**”), from and against all liabilities, claims, demands, liens, causes of action, charges, suits, complaints, grievances, contracts, agreements, promises, obligations, costs, losses, damages, injuries, attorneys’ fees, and other legal responsibilities (collectively referred to as “**Claims**”), of any form whatsoever, including, but not limited to, any claims in law, equity, contract, tort, or any claims under the California Labor Code, the California Civil Code, the California Business and Professions Code, the California Fair Employment and Housing Act, Title VII of the Civil Rights Act of 1964, as amended, the Americans With Disabilities Act, the Age Discrimination in Employment Act (“**ADEA**”), as amended by the Older Workers Benefit Protection Act of 1990 (29 U.S.C. §§ 621, *et seq.*), the Sarbanes-Oxley Act of 2002, the Employee Retirement Income Security Act of 1974, or any other local ordinance or federal or state statute, regulation or constitution, whether known or unknown, unforeseen, unanticipated, unsuspected or latent, which Executive or Executive’s successors in interest now own or hold, or have at any time heretofore owned or held, or may at any time own or hold by reason of any matter or thing arising from any cause whatsoever prior to the date of execution of this Agreement, and without limiting the generality of the foregoing, from all claims, demands and causes of action based upon, relating to, or arising out of: (a) Executive’s employment relationship with the Corporation and/or any of the Executive Released Parties and the termination of that relationship; (b) Executive’s relationship as a shareholder, optionholder or holder of any interest whatsoever in any of the Executive Released Parties; (c) Executive’s relationship with any of the Executive Released Parties as a member of any boards of directors; and (d) any other type of relationship (business or otherwise) between Executive and any of the Executive Released Parties.

2. **Exclusions from General Release.** Notwithstanding the generality of Section 1, Executive does not release the following claims and rights:

- (a) Executive’s rights under this Agreement;
 - (a) Executive’s rights as a shareholder and option holder in the Corporation
 - (b) any claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;
-

- (c) claims to continued participation in certain of the Corporation's group benefit plans pursuant to the terms and conditions of the federal law known as COBRA or the comparable California law known as Cal-COBRA;
- (d) any rights vested prior to the date of Executive's termination of employment to benefits under any Corporation-sponsored retirement or welfare benefit plan;
- (e) Executive's rights, if any, to indemnity and/or advancement of expenses pursuant to applicable state law, the Corporation's articles, bylaws or other corporate governance documents, and/or to the protections of any director' and officers' liability policies of the Corporation or any of its affiliates; and
- (f) any other right that may not be released by private agreement.
 - a. (collectively, the "**Executive Unreleased Claims**").

3. **Rights Under the ADEA.** Without limiting the scope of the foregoing release of Claims in any way, Executive certifies that this release constitutes a knowing and voluntary waiver of any and all rights or claims that exist or that Executive has or may claim to have under ADEA. This release does not govern any rights or claims that might arise under the ADEA after the date this Agreement is signed by the parties. Executive acknowledges that: (a) the consideration provided pursuant to this Agreement is in addition to any consideration that he would otherwise be entitled to receive; (b) he has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement; (c) he has been provided a full and ample opportunity to review this Agreement, including a period of at least 21 days within which to consider it; (d) to the extent that Executive takes less than 21 days to consider this Agreement prior to execution, Executive acknowledges that he had sufficient time to consider this Agreement with counsel and that he expressly, voluntarily and knowingly waives any additional time; and (e) Executive is aware of his right to revoke this Agreement at any time within the seven-day period following the date on which he executes the Agreement and that the Agreement shall not become effective or enforceable until the calendar day immediately following the expiration of the seven-day revocation period (the "**Effective Date**"). Executive further understands that he shall relinquish any right he has to the consideration specified in this Agreement if he exercises his right to revoke it, and shall instead receive only such consideration as provided in his Employment Agreement. Notice of revocation must be made in writing and must be received by the Senior Vice President, Human Resources of the Corporation, no later than 5:00 p.m. (Pacific Time) on the seventh calendar day immediately following the date on which Executive executes this Agreement.

4. **Unknown Claims.** It is further understood and agreed that Executive waives all rights under Section 1542 of the California Civil Code and/or any statute or common law principle of similar effect in any jurisdiction with respect to any Claims other than the Executive Unreleased Claims. Section 1542 reads as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Notwithstanding the provisions of Section 1542 or any statute or common law principle of similar effect in any jurisdiction, and for the purpose of implementing a full and complete release and discharge of all claims, Executive expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all claims which Executive does not know or suspect to exist in Executive’s favor at the time of execution hereof, and that the general release agreed upon contemplates the extinguishment of any such claims.

5. **Covenant Not To Sue.** Executive represents and covenants that he has not filed, initiated or caused to be filed or initiated, any Claim, charge, suit, complaint, grievance, action or cause of action against the Corporation or any of the Executive Released Parties. Except to the extent that such waiver is precluded by law, Executive further promises and agrees that he will not file, initiate, or cause to be filed or initiated any Claim, charge, suit, complaint, grievance, action, or cause of action based upon, arising out of, or relating to any Claim, demand, or cause of action released herein, nor shall Executive participate, assist or cooperate in any Claim, charge, suit, complaint, grievance, action or proceeding regarding any of the Executive Released Parties, whether before a court or administrative agency or otherwise, unless required to do so by law. The parties acknowledge that this Agreement will not prevent the Executive from filing a charge with the Equal Employment Opportunity Commission (or similar state agency) or participating in any investigation conducted by the Equal Employment Opportunity Commission (or similar state agency); provided, however, that Executive acknowledges and agrees that any Claims by Executive, or brought on his behalf, for personal relief in connection with such a charge or investigation (such as reinstatement or monetary damages) would be and hereby are barred.

6. **No Assignment.** Executive represents and warrants that he has made no assignment or other transfer, and covenants that he will make no assignment or other transfer, of any interest in any Claim which he may have against the Executive Released Parties, or any of them.

7. **Indemnification of Executive Released Parties.** Executive agrees to indemnify and hold harmless the Executive Released Parties, and each of them, against any loss, claim, demand, damage, expenses, or any other liability whatsoever, including reasonable attorneys’ fees and costs resulting from: (a) any breach of this release by Executive or Executive’s successors in interest; (b) any assignment or transfer, or attempted assignment or transfer, of any Claims released hereunder; or (c) any action or proceeding brought by Executive or Executive’s successors in interest, or any other, if such action or proceeding arises out of, is based upon, or is related to any Claims, demands, or causes of action released herein; provided, however, that this indemnification provision shall not apply to any challenge by Executive of the release of claims under the ADEA, Title VII, or similar discrimination laws, and any right of the Release Parties to recover attorneys’ fees and/

or expenses for such breach shall be governed by applicable law. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by any of the Executive Released Parties under this indemnity.

8. Non-Disparagement by Executive. Executive agrees not to publish or disseminate, directly or indirectly, any statements, whether written or oral, or other verbal or non-verbal communications that clearly communicate an affirmative or negative response to a question or statement, that are or could be harmful to or reflect negatively on any of the Executive Released Parties and/or their businesses, or that are otherwise disparaging of any of the Executive Released Parties and/or their businesses, or any of their past or present or future officers, directors, employees, advisors, or agents in their capacity as such, or any of their policies, procedures, practices, decision-making, conduct, professionalism or compliance with standards. For avoidance of doubt, statements by Executive, which Executive reasonably and in good faith believes to be accurate and truthful, made to the Corporation, or its subsidiaries, affiliates or representatives pursuant to Executive's obligations under Section 10 hereof shall not be deemed a violation of this Section 8.

9. Cooperation. Executive agrees to cooperate fully with the Corporation and its subsidiaries and affiliates in transitioning his duties in response to reasonable requests for information about the business of the Corporation or its subsidiaries or affiliates or Executive's involvement and participation therein; the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Corporation or its subsidiaries or affiliates which relate to event or occurrences that transpired while Executive was employed by the Corporation; and in connection with any investigation or review by any federal, state or local regulatory, quasi-regulatory or self-governing authority (including, without limitation, the Securities and Exchange Commission) as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Corporation. Executive's full cooperation shall include, but not be limited to, being available to meet and speak with officers or employees of the Corporation and/or its counsel at reasonable times and locations, executing accurate and truthful documents, appearing at the Corporation's request as a witness at depositions, trials or other proceedings without the necessity of a subpoena, and taking such other actions as may reasonably be requested by of the Corporation and/or its counsel to effectuate the foregoing. In requesting such services, the Corporation will consider other commitments that Executive may have at the time of the request, and Executive's availability and obligations under this Section shall in all instances reasonably be subject to Executive's other commitments. The Corporation agrees to reimburse Executive for any reasonable, out-of-pocket travel, hotel and meal expenses incurred in connection with Executive's performance of obligations pursuant to this Section for which Executive has obtained prior, written approval from the Corporation, and the Corporation shall pay Executive \$200.00 per hour for any services performed by Executive at the request of the Corporation pursuant to this Section 9.

10. Truthful Testimony; Notice of Request for Testimony. Nothing in this Agreement is intended to or shall preclude either party from providing testimony that such party reasonably and in good faith believes to be truthful in response to a valid subpoena, court order, regulatory request or other judicial, administrative or legal process or otherwise as required by law. Executive shall notify the Corporation in writing as promptly as practicable after receiving any such

request of the anticipated testimony and at least 10 days prior to providing such testimony (or, if such notice is not possible under the circumstances, with as much prior notice as is possible) to afford the Corporation a reasonable opportunity to challenge the subpoena, court order or similar legal process. Moreover, nothing in this Agreement shall be construed or applied so as to limit any person from providing candid statements that such party reasonably and in good faith believes to be truthful to any governmental or regulatory body or any self-regulatory organization.

DATE EXECUTIVE

DINEEQUITY, INC.
Computation of Consolidated Leverage Ratio and Consolidated Cash Interest Coverage Ratio
Trailing Twelve Months Ended March 31, 2014
(in thousands, except ratios)

Consolidated Leverage Ratio Calculation:

Financial Covenant Debt ⁽¹⁾	\$ 1,330,771
Consolidated EBITDA ⁽¹⁾	\$ 280,946
Consolidated Leverage Ratio	<u>4.7</u>

Consolidated Interest Coverage Ratio Calculation:

Consolidated EBITDA ⁽¹⁾	\$ 280,946
Consolidated Cash Interest Charges ⁽¹⁾	\$ 110,199
Consolidated Interest Coverage Ratio	<u>2.5</u>

⁽¹⁾ Definitions of all components used in calculating the above ratios are found in the Credit Agreement, dated October 8, 2010, filed as Exhibit 10.2 to our Current Report on Form 8-K filed on October 21, 2010.

**Certification Pursuant to
Rule 13a-14(a) of the
Securities Exchange Act of 1934, As Amended**

I, Julia A. Stewart, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DineEquity, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (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; and
5. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (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.

Dated: May 1, 2014

/s/ Julia A. Stewart

Julia A. Stewart
Chairman and Chief Executive Officer
(Principal Executive Officer)

**Certification Pursuant to
Rule 13a-14(a) of the
Securities Exchange Act of 1934, As Amended**

I, Thomas W. Emrey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DineEquity, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (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; and
5. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (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.

Dated: May 1, 2014

/s/ Thomas W. Emrey

Thomas W. Emrey *Chief Financial Officer*
(Principal 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 Quarterly Report on Form 10-Q of DineEquity, Inc. (the "Company") for the quarter ended March 31, 2014, as filed with the Securities and Exchange Commission on May 1, 2014 (the "Report"), Julia A. Stewart, as Chairman and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of her knowledge, that:

- (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.

Dated: May 1, 2014

/s/ Julia A. Stewart

Julia A. Stewart
Chairman and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent the Company expressly and specifically incorporates it by reference in such filing.

**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 Quarterly Report on Form 10-Q of DineEquity, Inc. (the "Company") for the quarter ended March 31, 2014, as filed with the Securities and Exchange Commission on May 1, 2014 (the "Report"), Thomas W. Emrey, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (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.

Dated: May 1, 2014

/s/ Thomas W. Emrey

Thomas W. Emrey
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent the Company expressly and specifically incorporates it by reference in such filing.

