

**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 **June 30, 2012**

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 July 27, 2012
Common Stock, \$0.01 par value	18,319,035

DineEquity, Inc. and Subsidiaries
Index

	<u>Page</u>
<u>PART I.</u>	
<u>FINANCIAL INFORMATION</u>	<u>2</u>
<u>Item 1—Financial Statements</u>	<u>2</u>
<u>Consolidated Balance Sheets—June 30, 2012 (unaudited) and December 31, 2011</u>	<u>2</u>
<u>Consolidated Statements of Income and Comprehensive Income (unaudited)—Three and Six Months Ended June 30, 2012 and 2011</u>	<u>3</u>
<u>Consolidated Statements of Cash Flows (unaudited)—Six Months Ended June 30, 2012 and 2011</u>	<u>4</u>
<u>Notes to Consolidated Financial Statements</u>	<u>5</u>
<u>Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3—Quantitative and Qualitative Disclosures about Market Risk</u>	<u>39</u>
<u>Item 4—Controls and Procedures</u>	<u>39</u>
<u>PART II.</u>	
<u>OTHER INFORMATION</u>	<u>40</u>
<u>Item 1—Legal Proceedings</u>	<u>40</u>
<u>Item 1A—Risk Factors</u>	<u>40</u>
<u>Item 2—Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>40</u>
<u>Item 3—Defaults Upon Senior Securities</u>	<u>41</u>
<u>Item 4—Mine Safety Disclosure</u>	<u>41</u>
<u>Item 5—Other Information</u>	<u>41</u>
<u>Item 6—Exhibits</u>	<u>42</u>
<u>Signatures</u>	<u>43</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2012	December 31, 2011
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,371	\$ 60,691
Receivables, net	77,873	115,667
Inventories	12,056	12,031
Prepaid income taxes	5,721	13,922
Prepaid gift cards	29,352	36,643
Deferred income taxes	24,984	20,579
Assets held for sale	27,648	9,363
Other current assets	21,170	8,051
Total current assets	231,175	276,947
Long-term receivables	219,425	226,526
Property and equipment, net	435,582	474,154
Goodwill	697,470	697,470
Other intangible assets, net	815,577	822,361
Other assets, net	114,718	116,836
Total assets	\$ 2,513,947	\$ 2,614,294
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 7,420	\$ 7,420
Accounts payable	28,532	29,013
Accrued employee compensation and benefits	19,106	26,191
Gift card liability	91,266	146,955
Accrued interest payable	12,437	12,537
Current maturities of capital lease and financing obligations	14,154	13,480
Other accrued expenses	23,431	22,048
Total current liabilities	196,346	257,644
Long-term debt, less current maturities	1,338,819	1,411,448
Financing obligations, less current maturities	151,638	162,658
Capital lease obligations, less current maturities	129,070	134,407
Deferred income taxes	372,246	383,810
Other liabilities	109,185	109,107
Total liabilities	2,297,304	2,459,074
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, Series B, at accreted value, shares:10,000,000 authorized; 35,000 issued; June 30, 2012 and December 31, 2011 - 34,900 outstanding	45,853	44,508
Common stock, \$0.01 par value, shares: 40,000,000 authorized; June 30, 2012 - 24,636,137 issued, 18,326,803 outstanding; December 31, 2011 - 24,658,985 issued,18,060,206 outstanding	246	247
Additional paid-in-capital	209,737	205,663
Retained earnings	243,806	196,869
Accumulated other comprehensive loss	(155)	(294)
Treasury stock, at cost; shares: June 30, 2012 - 6,309,334; December 31, 2011 - 6,598,779	(282,844)	(291,773)
Total stockholders' equity	216,643	155,220
Total liabilities and stockholders' equity	\$ 2,513,947	\$ 2,614,294

See the accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Segment Revenues:				
Franchise revenues	\$ 102,459	\$ 98,551	\$ 210,868	\$ 203,103
Company restaurant sales	93,802	134,634	194,687	289,337
Rental revenues	29,171	31,624	61,176	63,840
Financing revenues	3,959	3,529	8,242	12,258
Total segment revenues	229,391	268,338	474,973	568,538
Segment Expenses:				
Franchise expenses	26,346	26,207	53,978	53,650
Company restaurant expenses	79,574	117,279	163,757	249,045
Rental expenses	24,301	24,566	48,838	49,213
Financing expenses	916	1	1,571	5,576
Total segment expenses	131,137	168,053	268,144	357,484
Gross segment profit	98,254	100,285	206,829	211,054
General and administrative expenses	37,239	38,450	76,871	76,419
Interest expense	29,650	32,867	59,871	69,173
Impairment and closure charges	122	21,816	844	26,754
Amortization of intangible assets	3,075	3,075	6,150	6,150
Loss (gain) on disposition of assets	741	1,291	(15,992)	(22,463)
Loss on extinguishment of debt	—	939	2,611	7,885
Debt modification costs	—	10	—	4,124
Income before income taxes	27,427	1,837	76,474	43,012
Provision for income taxes	(10,489)	(1,489)	(28,192)	(12,965)
Net income	16,938	348	48,282	30,047
Other comprehensive income:				
Adjustment to unrealized loss on available-for-sale investments	—	—	140	—
Foreign currency translation adjustment	(3)	(1)	(1)	20
Total comprehensive income	\$ 16,935	\$ 347	\$ 48,421	\$ 30,067
Net income available to common stockholders:				
Net income	\$ 16,938	\$ 348	\$ 48,282	\$ 30,047
Less: Accretion of Series B preferred stock	(677)	(639)	(1,345)	(1,268)
Less: Net income allocated to unvested participating restricted stock	(388)	7	(1,169)	(846)
Net income (loss) available to common stockholders	\$ 15,873	\$ (284)	\$ 45,768	\$ 27,933
Net income (loss) available to common stockholders per share:				
Basic	\$ 0.89	\$ (0.02)	\$ 2.57	\$ 1.56
Diluted	\$ 0.88	\$ (0.02)	\$ 2.52	\$ 1.53
Weighted average shares outstanding:				
Basic	17,890	18,072	17,786	17,884
Diluted	18,138	18,072	18,731	18,280

See the accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended	
	June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 48,282	\$ 30,047
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	20,956	26,339
Non-cash interest expense	3,045	2,988
Loss on extinguishment of debt	2,611	7,885
Impairment and closure charges	571	26,540
Deferred income taxes	(15,969)	(2,592)
Non-cash stock-based compensation expense	6,573	5,063
Tax benefit from stock-based compensation	4,653	6,021
Excess tax benefit from share-based compensation	(2,820)	(5,687)
Gain on disposition of assets	(15,992)	(22,463)
Other	894	116
Changes in operating assets and liabilities:		
Receivables	38,598	26,337
Inventories	(325)	(1,053)
Prepaid expenses	(2,058)	4,067
Current income tax receivables and payables	7,414	22,052
Accounts payable	69	(8,042)
Accrued employee compensation and benefits	(7,084)	(10,955)
Gift card liability	(55,690)	(49,183)
Other accrued expenses	2,628	(9,292)
Cash flows provided by operating activities	<u>36,356</u>	<u>48,188</u>
Cash flows from investing activities:		
Additions to property and equipment	(10,650)	(13,510)
Proceeds from sale of property and equipment and assets held for sale	21,500	55,494
Principal receipts from notes, equipment contracts and other long-term receivables	6,577	7,055
Other	(760)	(574)
Cash flows provided by investing activities	<u>16,667</u>	<u>48,465</u>
Cash flows from financing activities:		
Borrowings under revolving credit facilities	35,000	25,000
Repayments under revolving credit facilities	(35,000)	(25,000)
Repayment of long-term debt (including premiums)	(76,037)	(153,437)
Principal payments on capital lease and financing obligations	(6,125)	(6,764)
Payment of debt modification and issuance costs	—	(12,316)
Repurchase of restricted stock	(1,344)	(4,742)
Proceeds from stock options exercised	3,120	6,240
Excess tax benefit from share-based compensation	2,820	5,687
Change in restricted cash	(3,777)	1,492
Other	—	(600)
Cash flows used in financing activities	<u>(81,343)</u>	<u>(164,440)</u>
Net change in cash and cash equivalents	(28,320)	(67,787)
Cash and cash equivalents at beginning of period	60,691	102,309
Cash and cash equivalents at end of period	<u>\$ 32,371</u>	<u>\$ 34,522</u>
Supplemental disclosures:		
Interest paid in cash	\$ 65,040	\$ 79,482
Income taxes paid in cash	\$ 34,061	\$ 11,071

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 six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2012.

The consolidated balance sheet at December 31, 2011 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, 2011.

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 are reported as ending on March 31, June 30, September 30 and December 31. The first and second fiscal quarters of 2012 ended on April 1, 2012 and July 1, 2012, respectively; the first and second fiscal quarters of 2011 ended on April 3, 2011 and July 3, 2011, respectively.

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 in consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires the Company’s management to make estimates and assumptions 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, 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.

Restricted Assets

Restricted Cash

The Company receives funds from Applebee's franchisees pursuant to franchise agreements, usage of which is restricted to advertising activities. Cash balances restricted for this purpose as of June 30, 2012 and December 31, 2011 totaled \$4.9 million and \$1.2 million, respectively. The balances were included as other current assets in the consolidated balance sheets.

Other Restricted Assets

As of June 30, 2012 and December 31, 2011, restricted assets related to a captive insurance subsidiary totaled \$3.8 million and \$3.6 million, respectively, and were included in other assets in the consolidated balance sheets. The captive insurance subsidiary, which has not underwritten coverage since January 2006, was formed to provide insurance coverage to Applebee's and its franchisees. These restricted assets were primarily investments, use of which is restricted to the payment of insurance claims for incidents that occurred during the period coverage had been provided.

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

3. Accounting Policies

Recently Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-05, *Comprehensive Income — Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 requires the presentation of the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 did not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, nor did it affect how earnings per share is calculated or presented. The Company adopted ASU 2011-05 retrospectively in the first quarter of 2012 and adoption did not have a material impact on the Company's consolidated financial statements.

Newly Issued Accounting Standards

The Company reviewed all significant newly issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or that no material effect is expected on the consolidated financial statements as a result of future adoption.

4. Assets Held for Sale

The Company classifies assets as held for sale and ceases the depreciation and amortization of the assets when there is a plan for disposal of the assets and those assets meet the held for sale criteria, as defined in applicable U.S. GAAP. The balance of assets held for sale at December 31, 2011 of \$9.4 million was comprised of 17 Applebee's company-operated restaurants located in a six-state market area geographically centered around Memphis, Tennessee, one parcel of land on which a refranchised Applebee's formerly company-operated restaurant is situated and three parcels of land previously intended for future restaurant development.

During the six months ended June 30, 2012, the Company completed the refranchising and sale of related restaurant assets of the 17 Applebee's company-operated restaurants located in a six-state market area geographically centered around Memphis, Tennessee. In April 2012, the Company entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 39 Applebee's company-operated restaurants located in Virginia. In May 2012, the Company entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 33 Applebee's company-operated restaurants located primarily in Missouri and Indiana. Accordingly, \$23.7 million, representing the net book value of the assets related to these 72 restaurants, was transferred to assets held for sale.

Assets held for sale at June 30, 2012 of \$27.6 million was comprised of 72 Applebee's company-operated restaurants located primarily in Virginia, Missouri and Indiana, one parcel of land on which a refranchised Applebee's formerly company-operated restaurant is situated and three parcels of land previously intended for future restaurant development.

The following table summarizes changes in assets held for sale during the six months ended June 30, 2012:

	(In millions)
Balance, December 31, 2011	\$ 9.4
Assets transferred to held for sale	23.7
Assets sold	(5.1)
Other	(0.4)
Balance, June 30, 2012	\$ 27.6

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

5. Long-Term Debt

Long-term debt consisted of the following components:

	June 30, 2012	December 31, 2011
<i>(In millions)</i>		
Senior Secured Credit Facility, due October 2017, at a variable interest rate of 4.25% as of June 30, 2012 and December 31, 2011	\$ 612.0	\$ 682.5
Senior Notes due October 2018, at a fixed rate of 9.5%	760.8	765.8
Discount	(26.6)	(29.5)
Total long-term debt	1,346.2	1,418.8
Less current maturities	(7.4)	(7.4)
Long-term debt, less current maturities	\$ 1,338.8	\$ 1,411.4

For a description of the respective instruments, refer to Note 8 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Debt Modification Costs

On February 25, 2011, the Company entered into Amendment No. 1 (the "Amendment") to the Credit Agreement dated as of October 8, 2010. For a description of the Amendment, refer to Note 8 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. Fees of \$4.1 million paid to third parties in connection with the Amendment were included as "Debt modification costs" in the Consolidated Statement of Income for the six months ended June 30, 2011.

Loss on Extinguishment of Debt

During the six months ended June 30, 2012 and 2011, the Company recognized the following losses on the extinguishment of debt:

Quarter Ended	Instrument Repaid/Retired	Face Amount Repaid/Retired	Cash Paid	Loss ⁽¹⁾
<i>(In millions)</i>				
March 2012	Term Loans	\$ 70.5	\$ 70.5	\$ 1.9
March 2012	Senior Notes	5.0	5.5	0.7
	Total 2012	75.5	76.0	2.6
March 2011	Term Loans	\$ 110.0	\$ 110.0	\$ 2.7
March 2011	Senior Notes	32.3	35.3	4.3
June 2011	Senior Notes	7.5	8.2	0.9
	Total 2011	\$ 149.8	\$ 153.5	\$ 7.9

⁽¹⁾ Including write-off of the discount and deferred financing costs related to the debt retired.

Compliance with Covenants and Restrictions

The Company was in compliance with all the covenants and restrictions related to its Senior Secured Credit Facility and Senior Notes as of June 30, 2012.

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

6. Financing Obligations

As of June 30, 2012, future minimum lease payments under financing obligations during the initial terms of the leases related to sale-leaseback transactions are as follows:

<u>Fiscal Years</u>	<u>(In millions)</u>
Remainder of 2012	\$ 7.2 ⁽¹⁾
2013	17.4
2014	17.6
2015	19.0 ⁽¹⁾
2016	17.6
Thereafter	207.5
Total minimum lease payments	<u>286.3</u>
Less interest	<u>(130.9)</u>
Total financing obligations	155.4
Less current portion	(3.8) ⁽²⁾
Long-term financing obligations	<u>\$ 151.6</u>

(1) Due to the varying closing dates of the Company's fiscal years, 11 monthly payments will be made in fiscal 2012 and 13 monthly payments will be made in fiscal 2015.

(2) Included in "current maturities of capital lease and financing obligations" on the consolidated balance sheet.

During the six months ended June 30, 2012, the Company's continuing involvement with six properties subject to financing obligations was ended by assignment of the lease obligations to a qualified franchisee. As a result, the Company's financing obligations were reduced by \$9.2 million.

7. Impairment and Closure Charges

The Company assesses tangible long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The following table summarizes the components of impairment and closure charges for the three and six months ended June 30, 2012 and 2011:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(In millions)			
Impairment and closure charges:				
Impairment	\$ —	\$ 0.3	\$ 0.3	\$ 4.8
Lenexa lease termination	—	21.3	—	21.3
Closure charges	0.1	0.2	0.5	0.7
Total impairment and closure charges	<u>\$ 0.1</u>	<u>\$ 21.8</u>	<u>\$ 0.8</u>	<u>\$ 26.8</u>

Impairment and closure charges for the six months ended June 30, 2012 totaled \$0.8 million. The impairment charge related to a parcel of land previously intended for future restaurant development. Closure charges related to several individually insignificant franchise restaurant closures.

Impairment and closure charges for the six months ended June 30, 2011 totaled \$26.8 million and primarily related to termination of the Company's sublease of the commercial space previously occupied by the Applebee's Restaurant Support Center in Lenexa, Kansas. The Company recognized \$21.3 million for the termination fee and other closing costs in the second quarter of 2011. The Company recognized a \$4.5 million impairment charge in the quarter ended March 31, 2011 related to furniture, fixtures and leasehold improvements at the facility whose book value was not realizable as the result of the termination of the sublease. Closure charges related to several individually insignificant franchise restaurant closures.

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

8. Income Taxes

The effective tax rate was 36.9% for the six months ended June 30, 2012 as compared to 30.1% for the six months ended June 30, 2011. The effective tax rate in the prior year was lower due to the release of liabilities for unrecognized tax benefits related to gift card income deferral as a result of the issuance of guidance by the U.S. Internal Revenue Service.

At June 30, 2012, the Company had a liability for unrecognized tax benefits, including potential interest and penalties net of related tax benefit, totaling \$7.9 million, of which approximately \$1.2 million is expected to be paid within one year. 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.

As of June 30, 2012, accrued interest and penalties were \$2.6 million and \$0.4 million, respectively, excluding any related income tax benefits. As of December 31, 2011, accrued interest and penalties were \$3.0 million and \$0.3 million, respectively, excluding any related income tax benefits. The decrease of \$0.4 million of accrued interest is primarily related to the decrease of unrecognized tax benefits due to settlements with taxing authorities, partially offset by the accrual of interest during the six months ended June 30, 2012. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as a component of income tax expense, which is recognized in the Consolidated Statements of Income.

The Company and its subsidiaries file federal income tax returns as well as 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. The Internal Revenue Service commenced examination of the Company's U.S. federal income tax return for the tax years 2008 to 2010 in the first quarter of 2012. The examination is anticipated to be completed by the first quarter of 2013.

9. 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 over a three-year period and have a term of ten years from the effective issuance 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.

The following table summarizes the components of the Company's stock-based compensation expense included in general and administrative expenses in the consolidated financial statements:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	(In millions)			
Pre-tax compensation expense	\$ 2.5	\$ 3.3	\$ 7.0	\$ 6.4
Tax provision	(1.0)	(1.3)	(2.7)	(2.5)
Total stock-based compensation expense, net of tax	<u>\$ 1.5</u>	<u>\$ 2.0</u>	<u>\$ 4.3</u>	<u>\$ 3.9</u>

As of June 30, 2012, total unrecognized compensation cost (including estimated forfeitures) of \$12.2 million related to restricted stock and restricted stock units and \$10.6 million related to stock options is expected to be recognized over a weighted average period of 1.2 years for restricted stock and restricted stock units and 1.1 years for stock options.

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

The estimated fair values of the options granted during the six months ended June 30, 2012 were calculated using a Black-Scholes option pricing model. The following summarizes the assumptions used in the Black-Scholes model:

Risk-free interest rate	0.86%
Weighted average historical volatility	83.6%
Dividend yield	—
Expected years until exercise	4.66
Forfeitures	11.0%
Weighted average fair value of options granted	\$ 33.11

Option balances as of June 30, 2012 and activity related to the Company's stock options during the six months then ended were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2011	1,318,640	\$ 32.06		
Granted	147,674	\$ 51.63		
Exercised	(212,308)	\$ 15.94		
Forfeited	(24,775)	\$ 39.09		
Outstanding at June 30, 2012	1,229,231	\$ 37.05	6.87	\$ 13,145,000
Vested at June 30, 2012 and Expected to Vest	1,173,783	\$ 36.48	6.76	\$ 12,991,000
Exercisable at June 30, 2012	780,398	\$ 31.89	5.8	\$ 11,172,000

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing stock price of the Company's common stock on the last trading day of the second quarter of 2012 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 June 30, 2012. 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.

A summary of restricted stock activity for the six months ended June 30, 2012 is presented below:

	Restricted Stock	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2011	486,533	\$31.25	18,000	\$29.32
Granted	120,123	\$51.85	19,152	\$52.23
Released	(154,903)	\$11.03	(3,910)	\$40.58
Forfeited	(36,976)	\$40.90	—	—
Outstanding at June 30, 2012	414,777	\$43.72	33,242	\$41.19

The Company has issued 44,957 shares of cash-settled restricted stock units to members of the Board of Directors, of which 37,184 were outstanding at June 30, 2012. As these instruments can only be settled in cash, they are recorded as liabilities based on the closing price of the Company's common stock as of June 30, 2012. For the six months ended June 30, 2012 and 2011, \$0.2 million and \$0.8 million, respectively, were included in pretax stock-based compensation expense for the cash-settled restricted stock units.

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

10. Segments

The Company's revenues and expenses are recorded in four segments: franchise operations, company restaurant operations, rental operations and financing operations.

As of June 30, 2012, the franchise operations segment consisted of (i) 1,858 restaurants operated by Applebee's franchisees in the United States, one U.S. territory and 15 countries outside the United States; and (ii) 1,540 restaurants operated by IHOP franchisees and area licensees in the United States, two U.S. territories and three countries outside the United States. Franchise operations revenue consists primarily of franchise royalty revenues, sales of proprietary products, certain franchise advertising fees and the portion of the franchise fees allocated to intellectual property. Franchise operations expenses include advertising expense, the cost of proprietary products, pre-opening training expenses and costs related to intellectual property provided to certain franchisees.

As of June 30, 2012, the company restaurant operations segment consisted of 160 Applebee's company-operated restaurants and 17 IHOP company-operated restaurants, all 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, benefits, 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 on capital leases on franchisee-operated 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 and a portion of franchise fees for restaurants taken back from franchisees not allocated to IHOP intellectual property. Financing expenses are primarily the cost of restaurant equipment.

Information on segments was as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
(In millions)				
Revenues from External Customers				
Franchise operations	\$ 102.5	\$ 98.6	\$ 210.9	\$ 203.1
Company restaurants	93.8	134.6	194.7	289.3
Rental operations	29.1	31.6	61.2	63.8
Financing operations	4.0	3.5	8.2	12.3
Total	<u>\$ 229.4</u>	<u>\$ 268.3</u>	<u>\$ 475.0</u>	<u>\$ 568.5</u>
Interest Expense				
Company restaurants	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.3
Rental operations	4.3	4.5	8.6	9.2
Corporate	29.7	32.9	59.9	69.2
Total	<u>\$ 34.1</u>	<u>\$ 37.5</u>	<u>\$ 68.7</u>	<u>\$ 78.7</u>
Depreciation and amortization				
Franchise operations	\$ 2.5	\$ 2.6	\$ 4.9	\$ 5.1
Company restaurants	2.3	4.6	4.7	9.5
Rental operations	3.4	3.5	6.9	7.1
Corporate	2.3	2.4	4.5	4.6
Total	<u>\$ 10.5</u>	<u>\$ 13.1</u>	<u>\$ 21.0</u>	<u>\$ 26.3</u>
Income (loss) before income taxes				
Franchise operations	\$ 76.2	\$ 72.4	\$ 156.9	\$ 149.4
Company restaurants	14.2	17.3	30.9	40.3
Rental operations	4.8	7.0	12.3	14.6
Financing operations	3.1	3.6	6.7	6.7
Corporate	(70.9)	(98.5)	(130.3)	(168.0)
Total	<u>\$ 27.4</u>	<u>\$ 1.8</u>	<u>\$ 76.5</u>	<u>\$ 43.0</u>

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

11. Net Income (Loss) per Share

The computation of the Company's basic and diluted net income (loss) per share was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(In thousands, except per share data)				
Numerator for basic and dilutive income - per common share:				
Net income	\$ 16,938	\$ 348	\$ 48,282	\$ 30,047
Less: Accretion of Series B Preferred Stock	(677)	(639)	(1,345)	(1,268)
Less: Net income allocated to unvested participating restricted stock	(388)	7	(1,169)	(846)
Net income (loss) available to common stockholders - basic	15,873	(284)	45,768	27,933
Effect of unvested participating restricted stock in two-class calculation	5	—	58	17
Accretion of Series B Preferred Stock	—	—	1,345	—
Net income (loss) available to common stockholders - diluted	\$ 15,878	\$ (284)	\$ 47,171	\$ 27,950
Denominator:				
Weighted average outstanding shares of common stock - basic	17,890	18,072	17,786	17,884
Dilutive effect of:				
Stock options	248	—	282	396
Series B Preferred Stock	—	—	663	—
Weighted average outstanding shares of common stock - diluted	18,138	18,072	18,731	18,280
Net income (loss) per common share:				
Basic	\$ 0.89	\$ (0.02)	\$ 2.57	\$ 1.56
Diluted	\$ 0.88	\$ (0.02)	\$ 2.52	\$ 1.53

For the three months ended June 30, 2012 and the six months ended June 30, 2011, the diluted income per common share was computed excluding 662,500 and 624,000 shares, respectively, of common stock equivalents from the conversion of Series B Preferred Stock that were antidilutive. For the three months ended June 30, 2011, the diluted loss per common share was computed excluding 965,000 shares of common stock equivalents that were antidilutive.

12. Fair Value Measurements

The Company does not have a material amount of financial instruments that are required under U.S. GAAP to be measured on a recurring basis at fair value. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required to be measured at fair value on a recurring basis. The Company has not elected to use fair value measurement, as provided 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 the carrying amounts due to their short duration.

The fair values of non-current financial liabilities at June 30, 2012 and December 31, 2011, determined based on Level 2 inputs, were as follows:

	June 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in millions)				
Long-term debt, less current maturities	\$ 1,338.8	\$ 1,438.4	\$ 1,411.4	\$ 1,486.2

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

13. 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 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 deductibles, analyzes litigation information with the Company's attorneys and evaluates its loss experience in connection with pending legal proceedings. While the Company does not presently believe that any of the legal proceedings to which the Company is currently a party will ultimately have a material adverse impact upon 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.

Gerald Fast v. Applebee's

The Company is currently defending a collective action in United States District Court for the Western District of Missouri, Central Division filed on July 14, 2006 under the Fair Labor Standards Act, Gerald Fast v. Applebee's International, Inc., in which named plaintiffs claim that tipped servers and bartenders in Applebee's company-operated restaurants spend more than 20% of their time performing general preparation and maintenance duties, or "non-tipped work," for which they should be compensated at the minimum wage. On June 19, 2007, the court granted conditional certification of a nationwide class of servers and bartenders who had worked in Applebee's company-operated restaurants since June 19, 2004. As of February 2008, there were 5,540 potential class members who had opted into the collective action. Under this action, plaintiffs currently are seeking unpaid wages and other relief of up to \$17 million plus plaintiffs' attorneys' fees and expenses. The bench trial is currently scheduled to begin on September 10, 2012.

The Company believes it has meritorious defenses and intends to vigorously defend this case. Due to the inherent uncertainty in litigation, however, there can be no guarantee that the Company ultimately will be successful. Substantial losses from or costs related to this legal proceeding could have a material impact on the Company. As of June 30, 2012, the Company had not accrued a loss contingency related to this matter. Given the uncertainty of the potential outcome, the Company is also unable to estimate, for financial reporting purposes, a reasonably possible loss or a range of reasonably possible losses for this matter.

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 had potential continuing liability for lease payments totaling \$370.4 million as of June 30, 2012. 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 2012 through 2048. In the event of default, the indemnity and default clauses in our sale or assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of June 30, 2012.

14. 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 the consolidated financial statements.

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

Supplemental Condensed Consolidating Balance Sheet
June 30, 2012
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	\$ —	\$ 31.9	\$ 0.5	\$ —	\$ 32.4
Receivables, net	0.9	84.9	0.1	(8.0)	77.9
Inventories	—	12.1	—	—	12.1
Prepaid expenses and other current assets	118.5	48.8	—	(111.1)	56.2
Deferred income taxes	2.3	22.4	0.3	—	25.0
Assets held for sale	—	25.8	1.8	—	27.6
Intercompany	(283.6)	278.0	5.6	—	—
Total current assets	(161.9)	503.9	8.3	(119.1)	231.2
Long-term receivables	—	219.4	—	—	219.4
Property and equipment, net	24.3	411.3	—	—	435.6
Goodwill	—	697.5	—	—	697.5
Other intangible assets, net	—	815.6	—	—	815.6
Other assets, net	20.9	93.7	—	—	114.6
Investment in subsidiaries	1,697.6	—	—	(1,697.6)	—
Total assets	\$ 1,580.9	\$ 2,741.4	\$ 8.3	\$ (1,816.7)	\$ 2,513.9
Liabilities and Stockholders' Equity					
Current Liabilities					
Current maturities of long-term debt	\$ 15.4	\$ —	\$ —	\$ (8.0)	\$ 7.4
Accounts payable	2.2	26.3	—	—	28.5
Accrued employee compensation and benefits	4.6	14.5	—	—	19.1
Gift card liability	—	91.3	—	—	91.3
Income taxes payable	(23.9)	135.0	—	(111.1)	—
Other accrued expenses	15.0	34.7	0.3	—	50.0
Total current liabilities	13.3	301.8	0.3	(119.1)	196.3
Long-term debt	1,338.8	—	—	—	1,338.8
Financing obligations	—	151.6	—	—	151.6
Capital lease obligations	—	129.1	—	—	129.1
Deferred income taxes	6.5	366.0	(0.3)	—	372.2
Other liabilities	5.5	102.9	0.9	—	109.3
Total liabilities	1,364.1	1,051.4	0.9	(119.1)	2,297.3
Total stockholders' equity	216.8	1,690.0	7.4	(1,697.6)	216.6
Total liabilities and stockholders' equity	\$ 1,580.9	\$ 2,741.4	\$ 8.3	\$ (1,816.7)	\$ 2,513.9

⁽¹⁾ Supplemental statements presented in millions may not add due to rounding from Consolidated Statements presented in thousands.

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

Supplemental Condensed Consolidating Balance Sheet
December 31, 2011
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	\$ 9.9	\$ 50.4	\$ 0.4	\$ —	\$ 60.7
Receivables, net	0.6	121.0	0.1	(6.0)	115.7
Inventories	—	12.0	—	—	12.0
Prepaid expenses and other current assets	85.3	44.6	—	(71.3)	58.6
Deferred income taxes	1.5	19.0	0.1	—	20.6
Assets held for sale	—	7.3	2.1	—	9.4
Intercompany	(300.2)	294.5	5.7	—	—
Total current assets	(202.9)	548.7	8.4	(77.3)	276.9
Long-term receivables	—	226.5	—	—	226.5
Property and equipment, net	24.6	449.6	—	—	474.2
Goodwill	—	697.5	—	—	697.5
Other intangible assets, net	—	822.4	—	—	822.4
Other assets, net	23.2	93.5	0.1	—	116.8
Investment in subsidiaries	1,697.6	—	—	(1,697.6)	—
Total assets	\$ 1,542.5	\$ 2,838.2	\$ 8.5	\$ (1,774.9)	\$ 2,614.3
Liabilities and Stockholders' Equity					
Current Liabilities					
Current maturities of long-term debt	\$ 13.4	\$ —	\$ —	\$ (6.0)	\$ 7.4
Accounts payable	2.8	26.2	—	—	29.0
Accrued employee compensation and benefits	6.7	19.5	—	—	26.2
Gift card liability	—	147.0	—	—	147.0
Other accrued expenses	(61.6)	180.6	0.4	(71.3)	48.1
Total current liabilities	(38.7)	373.3	0.4	(77.3)	257.6
Long-term debt	1,411.4	—	—	—	1,411.4
Financing obligations	—	162.7	—	—	162.7
Capital lease obligations	—	134.4	—	—	134.4
Deferred income taxes	8.9	375.3	(0.4)	—	383.8
Other liabilities	5.4	102.6	1.1	—	109.1
Total liabilities	1,387.0	1,148.3	1.1	(77.3)	2,459.1
Total stockholders' equity	155.5	1,689.9	7.4	(1,697.6)	155.2
Total liabilities and stockholders' equity	\$ 1,542.5	\$ 2,838.2	\$ 8.5	\$ (1,774.9)	\$ 2,614.3

⁽¹⁾ Supplemental statements presented in millions may not add due to rounding from Consolidated Statements presented in thousands.

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

Supplemental Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2012
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Revenues					
Franchise revenues	\$ 0.6	\$ 101.6	\$ 0.3	\$ —	\$ 102.5
Restaurant sales	—	93.8	—	—	93.8
Rental revenues	—	29.2	—	—	29.1
Financing revenues	—	4.0	—	—	4.0
Total revenue	0.6	228.6	0.3	—	229.4
Franchise expenses	0.6	25.7	—	—	26.3
Restaurant expenses	—	79.6	—	—	79.6
Rental expenses	—	24.3	—	—	24.3
Financing expenses	—	0.9	—	—	0.9
General and administrative	6.1	30.6	0.5	—	37.2
Interest expense	27.0	2.7	—	—	29.7
Impairment and closure	—	0.1	—	—	0.1
Amortization of intangible assets	—	3.1	—	—	3.1
Loss (gain) on disposition of assets	—	1.2	(0.4)	—	0.7
Loss on extinguishment of debt	—	—	—	—	—
Intercompany dividend	(37.0)	—	—	37.0	—
Income (loss) before income taxes	3.9	60.4	0.2	(37.0)	27.4
Benefit (provision) for income taxes	12.8	(23.3)	—	—	(10.5)
Net (loss) income	\$ 16.9	\$ 36.9	\$ 0.1	\$ (37.0)	\$ 16.9
Total comprehensive income	\$ 16.9	\$ 36.9	\$ 0.1	\$ (37.0)	\$ 16.9

Supplemental Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2011
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Revenues					
Franchise revenues	\$ 0.6	\$ 97.7	\$ 0.2	\$ —	\$ 98.6
Restaurant sales	—	134.3	0.4	—	134.6
Rental revenues	—	31.6	—	—	31.6
Financing revenues	—	3.5	—	—	3.5
Total revenue	0.6	267.1	0.6	—	268.3
Franchise expenses	0.5	25.7	—	—	26.2
Restaurant expenses	—	117.1	0.2	—	117.3
Rental expenses	—	24.6	—	—	24.6
Financing expenses	—	—	—	—	—
General and administrative	6.1	31.7	0.6	—	38.4
Interest expense	28.7	4.2	—	—	32.9
Impairment and closure	—	21.8	—	—	21.8
Amortization of intangible assets	—	3.1	—	—	3.1
Loss on disposition of assets	—	1.2	0.1	—	1.3
Loss on extinguishment of debt	0.9	—	—	—	0.9
Debt modification costs	—	—	—	—	—
Other (income) expense	30.4	43.8	(0.5)	(73.7)	—
Income (loss) before income taxes	(66.0)	(6.1)	0.2	73.7	1.8
Benefit (provision) for income taxes	13.8	(15.1)	(0.1)	—	(1.5)
Net (loss) income	\$ (52.2)	\$ (21.2)	\$ 0.2	\$ 73.7	\$ 0.3
Total comprehensive income	\$ (52.2)	\$ (21.2)	\$ 0.2	\$ 73.7	\$ 0.3

⁽¹⁾ Supplemental statements presented in millions may not add due to rounding from Consolidated Statements presented in thousands.

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

Supplemental Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2012
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Revenues					
Franchise revenues	\$ 1.3	\$ 209.1	\$ 0.5	\$ —	\$ 210.9
Restaurant sales	—	194.7	—	—	194.7
Rental revenues	—	61.2	—	—	61.2
Financing revenues	—	8.2	—	—	8.3
Total revenue	1.3	473.2	0.5	—	475.0
Franchise expenses	1.2	52.8	—	—	54.0
Restaurant expenses	—	163.8	—	—	163.8
Rental expenses	—	48.8	—	—	48.9
Financing expenses	—	1.6	—	—	1.6
General and administrative	13.1	62.7	1.0	—	76.9
Interest expense	54.4	5.5	—	—	59.9
Impairment and closure	—	0.4	0.4	—	0.8
Amortization of intangible assets	—	6.2	—	—	6.2
Gain on disposition of assets	—	(15.2)	(0.8)	—	(16.0)
Loss on extinguishment of debt	2.6	—	—	—	2.6
Intercompany dividend	(91.1)	—	—	91.1	—
Income (loss) before income taxes	21.1	146.6	(0.1)	(91.1)	76.5
Benefit (provision) for income taxes	27.2	(55.3)	—	—	(28.2)
Net (loss) income	\$ 48.3	\$ 91.3	\$ (0.1)	\$ (91.1)	\$ 48.3
Total comprehensive income	\$ 48.2	\$ 91.4	\$ (0.1)	\$ (91.1)	\$ 48.4

Supplemental Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2011
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Revenues					
Franchise revenues	\$ 1.3	\$ 201.3	\$ 0.5	\$ —	\$ 203.1
Restaurant sales	—	288.5	0.8	—	289.3
Rental revenues	—	63.8	—	—	63.8
Financing revenues	—	12.3	—	—	12.3
Total revenue	1.3	565.9	1.3	—	568.5
Franchise expenses	1.0	52.7	—	—	53.7
Restaurant expenses	—	248.6	0.4	—	249.0
Rental expenses	—	49.2	—	—	49.2
Financing expenses	—	5.6	—	—	5.6
General and administrative	13.6	61.6	1.2	—	76.4
Interest expense	61.0	8.1	—	—	69.2
Impairment and closure	—	26.7	0.1	—	26.8
Amortization of intangible assets	—	6.2	—	—	6.2
Gain on disposition of assets	—	(22.5)	—	—	(22.5)
Loss on extinguishment of debt	7.9	—	—	—	7.9
Debt modification costs	4.1	—	—	—	4.1
Other (income) expense	14.3	20.5	(0.9)	(33.9)	—
Income (loss) before income taxes	(100.6)	109.2	0.5	33.9	43.0
Benefit (provision) for income taxes	33.4	(46.2)	(0.2)	—	(13.0)
Net (loss) income	\$ (67.2)	\$ 63.0	\$ 0.3	\$ 33.9	\$ 30.0
Total comprehensive income	\$ (67.2)	\$ 63.1	\$ 0.3	\$ 33.9	\$ 30.0

⁽¹⁾ Supplemental statements presented in millions may not add due to rounding from Consolidated Statements presented in thousands.

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

Supplemental Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2012
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Cash flows provided by (used in) operating activities	\$ (64.9)	\$ 101.1	\$ 0.2	—	\$ 36.4
Investing cash flows					
Additions to property and equipment	(3.0)	(7.7)	—	—	(10.7)
Principal receipts from long-term receivables	—	6.6	—	—	6.6
Proceeds from sale of assets	—	21.5	—	—	21.5
Other	—	(0.8)	—	—	(0.8)
Cash flows provided by (used in) investing activities	(3.0)	19.6	—	—	16.6
Financing cash flows					
Revolving credit borrowings	35.0	—	—	—	35.0
Revolving credit repayments	(35.0)	—	—	—	(35.0)
Payment of debt	(76.0)	(6.1)	—	—	(82.2)
Payment of debt issuance costs	—	—	—	—	—
Purchase of common stock	—	—	—	—	—
Restricted cash	—	(3.8)	—	—	(3.8)
Other	3.9	0.7	—	—	4.6
Intercompany transfers	130.1	(130.0)	(0.1)	—	—
Cash flows provided by (used in) financing activities	58.0	(139.2)	(0.1)	—	(81.3)
Net change	(9.9)	(18.5)	0.1	—	(28.3)
Beginning cash and equivalents	9.9	50.4	0.4	—	60.7
Ending cash and equivalents	\$ —	\$ 31.9	\$ 0.5	—	\$ 32.4

Supplemental Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2011
(In millions⁽¹⁾)

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Cash flows provided by (used in) operating activities	\$ (79.7)	\$ 127.4	\$ 0.5	—	\$ 48.2
Investing cash flows					
Additions to property and equipment	(4.0)	(9.5)	—	—	(13.5)
Principal receipts from long-term receivables	—	7.1	—	—	7.1
Proceeds from sale of assets	—	55.5	—	—	55.5
Other	—	(0.6)	—	—	(0.6)
Cash flows provided by (used in) investing activities	(4.0)	52.5	—	—	48.5
Financing cash flows					
Revolving credit borrowings	25.0	—	—	—	25.0
Revolving credit repayments	(25.0)	—	—	—	(25.0)
Payment of debt	(153.4)	(6.8)	—	—	(160.2)
Payment of debt issuance costs	(12.3)	—	—	—	(12.3)
Restricted cash	—	1.5	—	—	1.5
Other	6.2	0.3	—	—	6.5
Intercompany transfers	226.6	(225.0)	(1.6)	—	—
Cash flows provided by (used in) financing activities	67.1	(230.0)	(1.6)	—	(164.5)
Net change	(16.6)	(50.1)	(1.1)	—	(67.8)
Beginning cash and equivalents	23.4	77.3	1.6	—	102.3

Ending cash and equivalents	\$	6.8	\$	27.2	\$	0.5	—	\$	34.5
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⁽¹⁾ Supplemental statements presented in millions may not add due to rounding from Consolidated Statements presented in thousands.

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

15. Subsequent Events

On July 20, 2012, the Company entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 65 Applebee's company-operated restaurants located in Michigan. This transaction is expected to close by the end of fiscal 2012. A gain will be recognized upon the close of the transaction.

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, 2011. 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”).

The Company was incorporated under the laws of the State of Delaware in 1976. The first International House of Pancakes® (“IHOP”) restaurant opened in 1958 in Toluca Lake, California. Since that time, the Company or its predecessors have engaged in the development, operation, franchising and licensing of IHOP restaurants. In November 2007, we acquired Applebee’s International, Inc. (“Applebee’s”), which became a wholly-owned subsidiary of the Company. Through various IHOP and Applebee’s subsidiaries, we own, operate and franchise two restaurant concepts in the casual dining and family dining categories of the food service industry: Applebee’s Neighborhood Grill and Bar® and IHOP®. DineEquity, Inc. is the parent of the IHOP and Applebee’s subsidiaries. References herein to Applebee’s and IHOP restaurants are to these two restaurant concepts, whether operated by franchisees, area licensees or the Company. References herein to “system sales” include retail sales at restaurants that are owned by franchisees and area licensees and are not attributable to the Company, as well as retail sales at company-operated restaurants.

Domestically, IHOP restaurants are located in all 50 states and the District of Columbia while Applebee's restaurants are located in every state except Hawaii. Internationally, IHOP restaurants are located in two United States territories and three foreign countries; Applebee's restaurants are located in one United States territory and 15 foreign countries. With over 3,500 franchised and company-operated restaurants combined, we are one of the largest full-service restaurant companies in the world.

Franchise Business Model

As of June 30, 2012, our system-wide restaurant portfolio was 95.0% franchised and consisted of the following:

	June 30, 2012		
	Applebee's	IHOP	Total
Domestic:			
Franchise/area license restaurants	1,710	1,503	3,213
Company-operated restaurants	160	17	177
International:			
Franchise/area license restaurants	148	37	185
Total	2,018	1,557	3,575
Percentage franchised	92.1%	98.9%	95.0%

Since the completion of the Applebee's acquisition, we have been pursuing a strategy to transition Applebee's from a system that was 74% franchised at the time of the acquisition to a 99% franchised Applebee's system, similar to IHOP's 99% franchised system. We believe a highly franchised business model requires less capital investment, generates higher gross profit margins and reduces the volatility of free cash flow performance over time, as compared to a model based on operating a significant number of company restaurants.

During the six months ended June 30, 2012, we completed the refranchising and sale of related restaurant assets of 17 Applebee's company-operated restaurants in a six-state market area geographically centered around Memphis, Tennessee. In April 2012, we entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 39 Applebee's company-operated restaurants located in Virginia. In May 2012, we entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 33 Applebee's company-operated restaurants located primarily in Missouri and Indiana. In July, 2012, we entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 65 Applebee's company-operated restaurants located in Michigan. All of these transactions are expected to close by the end of fiscal 2012. Upon consummation of these transactions, we will have refranchised all Applebee's company-operated restaurants, except for 23 restaurants in the Kansas City area that will be retained as a Company market; upon consummation of these transactions, 99% of DineEquity's restaurants will be franchised.

Key Performance Indicators

In evaluating and assessing the performance of our business units, we consider our key operating performance indicators to be: (i) percentage change in domestic system-wide same-restaurant sales for Applebee's and IHOP; (ii) net franchise restaurant development and restaurants refranchised for Applebee's and IHOP; and (iii) Applebee's company-operated restaurant operating margin. An overview of these metrics for the six months ended June 30, 2012 is as follows:

	<u>Applebee's</u>	<u>IHOP</u>
Percentage change in system-wide domestic same-restaurant sales	1.0%	(0.9)%
Net Franchise restaurant development	(1)	7
Restaurants refranchised	17	4
Restaurant operating margin	17.3%	n/a

n/a - not applicable given relatively small number and test-market nature of IHOP company restaurants

We consider cash from operations and free cash flow (cash provided by operating activities, plus receipts from notes, equipment contracts and other long-term receivables, less additions to property and equipment) to be key indicators of consolidated performance. Cash from operations and free cash flow for the six months ended June 30, 2012 were \$36.4 million and \$32.3 million, respectively.

Additional information on each of these metrics is presented under the captions "Restaurant Data," "Restaurant Development Activity," "Company Restaurant Operations" and "Liquidity and Capital Resources" that follow.

Restaurant Data

The following table sets forth, for the three and six months ended June 30, 2012 and 2011, 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. "Effective restaurants" are the number of restaurants in a given 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 the Company, as well as those owned by franchisees and area licensees. 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, as well as rental payments under leases that are usually 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		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
(unaudited)				
Applebee's Restaurant Data				
Effective restaurants(a)				
Franchise	1,859	1,767	1,857	1,753
Company	160	244	161	257
Total	2,019	2,011	2,018	2,010
System-wide(b)				
Sales percentage change(c)	1.2 %	3.8 %	1.4 %	4.1 %
Domestic same-restaurant sales percentage change(d)	0.7 %	3.1 %	1.0 %	3.5 %
Franchise(b)(f)				
Sales percentage change(c)	5.5 %	13.5 %	6.4 %	13.3 %
Domestic same-restaurant sales percentage change(d)	0.5 %	3.5 %	0.8 %	3.9 %
Average weekly domestic unit sales (in thousands)	\$ 46.9	\$ 46.8	\$ 48.5	\$ 48.5
Company (f)				
Sales percentage change(c)	(31.8)%	(36.9)%	(34.2)%	(34.1)%
Same-restaurant sales percentage change(d)	3.1 %	0.7 %	3.5 %	0.7 %
Average weekly domestic unit sales (in thousands)	\$ 42.7	\$ 41.1	\$ 43.9	\$ 41.8

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
(unaudited)				
IHOP Restaurant Data				
Effective restaurants(a)				
Franchise	1,377	1,339	1,375	1,334
Area license	164	163	164	164
Company	14	10	13	10
Total	1,555	1,512	1,552	1,508
System-wide(b)				
Sales percentage change(c)	1.9 %	1.1 %	2.4 %	1.2 %
Domestic same-restaurant sales percentage change(d)	(1.4)%	(2.9)%	(0.9)%	(2.8)%
Franchise(b)				
Sales percentage change(c)	1.7 %	0.9 %	2.2 %	1.2 %
Domestic same-restaurant sales percentage change(d)	(1.3)%	(2.8)%	(0.8)%	(2.8)%
Average weekly domestic unit sales (in thousands)	\$ 33.8	\$ 34.2	\$ 34.4	\$ 34.7
Company (e)				
	n/a	n/a	n/a	n/a
Area License(b)				
Sales percentage change(c)	3.2 %	3.0 %	3.3 %	1.6 %

- (a) “Effective restaurants” are the number of restaurants 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 the Company as well as those owned by franchisees and area licensees.
- (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. Applebee’s domestic franchise restaurant sales, IHOP franchise restaurant sales and IHOP area license restaurant sales for the three and six months ended June 30, 2012 and 2011 were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	(In millions)			
Reported sales (unaudited)				
Applebee’s franchise restaurant sales	\$ 1,042.5	\$ 987.7	\$ 2,154.0	\$ 2,024.5
IHOP franchise restaurant sales	\$ 604.8	\$ 594.8	\$ 1,229.8	\$ 1,202.8
IHOP area license restaurant sales	\$ 58.5	\$ 56.6	\$ 120.8	\$ 116.9

- (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 year for 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 restaurants open throughout both fiscal periods being compared may be different from period to period. Same-restaurant sales percentage change does not include data on IHOP restaurants located in Florida.
- (e) Sales percentage change and same-restaurant sales percentage change for IHOP company-operated restaurants are not applicable (“n/a”) due to the relatively small number and test-market nature of the restaurants, along with the periodic inclusion of restaurants reacquired from franchisees that are temporarily operated by the Company in the sales percentage change.
- (f) The sales percentage change for the three and six months ended June 30, 2012 and 2011 for Applebee’s franchise and company-operated restaurants was impacted by the refranchising of 17 company-operated restaurants in 2012 and 132 company-operated restaurants during 2011.

Restaurant Development Activity

The following table summarizes Applebee's restaurant development and franchising activity:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
(unaudited)				
Applebee's Restaurant Development Activity				
Beginning of period	2,021	2,011	2,019	2,010
New openings				
Franchise	3	5	9	8
Total new openings	3	5	9	8
Closings				
Franchise	(6)	(4)	(10)	(6)
Total closings	(6)	(4)	(10)	(6)
End of period	2,018	2,012	2,018	2,012
Summary - end of period				
Franchise	1,858	1,768	1,858	1,768
Company	160	244	160	244
Total	2,018	2,012	2,018	2,012
Restaurant Franchising Activity				
Domestic franchise openings	2	3	3	6
International franchise openings	1	2	6	2
Refranchised	—	—	17	65
Total restaurants franchised	3	5	26	73
Closings				
Domestic franchise	(2)	(1)	(4)	(2)
International franchise	(4)	(3)	(6)	(4)
Total franchise closings	(6)	(4)	(10)	(6)
Net franchise restaurant (reductions) additions	(3)	1	16	67

In 2012, we expect Applebee's franchisees to open a total of 30 to 40 new Applebee's restaurants, approximately half of which are expected to be opened domestically. We currently do not plan to open any company-operated restaurants. The actual number of openings may differ from both our expectations and development commitments due to various factors, including economic conditions, franchisee access to capital, and the impact of currency fluctuations on our international franchisees. The timing of new restaurant openings also may be affected by various factors including weather-related and other construction delays and difficulties in obtaining regulatory approvals.

The following table summarizes IHOP restaurant development and franchising activity:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
(unaudited)				
IHOP Restaurant Development Activity				
Beginning of period	1,554	1,513	1,550	1,504
New openings				
Franchise	5	12	15	23
Area license	1	—	1	2
Total new openings	<u>6</u>	<u>12</u>	<u>16</u>	<u>25</u>
Closings				
Franchise	(2)	—	(7)	(3)
Area license	(1)	(3)	(2)	(4)
Total closings	<u>(3)</u>	<u>(3)</u>	<u>(9)</u>	<u>(7)</u>
End of period	<u>1,557</u>	<u>1,522</u>	<u>1,557</u>	<u>1,522</u>
Summary - end of period				
Franchise	1,375	1,349	1,375	1,349
Area license	165	162	165	162
Company	17	11	17	11
Total	<u>1,557</u>	<u>1,522</u>	<u>1,557</u>	<u>1,522</u>
Restaurant Franchising Activity				
Domestic franchise openings	5	9	14	17
International franchise openings	—	3	1	6
Area license openings	1	—	1	2
Refranchised	1	—	4	1
Total restaurants franchised	<u>7</u>	<u>12</u>	<u>20</u>	<u>26</u>
Closings				
Domestic franchise	(2)	—	(7)	(3)
International franchise	—	—	—	—
Area license	(1)	(3)	(2)	(4)
Total franchise closings	<u>(3)</u>	<u>(3)</u>	<u>(9)</u>	<u>(7)</u>
Reacquired by the Company	(6)	(1)	(6)	(1)
Net franchise restaurant (reductions) additions	<u>(2)</u>	<u>8</u>	<u>5</u>	<u>18</u>

In 2012, we expect IHOP franchisees to open a total of 45 to 55 new IHOP restaurants, primarily in the domestic market. The actual number of openings in any period may differ from both our expectations and the number of signed 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 weather-related delays, other construction delays, difficulties in obtaining timely regulatory approvals, franchisee noncompliance with development agreements and various economic factors. We currently do not plan to open any new IHOP company-operated restaurants. The number of IHOP company-operated restaurants increased during the second quarter of 2012 due to the takeback of six franchise restaurants whose franchise agreements were terminated.

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

Sales Trends

	Domestic System-wide Same-restaurant Sales									
	Increase (Decrease)									
	2010				2011				2012	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Applebee's										
Quarter	(2.7)%	(1.6)%	3.3 %	2.9%	3.9 %	3.1 %	(0.3)%	1.0 %	1.2 %	0.7 %
YTD	(2.7)%	(2.2)%	(0.5)%	0.3%	3.9 %	3.5 %	2.3 %	2.0 %	1.2 %	1.0 %
IHOP										
Quarter	(0.4)%	(1.0)%	0.1 %	1.1%	(2.7)%	(2.9)%	(1.5)%	(1.0)%	(0.5)%	(1.4)%
YTD	(0.4)%	(0.7)%	(0.4)%	0.0%	(2.7)%	(2.8)%	(2.4)%	(2.0)%	(0.5)%	(0.9)%

Applebee's domestic system-wide same-restaurant sales increased 0.7% for the three months ended June 30, 2012, the seventh positive quarter of the most recent eight quarters. The increase in the second quarter of 2012 was driven primarily by an increase in system-wide guest check, partially offset by a decline in guest traffic at franchise restaurants. The higher guest check came from an increase in menu pricing and from favorable product mix changes.

We are focusing our efforts on driving sales and traffic growth while improving the guest experience by providing value and variety that is unique to Applebee's. Our signature "2 for \$20" menu offerings continue to resonate with our guests, especially when we update this value proposition with new menu items. In addition to menu innovation, we are focusing on both excellence and execution at the restaurant level in every aspect of operations. In July, we launched Applebee's new campaign, "See You TomorrowSM," which communicates that we are doing whatever it takes to make sure our guests return. The campaign includes TV, radio, online, and outdoor ads to encourage repeat visits by highlighting Applebee's new Fresh Flavors of Summer menu and the everyday value our guests have come to expect. Our remodel program continued to progress at a steady pace as, when combined with new openings, 42% of Applebee's domestic system restaurants have the revitalized look.

IHOP's domestic system-wide same-restaurant sales decreased 1.4% for the three months ended June 30, 2012. The decrease was primarily due to a decline in guest traffic, partially offset by an increase in average guest check.

We are addressing the traffic decline with a rollout of programs aimed at improving guest satisfaction and driving sales. We completed the rollout of two key components of our "Operations Improvement Plan": Service Excellence and Operations Evaluations. These programs are designed to work in tandem to both raise the bar on providing guests with an exceptional dining experience and set high operating standards. In May, we launched a new advertising campaign, "IHOP. Everything You Love About BreakfastSM," refocusing on what we do best and what we know is our heritage - breakfast. Our brand positioning is to redefine the American breakfast experience, making IHOP the destination of choice for breakfast any time of day.

With respect to both brands, same-restaurant sales for the first six months of 2012 are not necessarily indicative of results expected for the full year.

Financial Statement Effect of Refranchising Company-Operated Restaurants

As discussed under "Franchise Business Model" above, we have been pursuing a strategy to transition Applebee's to a system that is 99% franchised. As the number of company-operated restaurants declines, the amount reported in future periods for company-operated restaurant revenues and expenses will also decline while franchise royalty revenues and expenses will increase, as compared to amounts reported in previous periods. Segment profit will also decline as company-operated restaurants are refranchised because associated royalties from franchised restaurants are a smaller percentage of restaurant revenues than the restaurant operating profit margin percentage of company-operated restaurants. In addition, changes in same-restaurant sales will create less of an impact on changes in operating income once the Applebee's system is 99% franchised. Refranchising of additional Applebee's company-operated restaurants will result in the reduction of interest expense as proceeds from the sale of related restaurant assets must be used to retire debt (subject to certain exclusions). Refranchising of additional Applebee's company-operated restaurants also will result in a reduction of both general and administrative expenses ("G&A") and capital investment in restaurant assets.

General and Administrative Expenses

In addition to a reduction in G&A resulting from the refranchising and sale of related assets of Applebee's company-operated restaurants, a comprehensive review of our organizational structure as a 99% franchised company has identified further potential G&A savings, primarily resulting from headcount reductions. We anticipate that these savings will begin to be realized in the fourth quarter of 2012.

Comparison of the Three Months ended June 30, 2012 and 2011**Results of Operations**

Key components of changes in our financial results for the three months ended June 30, 2012 compared to the same period of 2011 are summarized below and discussed in the sections that follow:

- Revenue decreased \$38.9 million, primarily due to the refranchising of Applebee's company-operated restaurants and a 1.4% decrease in IHOP domestic same-restaurant sales, partially offset by higher franchise royalty revenues resulting from the increase in Applebee's and IHOP effective franchise restaurants and a 0.7% increase in Applebee's domestic same-restaurant sales;
- Segment profit decreased \$2.0 million, comprised as follows:

	Three Months Ended		Favorable (Unfavorable) Variance
	June 30,		
	2012	2011	
	(In millions)		
Franchise operations	\$ 76.2	\$ 72.4	\$ 3.8
Company restaurant operations	14.2	17.3	(3.1)
Rental operations	4.8	7.0	(2.2)
Financing operations	3.1	3.6	(0.5)
Total	\$ 98.3	\$ 100.3	\$ (2.0)

The decline in segment profit was primarily due to the refranchising of Applebee's company-operated restaurants and the write-off of \$2.0 million of deferred rental revenue associated with franchisee-operated restaurants whose lease agreements were prematurely terminated, partially offset by an increase in effective Applebee's and IHOP franchise restaurants and a 0.7% increase in Applebee's domestic same-restaurant sales;

- Impairment and closure charges decreased \$21.7 million as costs of \$21.3 million recorded in the second quarter of 2011 related to the termination of our sublease of commercial space previously occupied by the Applebee's Restaurant Support Center in Lenexa, Kansas did not recur;
- Interest expense decreased \$3.2 million due to our reduction of debt balances over the past 12 months; and
- General and administrative ("G&A") expenses decreased \$1.2 million, primarily due to lower personnel costs and professional services expenses, partially offset by higher occupancy costs.

Franchise Operations

	Three Months Ended		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	June 30,			
	2012	2011		
(In millions)				
Franchise Revenues				
Applebee's	\$ 46.2	\$ 42.9	\$ 3.3	7.8 %
IHOP	37.3	37.0	0.3	0.8 %
IHOP advertising	19.0	18.7	0.3	1.4 %
Total franchise revenues	102.5	98.6	3.9	4.0 %
Franchise Expenses				
Applebee's	1.1	1.0	(0.1)	(22.2)%
IHOP	6.2	6.5	0.3	5.1 %
IHOP advertising	19.0	18.7	(0.3)	(1.4)%
Total franchise expenses	26.3	26.2	(0.1)	(0.5)%
Franchise Segment Profit				
Applebee's	45.1	41.9	3.2	7.5 %
IHOP	31.1	30.5	0.6	2.0 %
Total franchise segment profit	\$ 76.2	\$ 72.4	\$ 3.8	5.2 %
Segment profit as % of revenue ⁽¹⁾	74.3%	73.4%		

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

The \$3.3 million increase in Applebee's franchise revenue was primarily attributable to increased royalty revenue resulting from the refranchising of 84 Applebee's company-operated restaurants in the past 12 months, franchise fees from franchise extension agreements and a 0.5% increase in domestic same-restaurant sales. The \$0.3 million increase in IHOP franchise revenue (other than advertising) was primarily attributable to a 2.8% increase in effective franchise restaurants partially offset by a decrease of 1.3% in IHOP domestic franchise same-restaurant sales. The \$0.3 million decrease in IHOP franchise expenses was primarily due to lower bad debt expense.

IHOP's franchise expenses are substantially larger 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, Applebee's national advertising fund activity constitutes an agency transaction and therefore is not recognized as franchise revenue and expense. The increase in IHOP advertising revenue and expense is primarily due to the increase in effective franchise restaurants partially offset by the decrease in domestic franchise same-restaurant sales.

The increase in franchise segment profit is primarily due to an increase in effective franchise restaurants due to the refranchising of Applebee's company-operated restaurants and IHOP franchise development.

Company Restaurant Operations

	Three Months Ended		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	June 30,			
	2012	2011		
(In millions)				
Company restaurant sales	\$ 93.8	\$ 134.6	\$ (40.8)	(30.3)%
Company restaurant expenses	79.6	117.3	37.7	32.1 %
Company restaurant segment profit	\$ 14.2	\$ 17.3	\$ (3.1)	(18.0)%
Segment profit as % of revenue ⁽¹⁾	15.2%	12.9%		

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

As of June 30, 2012, company restaurant operations were comprised of 160 Applebee's company-operated restaurants and 17 IHOP company-operated restaurants. The impact of the IHOP company-operated restaurants on all comparisons of the three months ended June 30, 2012 with the same period of 2011 was negligible.

Consolidated company restaurant sales decreased \$40.8 million. Applebee's company restaurant sales decreased \$41.6 million, primarily due to the refranchising of 84 company-operated restaurants in the past 12 months (one in the third quarter of 2011, 66 in the fourth quarter of 2011 and 17 in the first quarter of 2012), partially offset by an increase in company same-restaurant sales of 3.1%. The change in same-restaurant sales was driven by an increase in average guest check due to an increase of approximately 2.3% in pricing and favorable product mix changes.

Consolidated company restaurant expenses decreased \$37.7 million. Applebee's company restaurant expenses decreased \$39.0 million, of which \$38.7 million was due to the refranchising of the 84 Applebee's company-operated restaurants noted above. The restaurant operating profit for Applebee's company restaurant operations increased to 16.9% for the first quarter of 2012 compared to 13.4% for the same period of last year, as shown below:

Applebee's Company-Operated Expenses As Percentage of Restaurant Sales	Three Months Ended		Favorable (Unfavorable)		
	June 30,		Total Variance	Components of Total Variance	
	2012	2011		Refranchising and Closures	Current Restaurants
Revenue	100.0%	100.0%			
Food and beverage	26.2%	26.1%	(0.1)%	(0.1)%	0.0%
Labor	32.7%	33.7%	1.0 %	0.2 %	0.8%
Direct and occupancy	24.2%	26.8%	2.6 %	0.6 %	2.0%
Restaurant Operating Profit Margin ⁽¹⁾	16.9%	13.4%	3.5 %	0.6 %	2.8%

⁽¹⁾ Percentages may not add due to rounding

The restaurant refranchising and closures discussed above had a net favorable impact of 0.6% on margins, primarily because the refranchised markets had higher-than-average labor costs; there was also a favorable impact resulting from the cessation of depreciation charges on restaurant assets held for sale. Other margin changes in specific cost categories were as follows:

- Food and beverage costs as a percentage of company restaurant sales were basically flat. Changes in commodity costs impacting most products were offset by improved control of waste and a favorable mix shift.
- Labor costs as a percentage of restaurant sales decreased by 0.8% due to improved productivity in hourly labor partially offset by increased costs of bonus expense, management staffing and merit increases .
- Direct and occupancy costs as a percent of restaurant sales decreased 2.0% primarily due to lower depreciation expense as the result of a block of assets that became fully depreciated in 2011 and favorable general liability insurance costs, partially offset by incremental investment in local media advertising.

Rental Operations

	Three Months Ended		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	June 30,			
	2012	2011		
	(In millions)			
Rental revenues	\$ 29.1	\$ 31.6	\$ (2.5)	(7.8)%
Rental expenses	24.3	24.6	0.3	1.1 %
Rental operations segment profit	\$ 4.8	\$ 7.0	\$ (2.2)	(205.8)%
Segment profit as % of revenue	16.7%	22.3%		

⁽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 franchisee-operated restaurants.

The decrease in rental revenue and rental segment profit is primarily due to the write-off of \$2.0 million of deferred lease rental revenue associated with franchise restaurants whose lease agreements were prematurely terminated.

Financing Operations

	Three Months Ended June 30,		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	2012	2011		
	(In millions)			
Financing revenues	\$ 4.0	\$ 3.6	\$ 0.4	12.2%
Financing expenses	0.9	0.0	(0.9)	n.m.
Financing operations segment profit	\$ 3.1	\$ 3.6	\$ (0.5)	(13.7)%
Segment profit as % of revenue	76.9%	100.0%		

⁽¹⁾ Percentages calculated on actual amounts, not rounded amounts presented above
n.m. - not meaningful

All of our financing operations relate to IHOP franchise restaurants. The increase in financing revenues is primarily due to refranchising transactions related to IHOP restaurants previously taken back from franchisees, partially offset by a decrease in interest revenue due to the progressive decline in note balances as a result of repayments. The increase in financing expenses is due to the cost of refranchising transactions related to IHOP restaurants.

Other Expense and Income Components

	Three Months Ended June 30,		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	2012	2011		
	(In millions)			
General and administrative expenses	\$ 37.2	\$ 38.4	\$ 1.2	3.1 %
Interest expense	29.7	32.9	3.2	9.8 %
Impairment and closure charges	0.1	21.8	21.7	99.4 %
Amortization of intangible assets	3.1	3.1	—	0.0 %
Loss on disposition of assets	0.7	1.3	0.6	42.6 %
Loss on extinguishment of debt	—	0.9	0.9	100.0 %
Income tax provision	10.5	1.5	(9.0)	(604.4)%

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

General and Administrative Expenses

General and administrative expenses decreased by \$1.2 million compared to the same period of the prior year, primarily due to lower personnel costs and lower professional services expenses, partially offset by higher occupancy costs. The decrease in personnel costs was primarily lower stock-based compensation expense and lower salaries and wages, in addition to payroll credits related to the relocation of the Applebee's Restaurant Support Center.

Interest Expense

Interest expense decreased by \$3.2 million compared to the same period of the prior year due to our reduction of debt balances. Average interest-bearing debt outstanding (our Term Loans, Senior Notes, capital lease obligations and financing obligations) during the three months ended June 30, 2012 was approximately \$200 million lower than the same period of the prior year.

Impairment and Closure Charges

Impairment and closure charges decreased by \$21.7 million compared to the same period of the prior year. The charges for the second quarter of 2012 were insignificant. Impairment and closure charges for the second quarter of 2011 were primarily comprised of \$21.3 million related to the termination of our sublease of the commercial space previously occupied by the Applebee's Restaurant Support Center in Lenexa, Kansas, in addition to \$0.5 million in impairment and closure charges related to individually insignificant items.

During the quarter ended June 30, 2012, we performed our quarterly 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 that primarily consist of our trade name. No such indicators were noted.

Loss on Disposition of Assets

We recognized a loss on disposition of assets of \$0.7 million for the three months ended June 30, 2012 compared to a loss of \$1.3 million in the same period of 2011. There were no individually significant dispositions in either period.

Loss on Extinguishment of Debt

We did not recognize any loss on extinguishment of debt during the three months ended June 30, 2012. During the three months ended June 30, 2011, we recognized a loss on the extinguishment of debt of \$0.9 million, comprised as follows:

Instrument Repaid/Retired	Face Amount Repaid/Retired	Cash Paid	Loss ⁽¹⁾
Senior Notes	\$ 7.5	\$ 8.2	\$ 0.9
Three months ended June 30, 2011	\$ 7.5	\$ 8.2	\$ 0.9

⁽¹⁾ Including write-off of the discount and deferred financing costs related to the debt retired.

We may continue to dedicate a portion of excess cash flow towards opportunistic debt retirement. Any retirement of debt results in a non-cash write-off of a pro rata portion of the discount and deferred financing costs related to the debt retired. Additionally, our Senior Notes are currently priced at a premium to their face value. Accordingly, future retirement of debt will likely result in losses associated with the retirement of either Term Loans or Senior Notes.

Provision for Income Taxes

The effective tax rate was 38.2% for the three months ended June 30, 2012 compared to 81.1% for the three months ended June 30, 2011. The effective tax rate in the prior year was higher due to an increase in unrecognized tax benefits and certain adjustments related to state deferred taxes.

Comparison of the Six Months Ended June 30, 2012 and 2011

Results of Operations

Key components of changes in our financial results for the six months ended June 30, 2012 compared to the same period of 2011 are as follows:

- Revenue decreased \$93.6 million, primarily due to the refranchising of Applebee's company-operated restaurants and a 0.9% decrease in IHOP domestic same-restaurant sales, partially offset by higher franchise royalty revenues resulting from the increase in Applebee's and IHOP effective franchise units and a 1.0% increase in Applebee's domestic system-wide same-restaurant sales.
- Segment profit decreased \$4.2 million, comprised as follows:

	Six Months Ended June 30,		Favorable (Unfavorable) Variance
	2012	2011	
	(In millions)		
Franchise operations	\$ 156.9	\$ 149.4	\$ 7.5
Company restaurant operations	30.9	40.3	(9.4)
Rental operations	12.3	14.6	(2.3)
Financing operations	6.7	6.7	—
Total	\$ 206.8	\$ 211.0	\$ (4.2)

The decline in segment profit was primarily due to the refranchising of Applebee's company-operated restaurants and the write-off of \$2.5 million of deferred rental revenue associated with franchisee-operated restaurants whose lease agreements were prematurely terminated, partially offset by an increase in effective Applebee's and IHOP franchise restaurants and a 1.0% increase in Applebee's domestic system-wide same-restaurant sales.

- Impairment and closure charges decreased \$26.0 million as costs of \$26.8 million recorded in the first six months of 2011 related to the termination of our sublease of commercial space previously occupied by the Applebee's Restaurant Support Center in Lenexa, Kansas and the impairment of furniture, fixtures and leasehold improvements at that facility did not recur.
- Interest expense decreased \$9.3 million due to our reduction of debt balances as well as the February 2011 amendment to our Credit Agreement dated as of October 8, 2010 (the "Credit Agreement"), which reduced the interest rate on term loan borrowings by 1.75%.

Franchise Operations

	Six Months Ended June 30,		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	2012	2011		
(In millions)				
Franchise Revenues				
Applebee's	\$ 93.8	\$ 88.2	\$ 5.6	6.4 %
IHOP	78.4	77.1	1.3	1.7 %
IHOP advertising	38.7	37.8	0.9	2.3 %
Total franchise revenues	210.9	203.1	7.8	3.8 %
Franchise Expenses				
Applebee's	1.9	1.6	(0.3)	(21.9)%
IHOP	13.4	14.3	0.9	6.3 %
IHOP advertising	38.7	37.8	(0.9)	(2.3)%
Total franchise expenses	54.0	53.7	(0.3)	(0.6)%
Franchise Segment Profit				
Applebee's	91.8	86.6	5.3	6.1 %
IHOP	65.1	62.8	2.2	3.5 %
Total franchise segment profit	\$ 156.9	\$ 149.4	\$ 7.5	5.0 %
Segment profit as % of revenue ⁽¹⁾	74.4%	73.6%		

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

The \$5.6 million increase in Applebee's franchise revenue was primarily attributable to increased royalty revenue resulting from the refranchising of 149 Applebee's company-operated restaurants in the last eighteen months and a 0.8% increase in domestic same-restaurant sales. The \$1.3 million increase in IHOP franchise revenue (other than advertising) was primarily attributable to a 3.1% increase in effective franchise restaurants partially offset by a decrease of (0.8)% in IHOP domestic franchise same-restaurant sales. The \$0.9 million decrease in IHOP franchise expenses was due to lower bad debt expense.

IHOP's franchise expenses are substantially larger 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, Applebee's national advertising fund activity constitutes an agency transaction and therefore is not recognized as franchise revenue and expense. The increase in IHOP advertising revenue and expense is primarily due to the increase in effective franchise restaurants partially offset by the decrease in domestic franchise same-restaurant sales.

The increase in franchise segment profit is primarily attributable to an increase in effective franchise restaurants due to the refranchising of Applebee's company-operated restaurants and IHOP franchise development and an increase in Applebee's domestic franchise same-restaurant sales.

Company Restaurant Operations

	Six Months Ended		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	June 30,			
	2012	2011		
	(In millions)			
Company restaurant sales	\$ 194.7	\$ 289.3	\$ (94.6)	(32.7)%
Company restaurant expenses	163.8	249.0	85.2	34.2 %
Company restaurant segment profit	\$ 30.9	\$ 40.3	\$ (9.4)	(18.0)%
Segment profit as % of revenue ⁽¹⁾	15.9%	13.9%		

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

As of June 30, 2012, company restaurant operations were comprised of 160 Applebee's company-operated restaurants and 17 IHOP company-operated restaurants. The impact of the IHOP company-operated restaurants on all comparisons of the six months ended June 30, 2012 with the same period of 2011 was negligible.

Consolidated company restaurant sales decreased \$94.6 million. Applebee's company restaurant sales decreased \$96.1 million, primarily due to the refranchising of 149 company-operated restaurants in the last 18 months (65 in the first quarter 2011, one in the third quarter 2011, 66 in the fourth quarter 2011 and 17 in the first quarter 2012), partially offset by an increase in company same-restaurant sales of 3.5%. The change in same-restaurant sales was driven by an increase in average guest check due to an increase of approximately 2.2% in pricing and favorable product mix changes and an increase in customer ticket counts.

Consolidated company restaurant expenses decreased \$85.2 million. Applebee's company restaurant expenses decreased \$87.6 million, of which \$88.7 million was due to the refranchising of the 149 Applebee's company-operated restaurants noted above, partially offset by increased food and beverage expense. The restaurant operating profit for Applebee's company restaurant operations increased to 17.3% for the first quarter of 2012 compared to 14.5% for the same period of last year, as shown below:

Applebee's Company-Operated Expenses As Percentage of Restaurant Sales	Six Months Ended		Total Variance	Favorable (Unfavorable) Components of Total Variance	
	June 30,			Refranchising and Closures	Current Restaurants
	2012	2011			
Revenue	100.0%	100.0%			
Food and beverage	26.0%	25.5%	(0.5)%	0.0%	(0.5)%
Labor	32.2%	33.0%	0.8 %	0.2%	0.6 %
Direct and occupancy	24.5%	27.0%	2.5 %	0.6%	1.9 %
Restaurant Operating Profit Margin ⁽¹⁾	17.3%	14.5%	2.8 %	0.8%	2.0 %

⁽¹⁾ Percentages may not add due to rounding

The restaurant refranchising discussed above had a net favorable impact of 0.8% on margins, primarily because the markets sold had higher-than-average labor costs along with favorability due to cessation of depreciation on restaurants held for sale. Other margin changes in specific cost categories were as follows:

- Food and beverage costs as a percentage of company restaurant sales increased 0.5% due to higher commodity costs impacting most products, partially offset by a reduction in waste.
- Labor costs as a percentage of restaurant sales decreased by 0.6% due to improved productivity in hourly labor partially offset by increased bonus expense and management staffing.
- Direct and occupancy costs as a percent of restaurant sales decreased 1.9% primarily due to lower depreciation expense resulting from a block of assets that became fully depreciated in 2011, favorable general liability insurance costs and favorable gift card discounts, partially offset by incremental investment in local media advertising.

Rental Operations

	Six Months Ended June 30,		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	2012	2011		
	(In millions)			
Rental revenues	\$ 61.2	\$ 63.8	\$ (2.6)	(4.2)%
Rental expenses	48.9	49.2	0.3	0.8 %
Rental operations segment profit	\$ 12.3	\$ 14.6	\$ (2.3)	(15.6)%
Segment profit as % of revenue	20.2%	22.9%		

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

Rental operations relate primarily to IHOP franchise restaurants. Rental revenues include income from operating leases and interest income from direct financing leases. Rental expenses consist of costs of prime operating leases and interest expense on prime capital leases on franchisee-operated restaurants.

The decrease in rental revenue and rental segment profit is primarily due to the write-off of \$2.5 million of deferred lease rental revenue associated with franchise restaurants whose lease agreements were prematurely terminated.

Financing Operations

	Six Months Ended June 30,		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	2012	2011		
	(In millions)			
Financing revenues	\$ 8.3	\$ 12.3	\$ (4.0)	(32.8)%
Financing expenses	1.6	5.6	4.0	71.8 %
Financing operations segment profit	\$ 6.7	\$ 6.7	\$ —	(0.2)%
Segment profit as % of revenue	80.9%	54.5%		

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

All of our financing operations relate to IHOP franchise restaurants. The variance in both revenue and expense is primarily related to a 2011 transaction in which 40 restaurants operated by a former franchisee that defaulted on its obligations under the franchise agreement were refranchised to an affiliate of an existing IHOP franchisee. Certain equipment related to the refranchised restaurants was sold to the new operator. Financing revenues and expenses in the six months ended June 30, 2011 included \$5.0 million and \$5.2 million, respectively, related to that single equipment sale. Financing revenues and expenses in the six months ended June 30, 2012 included \$1.6 million related to several individually insignificant equipment and franchise sales.

Other Expense and Income Components

	Six Months Ended June 30,		Favorable (Unfavorable) Variance	% Change ⁽¹⁾
	2012	2011		
	(In millions)			
General and administrative expenses	\$ 76.9	\$ 76.4	\$ (0.5)	(0.6)%
Interest expense	59.9	69.2	9.3	13.4 %
Impairment and closure charges	0.8	26.8	26.0	96.8 %
Amortization of intangible assets	6.2	6.2	—	0.0 %
Gain on disposition of assets	(16.0)	(22.5)	(6.5)	(28.8)%
Loss on extinguishment of debt	2.6	7.9	5.3	66.9 %
Debt modification expenses	—	4.1	4.1	100.0 %
Income tax provision	28.2	13.0	(15.2)	(117.4)%

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

General and Administrative Expenses

General and administrative expenses increased by \$0.5 million compared to the same period of the prior year, primarily due to higher personnel costs (including stock-based compensation, severance, and bonuses), partially offset by payroll credits related to the relocation of the Applebee's Restaurant Support Center and lower salaries and wages because of lower headcount due to franchising.

Interest Expense

Interest expense decreased by \$9.3 million compared to the same period of the prior year due to our reduction of debt balances. Average interest-bearing debt outstanding (our Term Loans, Senior Notes, capital lease obligations and financing obligations) during the six months ended June 30, 2012 was approximately \$260 million lower than the same period of the prior year, which resulted in a decrease in interest expense of approximately \$9.0 million. The additional decrease in interest expense resulted from an amendment to our Credit Agreement that reduced the interest rate on term loan borrowings by 1.75% (see Debt Modification Expenses below).

Impairment and Closure Charges

Impairment and closure charges decreased by \$26.0 million compared to the same period of the prior year. The charges for the first six months of 2012 related to a parcel of land previously intended for future restaurant development and several individually insignificant franchise restaurant closures. Impairment and closure charges for the first six months of 2011 were primarily comprised of \$21.3 million related to the termination of our sublease of the commercial space previously occupied by the Applebee's Restaurant Support Center in Lenexa, Kansas and a \$4.5 million impairment charge related to the furniture, fixtures and leasehold improvements at that facility.

During the quarter ended June 30, 2012, we performed our quarterly 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. We also considered whether there were any indicators of potential impairment to our goodwill and indefinite-lived intangible assets that primarily consist of our trade name. No such indicators were noted.

Gain on Disposition of Assets

We recognized a gain on disposition of assets of \$16.0 million for the six months ended June 30, 2012 compared to a gain of \$22.5 million in the same period of 2011. The gain in 2012 was primarily due to the franchising and sale of related restaurant assets of 17 Applebee's company-operated restaurants located in a six-state market area geographically centered around Memphis, Tennessee. The majority of the gain in 2011 was due to the franchising and sale of related restaurant assets of 36 Applebee's company-operated restaurants in the St. Louis area market and 29 Applebee's company-operated restaurants in the Washington, D.C. area market.

Loss on Extinguishment of Debt

During the six months ended June 30, 2012 and June 30, 2011, the Company recognized the following losses on the extinguishment of debt:

Instrument Repaid/Retired	Face Amount Repaid/Retired	Cash Paid	Loss ⁽¹⁾
(In millions)			
Term Loans	\$ 70.5	\$ 70.5	\$ 1.9
Senior Notes	5.0	5.5	0.7
Six months ended June 30, 2012	75.5	76.0	2.6
Term Loans	\$ 110.0	\$ 110.0	\$ 2.7
Senior Notes	39.8	43.5	5.2
Six months ended June 30, 2011	\$ 149.8	\$ 153.5	\$ 7.9

⁽¹⁾ Including write-off of the discount and deferred financing costs related to the debt retired.

We may continue to dedicate a portion of excess cash flow towards opportunistic debt retirement. Any retirement of debt results in a loss due to the non-cash write-off of a pro rata portion of the discount and deferred financing costs related to the debt retired. Additionally, our Senior Notes are currently priced at a premium to their face value. Should that remain the case, future retirement of Senior Notes will also result in losses associated with any premium paid.

Debt Modification Expenses

On February 25, 2011, the Company entered into Amendment No. 1 (the "Amendment") to the Credit Agreement under which a senior secured credit facility was established among the Company, lenders and the agents named therein. Costs paid to third parties of \$4.1 million in connection with the Amendment were expensed in accordance with U.S. GAAP guidance for debt modifications.

Provision for Income Taxes

The effective tax rate was 36.9% for the six months ended June 30, 2012 compared to 30.1% for the six months ended June 30, 2011. The effective tax rate in the prior year was lower due to the release of liabilities for unrecognized tax benefits related to gift card income deferral as a result of the issuance of guidance by the U.S. Internal Revenue Service.

Liquidity and Capital Resources

Credit Facilities

We have a \$75.0 million Revolving Credit Facility (the "Revolving Facility") under our Credit Agreement. During the first six months of 2012, we borrowed and repaid a cumulative total of \$35.0 million under the Revolving Facility. The highest balance outstanding under the Revolving Facility at any point during the first six months of 2012 was \$25.0 million and there were no amounts outstanding under the Revolving Facility as of June 30, 2012. Our available borrowing capacity under the Revolving Facility is reduced by outstanding letters of credit, which totaled \$13.8 million as of June 30, 2012.

Based on our current level of operations, we believe that our cash flow from operations, available cash on hand and available borrowing capacity under our Revolving Facility will be adequate to meet our investing and financing cash outflows over the next twelve months.

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 required maximum consolidated leverage ratio of total debt (net of unrestricted cash not to exceed \$75 million) to adjusted EBITDA is 7.25x. Our current required minimum ratio of adjusted EBITDA to consolidated cash interest is 1.5x. Compliance with each of these ratios is required quarterly, on a trailing four-quarter basis. The ratio thresholds become more rigorous over time. The maximum consolidated leverage ratio, which began at 7.5x, declines in annual 25-basis-point decrements beginning with the first quarter of 2012 to 6.5x by the first quarter of 2015, then to 6.0x for the first quarter of 2016 until the Credit Agreement expires in October 2017. The minimum consolidated cash interest coverage ratio began at 1.5x and will increase to 1.75x beginning with the first quarter of 2013 and to 2.0x beginning with the first quarter of 2016 and remain at that level until the Credit Agreement expires in October 2017. These thresholds are subject to step-downs or step-ups, as applicable, over time. There are no financial maintenance covenants associated with our Senior Notes due October 2018 (the "Senior Notes").

For the trailing four quarters ended June 30, 2012, our consolidated leverage ratio was 5.3x and our consolidated cash interest coverage ratio was 2.4x (see Exhibit 12.1).

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

Trailing Twelve Months Ended June 30, 2012

	(In thousands)
U.S. GAAP income before income taxes	\$ 138,460
Interest charges	141,386
Loss on retirement of debt	5,885
Depreciation and amortization	44,837
Non-cash stock-based compensation	11,002
Impairment and closure charges	3,110
Other	4,833
Gain on sale of assets	(36,783)
EBITDA	\$ 312,730

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.

The Senior Notes, our term loans under the Credit Agreement (the "Term Loans") and the Revolving Facility 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, restricted payments (including dividends), 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.

Refranchising of Applebee's Company-Operated Restaurants

During the six months ended June 30, 2012, we completed the refranchising and sale of related assets of 17 Applebee's company-operated restaurants located in a six-state market area geographically centered around Memphis, Tennessee. Proceeds from asset dispositions, primarily from the sale of restaurant assets associated with the 17 restaurants refranchised, totaled \$21.5 million for the six months ended June 30, 2012, of which \$16.0 million was used to retire debt.

As previously discussed under "Overview - Franchise Business Model," since the completion of the Applebee's acquisition, we have been pursuing a strategy to transition Applebee's from a system that was 74% franchised at the time of the acquisition to a 99% franchised Applebee's system, similar to IHOP's 99% franchised system. We believe a highly franchised business model requires less capital investment, generates higher gross and operating profit margins (as a percentage of sales) and reduces the volatility of free cash flow performance over time, as compared to a model based on operating a significant number of company restaurants, while also providing cash proceeds from the sale of assets of Applebee's company-operated restaurants that have been refranchised for the retirement of debt.

During the six months ended June 30, 2012, we completed the refranchising and sale of related restaurant assets of 17 Applebee's company-operated restaurants in a six-state market area geographically centered around Memphis, Tennessee. In April 2012, we entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 39 Applebee's company-operated restaurants located in Virginia. In May 2012, we entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 33 Applebee's company-operated restaurants located primarily in Missouri and Indiana. In July, 2012, we entered into an asset purchase agreement for the refranchising and sale of related restaurant assets of 65 Applebee's company-operated restaurants located in Michigan. All of these transactions are expected to close by the end of fiscal 2012. Upon consummation of these transactions, we will have refranchised all Applebee's company-operated restaurants, except for 23 restaurants in the Kansas City area that will be retained as a Company market; upon consummation of these transactions, 99% of DineEquity's restaurants will be franchised.

Under the terms of the Credit Agreement, all of the after-tax proceeds (with certain exceptions) of future asset dispositions must be used to repay Term Loans and under certain conditions, we may be required to repurchase Senior Notes with excess proceeds of assets sales, as defined in the Indenture under which the Senior Notes were issued. We estimate the three transactions discussed above will generate after-tax proceeds of approximately \$105 million that will be used to retire debt. Retirement of debt will result in the reduction of interest expense. Refranchising of additional Applebee's company-operated restaurants also will result in a reduction of general and administrative expenses and reduced requirements for capital investment.

Cash Flows

In summary, our cash flows were as follows:

	Six Months Ended		
	June 30,		
	2012	2011	Variance
	(In millions)		
Net cash provided by operating activities	\$ 36.4	\$ 48.2	\$ (11.8)
Net cash provided by investing activities	16.6	48.5	(31.9)
Net cash used in financing activities	(81.3)	(164.5)	83.2
Net decrease in cash and cash equivalents	\$ (28.3)	\$ (67.8)	\$ 39.5

Operating Activities

Cash provided by operating activities decreased \$11.8 million to \$36.4 million for the six months ended June 30, 2012 from \$48.2 million for the six months ended June 30, 2011. The main reasons for the decrease in cash from operations is a decline in segment profit resulting from the refranchising of 149 Applebee's company-operated restaurants during the last 18 months, and an increase in income taxes paid in cash, partially offset by a decrease in cash payments for interest. Our net income tax payments increased during the first six months of 2012 compared with the comparable prior year period primarily because we had received a tax refund of approximately \$20 million in January 2011. Our interest payments are lower because of lower debt balances. Net changes in working capital used cash of \$16.4 million in the first six months of 2012 compared to a use of \$26.1 million in the first six months of 2011, a favorable change of \$9.6 million.

Investing Activities

Net cash provided by investing activities of \$16.6 million for the six months ended June 30, 2012 was primarily attributable to \$21.5 million in proceeds from sales of property and equipment and \$6.6 million in principal receipts from notes, equipment contracts and other long-term receivables, partially offset by \$10.7 million in capital expenditures. Capital expenditures are expected to range between approximately \$18 million and \$20 million in fiscal 2012.

Financing Activities

Financing activities used net cash of \$81.3 million for the six months ended June 30, 2012. Cash used in financing activities primarily consisted of \$76.0 million in repayments of long-term debt and repayments of capital lease and financing obligations of \$6.1 million. Of the long-term debt repayments, \$70.5 million related to the repayment of Term Loans and \$5.5 million related to the repurchase of \$5.0 million face amount of Senior Notes at a \$0.5 million premium to face value. Cash provided by financing activities primarily consisted of \$3.1 million in proceeds from the exercise of stock options. We may continue to dedicate a portion of cash flow to opportunistic debt retirement and purchases of treasury stock.

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. We believe this information is helpful to investors to determine our cash available for general corporate and strategic purposes, including the retirement of long-term debt.

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:

	Six Months Ended		
	June 30,		
	2012	2011	Variance
	(In millions)		
Cash flows provided by operating activities	\$ 36.4	\$ 48.2	\$ (11.8)
Principal receipts from long-term receivables	6.6	7.1	(0.5)
Additions to property and equipment	(10.7)	(13.5)	2.8
Free cash flow	\$ 32.3	\$ 41.8	\$ (9.5)

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.

Dividends

Dividends representing the change in accreted value of our Series B Convertible Preferred Stock were \$1.3 million for the six months ended June 30, 2012.

Off-Balance Sheet Arrangements

As of June 30, 2012, 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, 2011, other than the repayments of long-term debt noted under "Financing Activities" above.

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, 2011. During the first six months of 2012, there were no significant changes in our estimates and critical accounting policies.

See Note 3, "Accounting Policies," in the Notes to Consolidated Condensed 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, 2011.

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 upon 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.

Gerald Fast v. Applebee's

We are currently defending a collective action in United States District Court for the Western District of Missouri, Central Division filed on July 14, 2006 under the Fair Labor Standards Act, Gerald Fast v. Applebee's International, Inc., in which named plaintiffs claim that tipped servers and bartenders in Applebee's company-operated restaurants spend more than 20% of their time performing general preparation and maintenance duties, or "non-tipped work," for which they should be compensated at the minimum wage. On June 19, 2007, the court granted conditional certification of a nationwide class of servers and bartenders who had worked in Applebee's company-operated restaurants since June 19, 2004. As of February 2008, there were 5,540 potential class members who had opted into the collective action. Under this action, plaintiffs currently are seeking unpaid wages and other relief of up to \$17 million plus plaintiffs' attorneys' fees and expenses. The bench trial is currently scheduled to begin on September 10, 2012.

We believe we have meritorious defenses and intend to vigorously defend this case. Due to the inherent uncertainty in litigation, however, there can be no guarantee that we ultimately will be successful. Substantial losses from or costs related to this legal proceeding could have a material impact on us.

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, 2011.

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 (b)	Approximate dollar value of shares that may yet be purchased under the plans or programs (b)
April 2 – April 29, 2012 (a)	1,068	\$ 46.87	—	\$ 23,830,346
April 30 – May 27, 2012	—	\$ —	—	\$ 23,830,346
May 28 – July 1, 2012 (a)	9,903	\$ 44.01	—	\$ 23,830,346
Total	10,971	\$ 44.29	—	\$ 23,830,346

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

(b) On August 15, 2011 we announced that our Board of Directors authorized the repurchase of up to \$45.0 million of DineEquity common stock. 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 3.1 to DineEquity, Inc.'s Report on Form 8-K filed June 2, 2008 is incorporated herein by reference).
3.2	Amended Bylaws of DineEquity, Inc. (Exhibit 3.2 to DineEquity, Inc.'s Report on Form 8-K filed June 2, 2008 is incorporated herein by reference).
10.1	Asset Purchase Agreement dated as of July 20, 2012 by and among Restaurants Mid-Atlantic, LLC, Applebee's Restaurants, Inc., and TSFR Apple Venture LLC.* (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.)
12.1	Computation of Consolidated Leverage Ratio and Cash Interest Coverage Ratio for the trailing twelve months ended June 30, 2012.*
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
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.

ASSET PURCHASE AGREEMENT
APPLEBEE'S NEIGHBORHOOD GRILL & BAR RESTAURANTS
LOCATED IN THE WESTERN MICHIGAN AND DETROIT MARKETS

July 20, 2012

TABLE OF CONTENTS

INTRODUCTION	1
ARTICLE I BASIC INFORMATION	1
ARTICLE II ADDITIONAL DEFINITIONS	3
ARTICLE III PURCHASE AND SALE	9
Section 3.1 Purchase and Sale	10
Section 3.2 Purchase Price and Escrowed Funds	10
Section 3.3 Closing Prorations, Deposits And Post-Closing Adjustments	10
Section 3.4 Allocation of Purchase Price	13
Section 3.5 Employees at Restaurants	13
Section 3.6 Buyer's Access Rights	14
Section 3.7 Manager Training Sessions	16
ARTICLE IV CONDITIONS PRECEDENT	16
Section 4.1 Buyer's Conditions	16
Section 4.2 Failure or Waiver of Buyer's Conditions	18
Section 4.3 Seller's Conditions	18
Section 4.4 Failure or Waiver of Seller's Conditions	19
ARTICLE V REPRESENTATIONS AND WARRANTIES	19
Section 5.1 Seller's Representations and Warranties	19
Section 5.2 Buyer's Representations and Warranties	24
Section 5.3 Updating Seller's Representations	25
Section 5.4 No Implied Representations or Warranties	26
ARTICLE VI INDEMNIFICATION	27
Section 6.1 Limitations on Representations, Warranties and Covenants	27
Section 6.2 Indemnification by Seller and Franchisor for Breach of Representation, Warranty or Covenants	27
Section 6.3 <u>Indemnification by Seller and Franchisor for Pre-Closing Liabilities</u>	27

Section 6.4	Indemnification by Buyer	28
Section 6.5	<u>Exclusive Remedy and Limitation of Liability</u>	28
Section 6.6	Indemnification Procedures	29
ARTICLE VII COVENANTS 30		
Section 7.1	Seller's Covenants	30
Section 7.2	Buyer's Covenants	32
Section 7.3	Franchisor's Approval	33
Section 7.4	Release of Guarantees	33
Section 7.5	Insurance	33
Section 7.6	Liquor License Consent Process	33
Section 7.7	Environmental Assessment	35
Section 7.8	Title Review and Survey	35
ARTICLE VIII CLOSING 36		
Section 8.1	Closing Procedure	36
Section 8.2	Costs and Expenses	36
Section 8.3	<u>Pre-Closing Inspection</u>	37
ARTICLE IX MISCELLANEOUS 37		
Section 9.1	Casualty or Condemnation	37
Section 9.2	Termination	38
Section 9.3	Broker's and Finder's Fees	39
Section 9.4	Successors and Assigns	39
Section 9.5	Notices	39
Section 9.6	Possession; Records Retention	39
Section 9.7	Incorporation by Reference; Entire Agreement	40
Section 9.8	Attorneys' Fees	40
Section 9.9	Construction	40
Section 9.10	Governing Law; Dispute Resolution	40
Section 9.11	Confidentiality	40
Section 9.12	Public Announcements	41
Section 9.13	Plain Meaning	41
Section 9.14	No Other Beneficiaries	41
Section 9.15	Counterparts	41
Section 9.16	Severability	41
Section 9.17	Further Assurances	41
Section 9.18	Amendments	41

Exhibit A	Development Territory
Exhibit B	Assignment of Intangible Property
Exhibit C	Assignment and Assumption of Assumed Contracts
Exhibit D	Bill of Sale
Exhibit E	Interim Participation Agreement
Exhibit F	Lease Assignment and Assumption
Exhibit G	Escrow Agreement
Exhibit H	Estoppel Certificate

Schedules to Asset Purchase Agreement

Schedule 1	Restaurants
Schedule 2A	Assumed Contracts
Schedule 2B	Assumed Contracts – System Agreements
Schedule 2C	Excluded Assets-Other
Schedule 2D	Landlord and Real Property Leases
Schedule 2E	Seller Commitments
Schedule 2F	Liquor Licenses
Schedule 3.3(d)	Adjustment
Schedule 3.4	Purchase Price Allocation
Schedule 4.1(b)	Lease Consents
Schedule 4.1(d)	In-Line Leases
Schedule 4.1(n)	Repairs

	Attn: Lance Formwalt
“Buyer”	TSFR Apple Venture LLC, a Michigan limited liability company
	TSFR Apple Venture LLC
	c/o King Venture, Inc.
	17800 Laurel Park Drive North, Suite 200C
Buyer’s address for notices	Livonia, Michigan 48152
	Tel: (248) 357-6139
	Fax: (248) 262-9783
	Attn: Mark S. Schostak
	With a copy to:
	Honigman Miller Schwartz and Cohn LLP
	2290 First National Building
	660 Woodward Avenue
	Detroit, Michigan 48226
	Tel: (313) 465-7474
	Fax: (313) 465-7475
	E-mail: lmclaughlin@honigman.com
	Attn: Lawrence D. McLaughlin
“Franchisor”	Applebee’s International, Inc., a Delaware corporation, or its successors and assigns
	Applebee’s International, Inc.
	8140 Ward Parkway
	Kansas City, Missouri 64114
	Tel: (913) 890-0100
	Fax: (913) 890-9100
Franchisor’s address for notices	E-mail: Neil.Sprague@applebees.com
	Attn: Brand Counsel
“Purchase Price”	\$81,500,000, subject to adjustment pursuant to Section 3.3
“Escrowed Funds”	\$1,000,000
“Closing Date”	Within fourteen (14) days following the satisfaction or waiver of the conditions precedent set forth in Article IV of this Agreement, but in no event later than the Outside Date (as defined below).

ARTICLE II

ADDITIONAL DEFINITIONS

“Affiliates” means with respect to a specified person or entity, a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the person or entity specified.

“Agreement” has the meaning set forth in the Introduction section.

“Applebee’s Development Agreement” means the Applebee’s Neighborhood Grill & Bar Development Agreement to be entered into between Franchisor and Buyer as of the Closing Date in substantially the form attached to the Franchisor Consent Letter for the development territory described on Exhibit A.

“Applebee’s Franchise Agreements” means the Applebee’s Neighborhood Grill & Bar Franchise Agreements to be entered into between Franchisor and Buyer for each Restaurant as of the Closing Date in substantially the form attached to the Franchisor Consent Letter.

“Assets” means all assets (except the Excluded Assets) used in the operation of the Restaurants, including, but not limited to, Improvements, Liquor Licenses, Real Property Leases, FF&E, Intangible Property, Supplies, Food and Beverage Inventory, books and records solely related to the Restaurants and Miscellaneous Personal Property.

“Assignment of Intangible Property” means an assignment of the Intangible Property in the form of Exhibit B.

“Assignment and Assumption of Assumed Contracts” means an assignment of Seller’s interest in the Assumed Contracts in the form of Exhibit C.

“Assumed Contracts” means (a) the contracts listed on **Schedule 2A** of this Agreement; and (b) the agreements or other arrangements described on **Schedule 2B** of this Agreement relating to the System Agreements.

“Assumed Liabilities” means the following liabilities: (a) Post-Closing Liabilities under the Assumed Contracts, (b) Post-Closing Liabilities under the Real Property Leases, (c) trade payables relating to (i) Miscellaneous Personal Property, (ii) Supplies and (iii) Food and Beverage Inventory, in each case, ordered by Seller for the Restaurants in the ordinary course of business prior to the Closing Date that are not delivered until on or after the Closing Date, (d) any obligations relating to the “Hometown Hero” or similar artifacts in the Restaurants on loan from third parties, including the obligation to maintain such artifacts in good condition and to return such artifacts to the third party owner promptly upon request by the third party owner, as and to the extent described on Schedule 2E.

“Basket” has the meaning set forth in Section 6.1.

“Benefit Plans” has the meaning set forth in Section 5.1(l).

“Bill of Sale” means a bill of sale conveying title to the FF&E, the Miscellaneous Personal Property, Supplies and the Food and Beverage Inventory to Buyer, substantially in the form of **Exhibit D**.

“Buyer Indemnitee” has the meaning set forth in Section 6.2.

“Cap” has the meaning set forth in Section 6.1.

“Claim” has the meaning set forth in Section 6.6(a).

“Closing” has the meaning set forth in Section 8.1.

“Confidentiality Agreement” has the meaning set forth in Section 9.11.

“Contract Period” means the period from the Effective Date of this Agreement through the Closing Date or earlier termination of this Agreement in accordance with Section 9.2 or as otherwise permitted by this Agreement.

“Contract Period Damage” has the meaning set forth in Section 9.1.

“Contract Period Damage Notice” has the meaning set forth in Section 9.1.

“Conveyance Documents” means the Bill of Sale, the Assignment of Intangible Property, the Lease Assignment and Assumption and the Assignment and Assumption of Assumed Contracts.

“Delivery Threshold” means the date on which the Buyer has received the applicable number of title commitments from the Title Company as set forth in this paragraph. The first Delivery Threshold will occur on the date Buyer has received title commitments for thirty (30) Restaurants. The second Delivery Threshold will occur on the date Buyer has received title commitments for an additional twenty (20) Restaurants. The final Delivery Threshold will occur on the date Buyer has received title commitments for the remaining Restaurants except the Restaurants identified on **Schedule 4.1(d)**. For purposes herein, Buyer’s receipt of a title commitment means Buyer’s receipt of the commitment and all recorded exception documents.

“Disclosure Schedule” means **Schedule 5.1**, being the schedule of information attached hereto that is provided by Seller in connection with the representations and warranties set forth in Section 5.1. The Disclosure Schedule is qualified in its entirety by reference to specific provisions of this Agreement, and nothing contained therein is intended to constitute, and shall not be construed as constituting, representations and warranties of the Seller. Information included in the Disclosure Schedule will be deemed exceptions to the representations and warranties set forth in Section 5.1 without regard to whether the applicable representation or warranty references the Disclosure Schedule. Inclusion of information in the Disclosure Schedule shall not be construed as an admission that such information is material to the business, assets, financial condition or operations of the Restaurants, or otherwise be construed to broaden the scope of any representation or warranty of Seller set forth in this Agreement. Matters reflected in the Disclosure Schedule are not necessarily limited to matters required by this Agreement to be reflected in the Disclosure Schedule. Such additional matters are set forth for information purposes and do not necessarily include other matters of a similar nature. Any information disclosed in one section or subsection of the Disclosure Schedule shall be deemed to apply to and qualify the Section or subsection of this Agreement to which it corresponds in number and each other Section or subsection of this Agreement to the extent such information is relevant to such sections or subsections.

“Environmental Claims” has the meaning set forth in Section 5.1(m).

“Environmental Deficiency Notice” has the meaning set forth in Section 7.7.

“Environmental Laws” has the meaning set forth in Section 5.1(m).

“Environmental Notice Period” has the meaning set forth in Section 7.7.

“ERISA” has the meaning set forth in Section 5.1(l).

“Escrow Agreement” has the meaning set forth in Section 3.2(a).

“Estimated Lease Charges” has the meaning set forth in Section 3.3(b)(v).

“Excluded Assets” means (a) existing franchise agreements between Seller and Franchisor, successor-in-interest to Applebee’s Enterprises LLC (which existing franchise agreements shall be terminated at Closing); (b) the System Agreements; (c) any tangible real or personal property, including business records, used in support of the Restaurants that is not located at the Restaurants, including computers, printers and cell phones for Restaurant Employees with the title of area director or director of operations; (d) Blackberrys or similar wireless handheld devices or personal digital assistants (PDAs) used by Restaurant Employees; (e) insurance policies and proceeds therefrom; (f) all claims against third parties relating to periods prior to the Closing Date, including rebates, refunds, credit card receivables or other payment obligations, whether due through direct payment, offset or other method and whether or not included in the terms of an Assumed Contract or Real Property Lease; (g) the certificate of incorporation or formation, as applicable, minute books, tax returns, books of account or other records having to do with the organization of Seller; (h) the rights which will accrue to Seller under this Agreement; (i) any bank accounts or lock boxes of Seller; (j) any cash or cash equivalents held by Seller (other than cash on hand in the Restaurants on the Closing Date in the ordinary course of business); (k) deposits (other than deposits which have been transferred or credited to Buyer); (l) any contracts that are not Assumed Contracts; (m) any intellectual property rights of Seller, Franchisor or any other Affiliates of Seller, including trade names and trademarks of Seller or Franchisor, proprietary marks, logos, recipes, operating methods or manuals relating thereto or information stored on the hard drives of laptop computers used by Restaurant Employees that are not located at the Restaurants; (n) any personnel files or similar information for Restaurant Employees; provided, however, Buyer will be entitled to receive copies of Management Personnel Data with respect to managers, area directors or directors of operations for the Restaurants to the extent Buyer has hired such persons and Seller has received written consent from such individuals to disclose the same; (o) incident logs or other similar records relating to the operations of the Restaurants; and (p) the assets set forth on **Schedule 2C** of this Agreement.

“FF&E” means all of Seller’s interest in appliances; apparatus; machinery; fixtures; trade fixtures; furnishings; equipment; signs; POS systems; computer hardware; printers; software and related licenses (to the extent transferable and not identified on **Schedule 2C**); and other tangible personal property (excluding Food and Beverage Inventory, Supplies and Miscellaneous Personal Property), in each case, located at the Restaurants.

“Financial Statements” has the meaning set forth in Section 5.1(g).

“Food and Beverage Inventory” means the inventory of usable foodstuffs and beverages located at all of the Restaurants, including the Liquor Inventory.

“Franchisor Consent Letter” has the meaning set forth in Section 7.3.

“Fundamental Issues Notice” means a notice issued by the MLCC to Seller identifying an issue relating to (i) Seller’s ownership or operation of the Restaurants (including, but not limited to, filing requirements in connection with the Liquor Licenses) that will prevent the approval of the transfer of one or more of the Liquor Licenses to Buyer if the issue is not corrected to the satisfaction of the MLCC; provided, that upon Seller’s correction of any such issue to the satisfaction of the MLCC, the underlying notice will no longer be considered a Fundamental Issues Notice for purposes of Article IV; or (ii) Buyer, Mark S. Schostak, David W. Schostak or Robert I. Schostak that will prevent approval of the transfer of one or more of the Liquor Licenses to Buyer if the issue is not corrected to the satisfaction of the MLCC; provided, that upon Buyer’s correction of any such issue to the satisfaction of the MLCC, the underlying notice will no longer be considered a Fundamental Issues Notice for purposes of Article IV.

“Governmental Authority” means any nation or government, foreign or domestic, any state or other political subdivision thereof, and any agency or other entity exercising executive, legislative, regulatory or administrative functions of government, including all taxing authorities.

“Hazardous Materials” has the meaning set forth in Section 5.1(m).

“Improvements” means all of the improvements owned by Seller constructed on the real property subject to the Real Property Leases, including the applicable Restaurant’s facility, parking lot and landscaping.

“IPA” means the Interim Participation Agreement in the form attached hereto as **Exhibit E** subject to such changes as are mutually acceptable to Buyer and Seller or made pursuant to Section 7.6(e).

“Independent Accounting Firm” has the meaning set forth in Section 3.3(d).

“Intangible Property” means Seller’s interest in the property (other than the FF&E, Miscellaneous Personal Property, Food and Beverage Inventory, Supplies and the Improvements), which is used solely in connection with the Restaurants or the business conducted at the Restaurants, including the Assumed Contracts, all goodwill related to the location of the Restaurants, the Liquor Licenses and any and all other governmental licenses, Permits, and approvals held by Seller relating to the occupancy or use of the Restaurants which are transferable to Buyer, any and all existing warranties and guarantees held by Seller and given by third parties with respect to the Restaurants which are transferable to Buyer, existing telephone numbers, fax numbers, keys and security system codes. Intangible Property will not include any intellectual property rights of Seller, Franchisor or any of Seller’s Affiliates, including trade names and trademarks, proprietary marks, logos, recipes, operating methods or manuals relating thereto. Buyer will have rights to use such intellectual property to the extent granted by Franchisor pursuant to the Applebee’s Franchise Agreements.

“Knowledge” means (i) with respect to Seller, the actual knowledge of the President (currently, Mike Archer), Senior Vice President, Finance (currently, Bev Elving), Brand Counsel (currently, Neil Sprague) of Applebee’s Services, Inc., and the Directors of Operations (currently Dave Delameter and Mark Higgins) and (ii) with respect to Buyer, the actual knowledge of Mark Schostak or Bill Angott.

“Landlords” means the lessors under the Real Property Leases, as identified in **Schedule 2D**.

“Lease Assignment and Assumption” means the lease assignment and assumption substantially in the form of **Exhibit F** or on a form mutually acceptable to Buyer and Seller for the Restaurants set forth on **Schedule 4.1(b)**.

“Lien” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance, which, in each case, secures the repayment of debt or other monetary obligations of Seller to a third party; provided, however, such term shall not include liens, charges, interests or encumbrances (a) which arise in the ordinary course of business (including statutory liens) for amounts not yet due and payable and which do not constitute debt for borrowed money or (b) granted to Landlords pursuant to the terms of any Real Property Lease or arising in favor of Landlords by operation of law.

“Limitation Period” has the meaning set forth in Section 6.1.

“Liquor Inventory” means the inventory of useable beer, wine and liquor located at all of the Restaurants.

“Liquor Licenses” means the licenses issued by the MLCC for each of the Restaurants as set forth on **Schedule 2F**.

“Losses” has the meaning set forth in Section 6.2.

“Management Personnel Data” means the following information regarding a person’s employment with Seller or its Affiliates, to the extent maintained: (i) employment history (dates worked and positions); (ii) compensation history (salary and bonus); and (iii) performance history (i.e., performance appraisal or evaluation data, progressive discipline data or performance improvement data completed on or after the date that is two (2) years before the Effective Date).

“Material Adverse Change” means any change that is materially adverse to the business, financial condition or results of operations of the Restaurants, taken as a whole, other than any change resulting from: (a) economic, financial market or geopolitical conditions in general (including conditions that generally impact only the region(s) in which the Restaurants are located); (b) changes in law or applicable accounting regulations or principles or interpretations thereof; (c) conditions in the casual dining or restaurant industries generally (including conditions that only impact or disproportionately impact the region(s) in which the Restaurants are located); (d) any change attributable to the negotiation, execution or announcement of this Agreement, including any litigation arising therefrom; or (e) compliance with the terms of, or the taking of any action required by, this Agreement.

“Miscellaneous Personal Property” means the miscellaneous tangible personal property, other than Supplies, located at the Restaurants, including the useable supplies of non-disposable tableware, flatware, and cups, kitchenware, smallwares, uniforms and promotional materials.

“**MLCC**” has the meaning set forth in Section 7.6.

“**Outside Date**” means November 30, 2012.

“**Permits**” has the meaning set forth in Section 5.1(f).

“**Permitted Exceptions**” has the meaning set forth in Section 7.8.

“**Post-Closing Liabilities**” means liabilities and obligations to the extent accrued after the Closing Date; provided that, Post-Closing Liabilities do not include any liabilities that accrue after the Closing Date if they arise due to the acts or omissions of Seller before the Closing Date and provided further that in the case of on-going liabilities and obligations, Post-Closing Liabilities include only those that relate to the period after the Closing Date.

“**Pre-Closing Liabilities**” means liabilities or obligations of Seller or its Affiliates relating to the ownership and operation of the Restaurants other than the Assumed Liabilities.

“**Purchase Agreement Information**” has the meaning set forth in Section 9.11.

“**Real Property Leases**” means the leases and amendments thereto identified on **Schedule 2D**.

“**Related Party**” has the meaning set forth in Section 5.1(l).

“**Release**” has the meaning set forth in Section 5.1(m).

“**Restaurants**” has the meaning set forth in the Introduction section.

“**Restaurant Employees**” means the employees of Seller or its Affiliates that are (a) assigned to work at the Restaurants and (b) the Area Directors and Directors of Operations with supervisory responsibility over the Restaurants.

“**Restriction Period**” means the period from March 8, 2012 through (a) the Contract Period, if the Closing occurs, or (b) two (2) years after the expiration of the Contract Period, if the Closing does not occur.

“**Returns**” has the meaning set forth in Section 5.1(k).

“**Seller Damage Election**” has the meaning set forth in Section 9.1.

“**Seller Indemnitee**” has the meaning set forth in Section 6.4.

“**Supplies**” means the supplies of useable paper products, disposable tableware, flatware and cups, office supplies, maintenance supplies and cleaning supplies located at the Restaurants.

“**System Agreements**” means certain contracts, the scope of which includes the Restaurants and other Applebee’s Neighborhood Grill & Bar restaurants owned by Seller or its Affiliates or franchisees of Franchisor. Buyer and Seller agree to cooperate in good faith to determine alternative arrangements for System Agreements identified in **Schedule 2B** that permit the benefits and obligations associated with such System Agreements to continue to apply to the Restaurants after the Closing and Buyer hereby agrees to execute the applicable document or take such other action as described in the “Method of Transfer” column on **Schedule 2B**.

“**Tax**” or “**Taxes**” means any income, gross receipts, excise, business and occupation, franchise, real and personal property, ad valorem, transfer, sales and use, value added, alternative or add-on minimum, withholding, social security, unemployment, disability, and other taxes or governmental fees or charges or other assessments (whether imposed directly or through withholding), including any interest or penalties that may become payable in respect thereof, imposed by any Governmental Authority, including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other person.

“**Title Company**” has the meaning set forth in Section 3.2(a).

“**Title Deficiency Notice**” has the meaning set forth in Section 7.8.

“**Title Notice Period**” has the meaning set forth in Section 7.8.

“**True-up Period**” has the meaning set forth in Section 3.3(d).

“Vendor Payables” has the meaning set forth in Section 3.3(e).

“1060 Regulations” has the meaning set forth in Section 3.4.

ARTICLE III

PURCHASE AND SALE

Section 3.1 Purchase and Sale . Seller agrees to grant, sell, convey, assign, transfer and deliver the Assets to Buyer at the Closing, upon the terms, covenants, and conditions set forth in this Agreement and Buyer agrees to purchase and take assignment of the Assets at the Closing. Effective as of the Closing, Buyer assumes and agrees to pay, discharge or perform, as appropriate, the Assumed Liabilities upon the terms, covenants, and conditions set forth in this Agreement.

Section 3.2 Purchase Price and Escrowed Funds .

a. On the Effective Date, Buyer shall remit the Escrowed Funds to First American Title Company (the “**Title Company**”) pursuant to the terms of an Escrow Agreement substantially in the form attached to this Agreement as **Exhibit G** (the “**Escrow Agreement**”). At Closing, the Title Company shall disburse the Escrowed Funds to Seller according to the written instructions provided by Seller and Buyer.

b. At Closing, the Purchase Price, less the Escrowed Funds, is payable by Buyer to Seller by wire transfer of immediately available funds to an account or accounts designated by Seller.

Section 3.3 Closing Prorations, Deposits And Post-Closing Adjustments .

a. Adjustments to Amount Due From Buyer to Seller. The following items will be adjustments to the amount due from Buyer to Seller at the Closing and will be reflected as of 12:01 a.m. on the Closing Date:

i. the amount due will be increased by the amount of any deposits or bonds held by any utility, governmental agency, Landlord or service contractor with respect to the Restaurants which have been transferred or credited to Buyer.

ii. the amount due will be increased by the amount of petty cash on hand at the Restaurants as of the Closing Date.

iii. the amount due will be increased by the amount equal to the actual cost of Seller’s Food and Beverage Inventory and Supplies as of the Closing Date pursuant to this subsection (iii) not to exceed \$1,365,000. Representatives of Seller will perform a physical count of the inventory as of 12:01 a.m. on the Closing Date to determine the Food and Beverage Inventory and Supplies and the cash on hand at the Restaurants as of such time. The Food and Beverage Inventory and Supplies shall be valued at actual landed “first in, first out” cost basis (i.e., actual purchase cost, including all third-party shipping and handling charges, but adjusted for all discounts actually received) and without duplication for any pre-paid items allocated to Buyer, as determined by the records of the Restaurants.

iv. the amount due will be decreased by \$202,125 as consideration for Buyer’s acceptance of the Accepted Maintenance Items (defined in Section 4.1(n) below).

a. Additional Adjustments and Prorations. At Closing, Buyer and Seller shall reimburse each other, as appropriate, for the following expenses allocable to the operation of the Restaurants, all of which shall be prorated such that all such items attributable to the period prior to the Closing Date will be allocable to Seller and all such items attributable to the period on and after the Closing Date will be allocable to Buyer:

i. all prepaid items, including, without limitation, any Liquor License application or renewal fees or similar costs for the current (or future) term or period of such Liquor License(s);

ii. to the extent of Seller’s obligations under the Real Property Leases, current (i.e., those first due and payable less than one (1) year prior to the Closing Date) real estate taxes shall be prorated and adjusted as of the Closing in accordance with the due date basis of the municipality or taxing unit in which the property is located, such prorations to be made based on the assumption that such real estate taxes are paid in advance; all delinquent taxes and assessments, if any, shall be paid at Closing by Seller; provided that, to the extent any of such taxes are successfully appealed by Seller, any reduction (net of appeal costs) shall be apportioned on the same basis as the taxes and paid to Buyer post closing;

- iii. all personal property taxes and other taxes;
- iv. utility expenses, using a current utility bill or meter reading applicable to the Restaurants for purposes of determining such proration;
- v. rent payments and any common area charges or other similarly pro-rated charges due under the Real Property Leases, using, with respect to prorating common area charges or other similarly pro-rated charges due under the Real Property Leases which are based on an estimated amount (“**Estimated Lease Charges**”), the amount of estimated payments for such charges then in effect under the Real Property Leases for purposes of determining such proration; and
- vi. any other ordinary and customary items of income and expenses related to the operation of the Restaurants customarily prorated, as mutually agreed upon by the parties.

b. No Adjustment for Undelivered GRPs. Buyer and Seller acknowledge and agree that Buyer will have no responsibility for, and there will be no adjustment or allocation related to, advertising inventory make-goods owed from local broadcast stations after the Closing Date due to under-delivery of gross ratings points in connection with local advertising purchased by Seller for the markets in which the Restaurants are located during periods before the Closing Date.

c. Process. The adjustments to the amounts due to Seller pursuant to Section 3.3(a) and the additional adjustments and prorations pursuant to Section 3.3(b) will be calculated pursuant to the provisions set forth above, and based upon a fair and reasonable estimated accounting performed and agreed to by representatives of Seller and Buyer at the Closing. As soon as practicable after the Closing Date, and in any event within one hundred twenty (120) days after the Closing Date (except with respect to refunds with respect to tax appeals), Buyer and Seller shall agree upon any final adjustments and prorations using the same methodology used for the estimates at Closing and based on Buyer’s verification of Seller’s Food and Beverage Inventory and Supplies (the “**True-up Period**”). If the parties are unable to agree upon the final adjustments and prorations within the True-up Period, then either party upon notice to the other party may submit the specific matters in dispute to KPMG International (the “**Independent Accounting Firm**”). If for any reason the Independent Accounting Firm is unavailable to resolve such dispute between Buyer and Seller and if Buyer and Seller are unable to mutually agree upon the designation of a replacement nationally recognized public accounting firm within five (5) business days after the Independent Accounting Firm has notified Buyer and Seller that it is unavailable to resolve such dispute, any party hereto may thereafter request that the American Arbitration Association make such designation. The Independent Accounting Firm will determine the resolution of the specific matters in dispute, which determination shall be final and binding on the parties. Any payments required to be made pursuant to this Section 3.3(d) shall be paid in cash within five (5) business days of the date of mutual agreement by the parties or determination by the Independent Accounting Firm. The non-prevailing party will pay all of the fees and expenses associated with the services performed by the Independent Accounting Firm and the American Arbitration Association pursuant to this paragraph. Except with respect to Estimated Lease Charges and refunds with respect to tax appeals, a party’s failure to notify the other party with respect to a particular claim for a post-Closing adjustment or proration during the True-Up period will constitute a waiver of such party’s right to seek a post-Closing adjustment or proration with respect to such claim. Estimated Lease Charges shall be finally adjusted within thirty (30) days after the Landlord and Buyer have agreed upon a final reconciliation for the year of Closing. Notwithstanding anything to the contrary contained herein, Franchisor agrees to pay Buyer the amounts set forth on **Schedule 3.3(d)** only upon the occurrence of certain events specified therein.

d. Vendor Payables. Following the Closing, Buyer may pay any amounts due and owing to vendors by Seller (“**Vendor Payables**”) if (i) Buyer is using such vendor in connection with operation of one or more of the Restaurants, (ii) such vendor refuses to provide goods or services to Buyer because of Vendor Payables, and (iii) Seller fails, within ten (10) days after written notice from Buyer, to (1) pay such vendor the Vendor Payables or (2) notify Buyer that Seller has a bona fide dispute with vendor regarding the Vendor Payables and provides summary information relating to such dispute. Notwithstanding the foregoing, if Seller notifies Buyer of a bona fide dispute per part (2) of the immediately preceding sentence, Buyer will have the right to pay such vendor if there is no other vendor from whom Buyer can reasonably obtain replacement goods or services without interruption of service at a commercially reasonable price. If Buyer pays Vendor Payables as permitted in this paragraph, Seller will indemnify Buyer for the amounts paid as provided in Article VI.

Section 3.4 Allocation of Purchase Price. Buyer and Seller acknowledge and agree that the Purchase Price shall be allocated to the Assets in accordance with **Schedule 3.4** attached hereto and made a part hereof, which schedule will reflect a value for each Liquor License of Forty Thousand Dollars (\$40,000). Such allocation shall be binding on Buyer and Seller for all purposes, including the reporting of gain or loss and determination of basis for income tax purposes, and each of the parties hereto agrees that it or they will file a statement setting forth such allocation with its or their federal income tax returns and will also file such further information or take such further actions as may be necessary to comply with the Treasury Regulations that have been promulgated pursuant to Section 1060 of the Internal Revenue Code of 1986, as amended (the “**1060 Regulations**”). Neither Buyer nor Seller shall take any position

(whether in audits, tax returns, or otherwise) that is inconsistent with such allocation unless required to do so by applicable law. If any state or federal taxing authority challenges such allocation, Buyer and Seller shall cooperate in good faith in responding to such challenge. Each party shall give prompt written notice to the other party of any such challenge.

Section 3.5 Employees at Restaurants .

a. It is understood and agreed that all Restaurant Employees are the employees of Seller or its Affiliates, and Seller shall be responsible for the payment to all such employees of all wages due and owing to them, including, without limitation, all earned or accrued vacation pay payable in accordance with Seller's policies and any applicable termination costs. Buyer shall have no obligations, responsibilities or liabilities with respect to Seller's employment of the Restaurant Employees whatsoever; however, Buyer shall have the right, but not the obligation, to hire any of Seller's former employees subsequent to Closing.

b. Simultaneously with the execution of this Agreement, Seller shall provide Buyer with a payroll register, dated as of July 3, 2012, that lists each Restaurant Employee, including the full name, job title or duty, date of hire, pay rate, year-to-date hours worked, wages or salary and vacation awarded, used and year to date accrual, for each such person. Seller shall not, without Buyer's advance written consent, materially increase the rate of compensation or the benefits payable, or make a stock grant or issue stock options, to any of the Restaurant Employees other than compensation or benefits increases in the ordinary course of business. Additionally, Seller will not, without Buyer's advance written consent, give any Restaurant Employee that is a salaried manager, Area Director or Director of Operations a raise that is given outside the normal pay raise cycle for such Restaurant Employee. Approximately one (1) month prior to Closing, Seller shall provide Buyer with an updated payroll register listing all of the foregoing information as of a date approximately one (1) month prior to the Closing Date.

c. At least two (2) days prior to the Effective Date, Seller has provided Buyer with a Michigan Form UIA 1027, Business Transferor's Notice to Transferee of Unemployment Tax Liability including information regarding Seller's business unemployment tax rate, outstanding liabilities, the names of all current employees, the names of employees laid off in the year before the Effective Date and other details about jobless benefit payment and taxes required by law to be provided on or together with Michigan Form UIA 1027. On or before two (2) business days before Closing, Seller shall also provide to Buyer an updated Michigan Form UIA 1027 including the same information.

d. At Closing, Seller or its Affiliates intend to terminate the employment of the Restaurant Employees. Buyer will have the right, but not the obligation, to hire such Restaurant Employees on Buyer's terms. Subject to Section 3.7, Buyer agrees that, during the Restriction Period, neither Buyer nor its Affiliates will directly or indirectly, solicit or hire any of the Restaurant Employees that are (i) designated as "key hourly" or "MITs" (managers-in-training) or (ii) have titles of manager, assistant general manager, general manager or above; provided, however, this provision shall not apply during the Contract Period to the extent Buyer solicits Restaurant Employees that are Area Directors or Directors of Operations for employment at or with respect to the Restaurants post-Closing, subject to the other terms of this Agreement.

e. Buyer acknowledges that Seller may provide a notice to some or all of the Restaurant Employees designed to comply with the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar state or local laws with respect to mass layoffs, plant closures or similar events, and Seller will provide copies of all such notices to Buyer at the same time provided to the Restaurant Employees.

Section 3.6 Buyer's Access Rights .

a. Subject to Section 3.6(c), during normal business hours and upon reasonable notice throughout the Contract Period, Buyer will be permitted commercially reasonable access to:

vii. the Restaurants for environmental investigations, inspections, surveys, or other investigations; provided, however, Buyer may not conduct any physically invasive testing or other destructive or invasive sampling, testing or other inspections, such as a Phase II environmental inspection, or other subsurface testing or environmental investigation (other than Phase I or environmental desktop search) unless (1) such testing or investigation is recommended in writing by a third party consultant, engineer or similar professional with applicable expertise, such as a recommendation for a Phase II that appears in a Phase I environmental site assessment report or similar report, and (2) Buyer requests prior approval from Seller by submitting a written request, together with a copy of the foregoing recommendation, within a reasonable period (not less than forty-eight (48) hours) prior to such testing or investigation and Seller provides its written consent. Seller's consent will not be unreasonably withheld, conditioned or delayed; provided, however, Seller reserves the right to require Buyer to enter into a mutually acceptable access agreement prior to granting approval. Buyer will (1) provide Seller copies of the results of any environmental investigation received by Buyer with respect to the Restaurants within five (5) business days of Seller's request thereof and (2) use commercially reasonable efforts to obtain, at Seller's expense, reliance letters from the environmental engineering

firm or other investigators permitting Seller, its landlords, tenants and future purchasers of the Restaurants to rely on the applicable results of the environmental investigation; and

viii. material information and documents related to the Assets in Seller's possession reasonably requested by Buyer and which are reasonably available to Seller, subject to Seller's determination that such information may be disclosed without undue legal risk (e.g., certain employment-related information), provided, for purposes of clarity, Buyer shall have no right to review Management Personnel Data with respect to Restaurant Employees that (1) constitute Excluded Assets or (2) relate to managers, Area Directors or Directors of Operation that have not provided written consent to Seller to provide such Management Personnel Data.

b. Seller will cooperate with Buyer in connection with all rights of access but is not obligated to incur any related expense. In all cases, Buyer shall schedule the time and scope of each environmental investigation, inspection or other exercise of such rights of access with Seller and such exercise shall be under such supervision as Seller may require in its reasonable discretion; and in a manner that does not unreasonably disrupt or interfere with the operation of the Restaurants or with any other business being conducted in a shopping center within which a Restaurant is located. Buyer will repair all damage arising out of or due to its entry onto the Restaurant properties and conducting environmental investigations, inspections or other on-site activities. Buyer will indemnify and defend Seller against, and hold Seller harmless from, any and all loss, cost, liability, and expense (including reasonable attorneys' fees) arising out of or due to Buyer's environmental investigations, surveys, inspections or other on-site activities at the Restaurants from March 8, 2012, through the Closing.

c. Any requests for documents and information by Buyer pursuant to this Section 3.6 or to schedule the time or scope of each environmental investigation, inspection or other access to the Restaurants shall, in each case, be made via telephone or e-mail to Ronniann Silver (913-890-0222; ronniann.silver@applebees.com) Dan Rieger (913-890-0145; daniel.rieger@applebees.com), Mindy Jack (913-201-8391; mindy.jack@applebees.com), or Lance Formwalt (816-265-4106; lancef@sblsg.com). Except as provided in the preceding sentence, neither Buyer, nor anyone on behalf of Buyer, may contact, communicate with, or request information from, any employees of Seller or its affiliates without the prior written consent of Seller, which consent will not be unreasonably withheld, conditioned or delayed.

d. Except as provided in Sections 5.3, 7.7, 7.8 and 9.2, Buyer has no right to terminate this Agreement as a result of the exercise of its access rights or any due diligence results unsatisfactory to Buyer or its lender, including the outcome of any environmental investigation, inspection, survey, other investigation, review or other action related thereto.

Section 3.7 Manager Training Sessions . Within the thirty (30)-day period immediately preceding the Closing Date, Seller will permit Buyer to hold training and information sessions with the Restaurant Employees that are managers, Directors of Operations and Area Directors, provided, (a) the number, timing and scope of any such training and information sessions shall be subject to advance approval by Steve Leyt or Mike Archer, which approval shall not be unreasonably withheld, conditioned or delayed (b) Seller or its Affiliates shall have the right to review and approve, which approval shall not be unreasonably withheld, conditioned or delayed, any proposed session agenda and/or handouts and have a representative present at any such training or information session, (c) unless otherwise agreed by Buyer and Seller, Buyer holds each type of training or information session on at least two different occasions to minimize disruption of management staff scheduling and (d) Buyer will reimburse Seller or its Affiliates for all reasonable out of pocket costs and expenses incurred by Seller or its Affiliates in connection with such training and information sessions, including, without limitation, costs and expenses associated with travel, meeting locations and wages paid to key hourly employees due to the absence of managers for attendance at a training or information session (for purposes of clarification, out of pocket costs will not include salary and benefits paid to managers, Area Directors or Directors of Operations). Following such training and information sessions, Buyer may have managers contact other Restaurant Employees regarding their interest in being hired by Buyer following Closing.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.1 Buyer's Conditions . Notwithstanding anything in this Agreement to the contrary, Buyer's obligation to purchase the Assets will be subject to the satisfaction or waiver of the following conditions on or before the Closing Date:

a. execution and delivery by Seller of the Conveyance Documents and, in the event the MLCC has not approved the transfer of one or more of the Liquor Licenses at Closing, the IPA with respect to such Liquor Licenses;

b. receipt of consent from the applicable Landlord to assignment of each of the Real Property Leases listed on **Schedule 4.1(b)**;

c. *“Intentionally Deleted”*

d. receipt of leasehold title policies without standard exceptions that can be deleted solely by Seller’s provision to the Title Company of a customary owner’s affidavit on each Restaurant (excluding the Restaurants subject to “in-line” leases, which Restaurants will be identified on **Schedule 4.1(d)** to this Agreement) with insurance coverage amounts of \$1,000,000 per Restaurant insuring the leasehold interest in each Real Property Lease in Buyer subject only to the Permitted Exceptions;

e. Buyer obtaining UCC, tax lien and judgment searches concerning Seller and the Assets, which do not disclose any Liens, except for Liens that will be released at Closing upon payment of the Purchase Price as evidenced in writing by the applicable Lien holder or for which other evidence of release is provided to Buyer at or before Closing;

f. subject to the conditions to Franchisor’s consent set forth in Section 7.3 and/or the Franchisor Consent Letter being satisfied, the execution and delivery of the Applebee’s Development Agreement and Applebee’s Franchise Agreements by Franchisor;

g. Seller shall have delivered to Buyer certificates executed by an officer of Seller dated as of the Closing Date certifying that Seller has (i) performed and complied in all material respects with all of Seller’s covenants and obligations under this Agreement which are to be performed or complied with by Seller prior to or on the Closing Date; and (ii) all representations and warranties of Seller in this Agreement shall be true on and as of the Closing Date in all material respects;

h. no applicable law, injunction or temporary restraining order enacted, entered or issued by any governmental body or other legal restraint preventing the consummation of the transactions contemplated hereby shall be in effect;

i. Buyer must have agreed to any additions to **Schedule 2C** proposed by Seller; provided, that, the parties hereby agree that an item located at a Restaurant(s) will be added to **Schedule 2C** without further approval by Buyer if it is owned by a vendor and the item would be permitted to remain in the Restaurant(s) after the Closing without additional cost or expense to Buyer if Buyer continued the applicable relationship with such vendor (and continued payments due with respect to the continuation of such relationship) after the Closing (whether or not Buyer actually continues such vendor relationship);

j. receipt of copies of the resolutions of the board of managers and members of the Seller entities that are limited liability companies authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein or other proof of such authorization by such Seller reasonably acceptable to Buyer, certified, in either case, as of the Closing Date by an authorized officer of that certain Seller entity;

k. receipt of copies of the resolutions of the board of directors of the Seller entities that are corporations authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein or other proof of such authorization by such Seller reasonably acceptable to Buyer, certified, in either case, as of the Closing Date by an authorized officer of that certain Seller entity;

l. The MLCC shall have either (i) approved the transfer of the Liquor Licenses to Buyer prior to Closing or (ii) to the extent transfer of all the Liquor Licenses to Buyer has not been approved by the MLCC prior to Closing (and provided that the MLCC has not issued a Fundamental Issues Notice), issued a Participation Permit to Buyer allowing Buyer to participate in the sale of alcoholic beverages under the Liquor Licenses at the Restaurants, subject to the terms of the IPA;

m. No Material Adverse Change shall have occurred; and

n. At Seller’s sole cost, Seller must have taken the actions identified under the column titled “ASI Agreed Upon Action” on **Schedule 4.1(n)** with respect to the deferred maintenance items identified with respect to the designated Restaurant under the column titled “Description”, including the repair or replacement of such items to good working condition, to the extent and subject to any limitations contemplated in the “ASI Agreed Upon Action” column; and all such actions will be conducted in a workmanlike manner. Seller shall have no responsibility to repair the deferred maintenance items identified on **Schedule 4.1(n)** for which the corresponding ASI Agreed Upon Action column is blank or states "No Action" or "No Action Needed", which items will be accepted by Buyer "as is" (collectively, the "**Accepted Maintenance Items**").

Section 4.2 Failure or Waiver of Buyer’s Conditions . Buyer may, at its election, at any time or times on or before the date specified for the satisfaction of the condition, waive in writing the benefit of any of its conditions set forth in Section 4.1. Failure to notify Seller in writing of the failure of any of the conditions set forth above by the date for satisfaction of such condition will constitute a waiver of such condition. In any event, Buyer’s proceeding to Closing pursuant to this Agreement will waive any remaining unfulfilled conditions unless otherwise agreed in writing.

Section 4.3 Seller's Conditions . Notwithstanding anything in this Agreement to the contrary, Seller's obligation to sell the Assets will be subject to the satisfaction or waiver of the following conditions:

- a. receipt of the Purchase Price and any other amounts due to Seller pursuant to this Agreement and, in each case, paid in accordance with this Agreement on the Closing Date;
- b. execution and delivery by Buyer of the Conveyance Documents to which Buyer is a party and, in the event the MLCC has not approved the transfer of one or more of the Liquor Licenses at Closing, the IPA with respect to such Liquor Licenses;
- c. receipt of consent from the applicable Landlord to assignment of each of the Real Property Leases listed on **Schedule 4.1(b)**;
- d. execution and delivery of the Applebee's Development Agreement and Applebee's Franchise Agreements by Buyer and Franchisor and Franchisor's confirmation of receipt of all payments or deposits due thereunder; provided, however, Franchisor's execution of the Applebee's Development Agreement and Applebee's Franchise Agreements will only be a condition of Seller if the conditions to Franchisor's consent set forth in Section 7.3 or the Franchisor Consent Letter have not been satisfied;
- e. Buyer shall have delivered to Seller a certificate executed by a manager of Buyer dated as of the Closing Date certifying that Buyer has (i) performed and complied in all material respects with all of Buyer's covenants and obligations under this Agreement which are to be performed or complied with by Buyer prior to or on the Closing Date; and (ii) all representations and warranties of Buyer in this Agreement shall be true on and as of the Closing Date in all material respects;
- f. no applicable law or injunction enacted, entered or issued by any governmental body or other legal restraint preventing the consummation of the transactions contemplated hereby shall be in effect;
- g. receipt of copies of the resolutions of the members of Buyer authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein or other proof of such authorization by Buyer reasonably acceptable to Seller, certified, in either case as of the Closing Date by a manager of Buyer;
- h. Buyer shall have delivered to Seller such sales tax resale certificates as reasonably requested by Seller or its legal counsel in order to allow Seller to exempt from sales tax any Assets qualifying for a sales tax exemption under applicable law; and
- i. The MLCC shall have either (i) approved the transfer of the Liquor Licenses to Buyer at Closing or (ii) to the extent transfer of all the Liquor Licenses to Buyer has not been approved by the MLCC and the MLCC has not issued a Fundamental Issues Notice, issued a participation permit to Buyer allowing Buyer to sell alcoholic beverages at the Restaurants for which transfer of the Liquor Licenses has not been approved, subject to the terms of the IPA.

Section 4.4 Failure or Waiver of Seller's Conditions . Seller may, at its election, at any time or times on or before the date specified for the satisfaction of the condition, waive in writing the benefit of any of its conditions set forth in Section 4.3. Failure to notify Buyer in writing of the failure of any of the conditions set forth above by the date for satisfaction of such condition will constitute a waiver of such condition. In any event, Seller's proceeding to Closing pursuant to this Agreement will waive any remaining unfulfilled conditions unless otherwise agreed in writing.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.1 Seller's Representations and Warranties . Except as provided in the Disclosure Schedule, Seller, severally only with respect to itself and the Restaurants owned or operated by it and not jointly, represents and warrants to Buyer as follows:

- a. Seller is duly organized, validly existing, and in good standing under the laws of its state of formation or incorporation, as applicable, and has all requisite authority to own, lease and operate its properties and assets and to conduct its business (including, without limitation, business related to the Restaurants) as it is now being conducted. Seller is duly qualified to do business as a foreign entity and is in good standing in all jurisdictions where its activities make such qualification necessary with such exceptions as would not constitute, individually or in the aggregate, a Material Adverse Change.

b. Seller has full power and lawful authority to enter into and carry out the terms and provisions of this Agreement and to execute and deliver the Conveyance Documents and all other documents which are contemplated by this Agreement and all actions of Seller necessary to confer such power and authority upon the persons executing this Agreement and the Conveyance Documents and all other documents which are contemplated by this Agreement on behalf of Seller have been taken. This Agreement has been duly and validly executed and delivered by Seller and, assuming the due authorization, execution and delivery by Buyer, constitutes a legal, valid and binding obligation of Seller enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, reorganization or similar laws of general application in effect relating to or affecting the rights of creditors, generally and to general rules of equity.

c. The execution, delivery and performance of this Agreement will not (i) result in a material breach of any term of Seller's organizational documents, (ii) assuming approval by the MLCC of the transfer of the Liquor Licenses from Seller to Buyer, violate any law or any order, rule or regulation applicable to Seller or the Restaurants, of any court or of any Governmental Authority having jurisdiction over Seller or its properties or the Restaurants, or (iii) result in the creation or imposition of any Lien upon any of the Assets. Except for approval by the MLCC of the transfer of the Liquor Licenses from Seller to Buyer, no filing or registration with, or authorization, consent or approval of, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery by Seller of this Agreement, the Conveyance Documents and all other documents which are contemplated by this Agreement.

d. Except for any Lien which will be released upon payment of the Purchase Price, Seller has good and marketable title to all of the Assets subject to no Liens. Each Restaurant contains the FF&E, Miscellaneous Personal Property, Supplies and Food and Beverage Inventory generally necessary to operate the Restaurant in accordance with Seller's historical practices and to execute the current menu platform. **Schedule 2D** includes a complete and accurate list of all the Restaurants and a complete and accurate list of all the Landlords and Real Property Leases for the Restaurants. Each Real Property Lease is in full force and effect; the terms contained in the Real Property Leases have not been modified or amended in any material respect except as disclosed in **Schedule 2D**; Seller has delivered a true and complete copy of each Real Property Lease to Buyer; there are no material defaults by Seller or, to the Knowledge of Seller, by the Landlord, under the Real Property Leases or events which, with the giving of notice or passage of time or both would constitute material defaults by Seller or, to the Knowledge of Seller, by the Landlord, under the Real Property Leases; and Seller has not received written notice from a Landlord that Seller is currently in default under a Real Property Lease or given written notice to a Landlord that such Landlord is currently in default.

e. A complete and accurate list of all loan agreements, indentures, mortgages, pledges or security agreements to which Seller is a party and to which any of the Restaurants are subject as of the Effective Date is set forth in Section 5.1(e) of the Disclosure Schedule.

f. Section 5.1(f) of the Disclosure Schedule includes a complete and accurate list of the material written contracts and agreements related to the operation and maintenance of the business conducted at the Restaurants other than the System Agreements set forth on **Schedule 2B** and the Real Property Leases and guarantees of Real Property Leases; each Assumed Contract is in full force and effect; the terms contained in the Assumed Contract have not been modified or amended in any material respect except as disclosed in Schedule 2A and Schedule 2B; Seller has delivered to Buyer a true and complete copy of each Assumed Contract; there are no material defaults by Seller or, to the Knowledge of Seller, by any other party to an Assumed Contract, under the Assumed Contracts or events which, with the giving of notice or passage of time or both would constitute material defaults by Seller or, to the Knowledge of Seller, by any other party to an Assumed Contract, under the Assumed Contract; and Seller has not received written notice from a party to an Assumed Contract that Seller is currently in default under such Assumed Contract or given written notice to any party to an Assumed Contract that such party is currently in default.

g. Seller has all material approvals, authorizations, consents, licenses, franchises, orders, certifications and other permits issued by any Governmental Authority which are necessary for the ownership of the Assets or current operation of the Restaurants (the "**Permits**").

h. **Schedule 2F** includes a complete and accurate list of the liquor licenses issued with respect to the Restaurants; all amounts required to be paid with respect to the Liquor Licenses have been paid; Seller has not received written notice from any Governmental Authority that Seller is presently in default or violation of the terms of its Liquor Licenses and, to Seller's Knowledge, there are no such defaults.

i. Seller has provided to Buyer true and accurate copies of the unaudited statement of operations for each Restaurant for each of the three fiscal years ending December 28, 2008, January 3, 2010, and January 2, 2011, respectively (collectively, the "**Financial Statements**"). The Financial Statements were prepared by Seller from its books and records on a basis consistent with Seller's internal accounting practices and generally in accordance with GAAP; are complete and correct in all material respects; and do not contain any untrue statement of a material fact necessary in order to make the statements contained

therein not materially misleading. The comparable sales reports provided by Seller to Buyer for each completed fiscal month of Seller from January 1, 2012 through July 1, 2012 contain data specifically applicable to the Restaurants and such reports use the same data for the Restaurants (as applicable to such time periods) that Seller uses to generate the comparable sales reports used by Seller and its Affiliates in the ordinary course of business to manage the operations of the Applebee's restaurants owned by Seller or its Affiliates, including the Restaurants.

j. Seller has not received a written notice from any Governmental Authority that any violation of any law has occurred with respect to the operation of the Restaurants or the physical condition of the Restaurants that has not been cured and to the Knowledge of Seller no such violation exists.

k. Seller has not received a written notice from any Governmental Authority that eminent domain proceedings for the condemnation of the Restaurant facilities are pending as of the Effective Date.

l. Seller is not a party to any pending litigation relating to the Restaurants.

m. Seller is not a party to any written employment contracts or collective bargaining agreements with respect to the Restaurants for which Buyer will be liable. No Restaurant Employees are on strike, nor, to the Knowledge of Seller, are any Restaurant Employees threatening to strike, and there is no strike in progress in any collective bargaining unit of any union to which the Restaurant Employees belong and which relate to employment at the Restaurants. Seller does not have any Knowledge of any union organizing activity occurring with regard to any of the Restaurants during the past five (5) years.

n. The payroll register delivered to Buyer pursuant to Section 3.5(b), is true and complete in all material respects as of the date it was prepared as identified on the payroll register.

o. Seller has timely filed (or will timely file after giving effect to any applicable extensions) all federal, state, local and other tax returns, reports, declarations and applications related to Taxes ("**Returns**") required to be filed by Seller for all periods up to and including the Closing Date. All Returns are, or if not yet filed will be, true, accurate, and complete in all material respects and reflect all Taxes payable by Seller. Seller's Returns have not been audited by any Governmental Authority within the three (3) years prior to the Effective Date. Seller has paid (or will timely pay) all Taxes which are due and payable (or which relate to any period prior to the Closing Date) or for which assessments have been received prior to the Closing Date. There are no audits, suits, actions, claims, investigations, inquiries, or proceedings pending or to Seller's Knowledge, threatened, against Seller with respect to Taxes, nor has any deficiency or claim for any Taxes been imposed or assessed. Seller has not received any notices of deficiencies, adjustments, or changes in assessments with respect to any Taxes. Seller has not waived any statute of limitations with respect to any taxable year. There is no agreement, waiver, or consent providing for an extension of time with respect to the assessment of any Taxes against Seller.

p. The Disclosure Schedule contains a true and complete list of each pension, profit sharing, other deferred compensation, bonus, incentive compensation, stock purchase, stock option, supplemental retirement, severance or termination pay, medical, hospitalization, life insurance, dental, disability, salary continuation, vacation, supplemental unemployment benefits plan, program, arrangement or contract, and each other employee benefit plan, program, arrangement or contract, currently maintained, contributed to, or required to be contributed to, by Seller or any Related Party (hereinafter defined) for the benefit of any Restaurant Employee, whether or not any of the foregoing is funded, whether formal or informal, whether or not subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and whether legally binding or not (collectively, the "**Benefit Plans**"). Seller has delivered to Buyer, with respect to each Benefit Plan, as applicable, (1) true and complete copies of all documents embodying each Benefit Plan including, without limitation, the plan and trust or other funding arrangement relating thereto, summary plan descriptions, employee handbooks or personnel manuals and all amendments and supplements thereto; (2) the most recent annual report (Series 5500 and all schedules thereto), if any, required by ERISA; and (3) the most recent determination letter received from the Internal Revenue Service, if any. "**Related Party**" means any member of a controlled group of corporations, a group of trades or businesses under common control or an affiliated service group, within the meaning of Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, of Seller.

q. Seller has provided to Buyer true and complete copies of the most recently obtained, if any, Phase I environmental site assessment in Seller's possession with respect to each Restaurant, and, if applicable, any Phase II environmental site assessment in Seller's possession performed as a follow up to such Phase I environmental site assessments. Except for those matters disclosed in any environmental site assessments or other reports related to the Restaurants provided by Seller to Buyer or those obtained by Buyer prior to Closing, with respect to the Restaurants, (i) Seller has not received any written notice of any violation of Environmental Laws that has not been cured; (ii) to Seller's Knowledge, Seller is in material compliance with all applicable Environmental Laws, (iii) there are no Environmental Claims pending or, to the Knowledge of Seller, threatened against Seller and (iv) to Seller's Knowledge, Seller has not Released any Hazardous Materials at, on, under or from any of the

Restaurants in a manner that would reasonably be expected to result in an Environmental Claim against the Seller or Buyer.

The term “**Environmental Claims**” means any administrative or judicial actions, suits, orders, claims, proceedings or written or oral notices of noncompliance by or from any Governmental Authority alleging liability arising out of the Release of or exposure to any Hazardous Material or the failure to comply with any Environmental Law. For the purpose of this Agreement, the term “**Hazardous Materials**” means any substance defined as “hazardous substances,” “hazardous air pollutant,” “pollutants,” “contaminants,” “hazardous materials,” “hazardous wastes,” “toxic chemicals,” “petroleum or petroleum products,” “toxics,” “hazardous chemicals,” “extremely hazardous substances,” “pesticides” or related materials, including, but not limited to, radon and asbestos, as now, in the past, or hereafter defined in any applicable federal, state or local law, regulation, ordinance, policy or directive, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. § 9601 et. seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 1101 et. seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et. seq.; the Hazardous Materials Transportation Act of 1974, 49 U.S.C. § 1801 et. seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et. seq.; the Clean Air Act, 42 U.S.C. § 4701 et. seq.; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 et. seq.; the Safe Drinking Water Act, 42 U.S.C. § 3001 et. seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et. seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et. seq.; and any laws regulating the use of biological agents or substances including medical or infectious wastes and the corresponding State laws, regulations and local ordinances, etc. which may be applicable, (“**Environmental Laws**”) as any such acts may be amended, provided that in all cases Environmental Laws shall not include general health code requirements and related health and safety laws, rules and regulations. The term “**Release**” means any release, spill, emission, leaking, pumping, emitting, discharging, injecting, escaping, leaching, dumping, disposing or passive migration into or through the environment.

Section 5.2 Buyer’s Representations and Warranties . Buyer represents and warrants to Seller that:

a. Buyer is duly organized, validly existing, and in good standing under the laws of its state of formation and is qualified to do business and in good standing in all jurisdictions where its activities so require.

b. Buyer has full power and lawful authority to enter into and carry out the terms and provisions of this Agreement and to execute and deliver the Conveyance Documents and all other documents which are contemplated by this Agreement and all actions of Buyer necessary to confer such power and authority upon the persons executing this Agreement and the Conveyance Documents and all other documents which are contemplated by this Agreement on behalf of Buyer have been taken. This Agreement has been duly and validly executed and delivered by Buyer and, assuming the due authorization, execution and delivery by Seller, constitutes a legal, valid and binding obligation of Buyer enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, reorganization or similar laws of general application in effect relating to or affecting the rights of creditors, generally and to general rules of equity.

c. Buyer’s execution, delivery and performance of this Agreement, the Conveyance Documents and all other documents which are contemplated by this Agreement will not (i) violate or result in a breach of any term of Buyer’s organizational documents, (ii) result in a breach of or constitute a default under any term in any agreement or other instrument to which Buyer is a party, such default having not been previously waived by the other party to such agreements, (iii) violate any law or any order, rule or regulation applicable to Buyer, of any court or of any Governmental Authority having jurisdiction over Buyer or its properties, or (iv) result in the creation or imposition of any lien or encumbrance upon any of the Assets.

d. Buyer has the financial capacity to perform all of its obligations under this Agreement and Buyer will have available at Closing all funds, commitments, resources and capabilities necessary to pay the Purchase Price and any other amounts contemplated by this Agreement.

e. Buyer, TSFR Apple Holdings LLC and TSFR Apple Investment LLC were formed solely for purposes of completing the transactions contemplated herein and have not had regularly prepared balance sheets prior to the Effective Date. Buyer is not aware of any reason why Buyer would not be qualified by the MLCC to acquire the Liquor Licenses from Seller.

Section 5.3 Updating Seller’s Representations .

a. From time to time on or before the Closing, Seller may update the Disclosure Schedule to reflect any additional matters that would otherwise make any of the representations and warranties set forth in Section 5.1 untrue. If Buyer otherwise becomes aware during the Contract Period of any matters which make any of Seller’s representations or warranties untrue as of the Closing Date, then Buyer will promptly notify Seller of such matters. If any such matters disclosed by Seller or discovered by Buyer do not constitute a Material Adverse Change or if Buyer does not exercise its right to terminate this Agreement if such matters do constitute a Material Adverse Change, then Buyer will waive such matters and complete the purchase of the Restaurants in accordance with the terms of this Agreement and Seller will update the Disclosure Schedule to reflect such

matters. Notwithstanding the foregoing, to the extent an update or updates to the Disclosure Schedule is/are made after the Effective Date and the matter reflected in such update(s) would have otherwise constituted a breach of a representation or warranty set forth in Section 5.1 as of the Effective Date, then (i) such disclosure(s) will be disregarded solely for purposes of determining whether Buyer will be entitled to indemnification as set forth in Article VI with respect to Losses suffered or incurred due to a breach of representation or warranty identified as a result of such applicable additional disclosure(s); or (ii) Buyer shall be entitled to propose an equitable adjustment to the Purchase Price based on the net present value of the reasonably anticipated financial impact on the on-going ownership and operation of the Restaurants arising due to the additional disclosure(s) by delivery of written notice to Seller within five (5) business days of any such disclosure, which notice must include an explanation of the basis for Buyer's proposed reduction, provided that provision (ii) shall only be available to Buyer as a remedy if the net present value of such reasonably anticipated financial impact of all disclosures in the aggregate is greater than \$250,000. If the remedy in provision (ii) of this paragraph is applicable and Buyer timely provides the notice described in provision (ii) of this paragraph, the parties will negotiate in good faith to reach agreement on an equitable adjustment to the Purchase Price based on the proposal in Buyer's notice as a condition to Buyer's obligation to close on the transactions contemplated herein. If Buyer provides a timely notice under provision (ii) of this paragraph and the parties reach agreement on an equitable adjustment to the Purchase Price, such adjustment will be Buyer's sole remedy with respect to the applicable matters added to the Disclosure Schedule triggering Buyer's rights under provision (ii) of this paragraph except as may be otherwise reflected in the parties agreement as to the equitable adjustments to the Purchase Price.

b. Notwithstanding Section 5.3(a), if any updated disclosure, whenever made, (i) relates to exceptions disclosed in either a title commitment or a Title Deficiency Notice, the procedures outlined in Section 7.8 shall govern; and (ii) relates to exceptions or conditions disclosed in an Environmental Deficiency Notice or as a result of Buyer's environmental site assessment, the procedures outlined in Section 7.7 shall govern.

c. Except as provided in Section 4.1(m) with respect to a Material Adverse Change and except as specifically provided in this Section 5.3, Buyer will have no right to terminate this Agreement pursuant to this Section 5.3 to the extent it relates to a matter that is either disclosed in writing by Seller to Buyer or of which Buyer becomes aware, in each case, on or before the Effective Date.

Section 5.4 No Implied Representations or Warranties . EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN SECTION 5.1 OR IN ANY CONVEYANCE DOCUMENTS EXECUTED AND DELIVERED BY SELLER, SELLER, ON BEHALF OF IT AND ITS AFFILIATES, DISCLAIMS THE MAKING OF ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE ASSETS OR MATTERS AFFECTING THE ASSETS, INCLUDING THE BOUNDARIES OF THE LAND, THE FINANCIAL OR OTHER PERFORMANCE AT THE RESTAURANTS AFTER THE CLOSING, THE PHYSICAL CONDITION OF THE ASSETS OR THE RESTAURANTS (INCLUDING THE CONDITION OF THE BUILDING STRUCTURE, THE ROOF, THE ELECTRICAL, PLUMBING, AND HVAC SYSTEMS, OR THE FURNISHINGS, FIXTURES AND EQUIPMENT), PEST CONTROL MATTERS, SOIL CONDITION, HAZARDOUS WASTE, TOXIC SUBSTANCE, OR OTHER ENVIRONMENTAL MATTERS, COMPLIANCE WITH BUILDING, HEALTH, SAFETY, LAND USE, AND ZONING LAWS, REGULATIONS AND ORDERS, STRUCTURAL AND OTHER ENGINEERING CHARACTERISTICS, TRAFFIC PATTERNS, ECONOMIC PROJECTIONS, FINANCIAL DATA, EMPLOYMENT PRACTICES AND ALL OTHER INFORMATION PERTAINING TO THE ASSETS BUYER, MOREOVER, ACKNOWLEDGES (1) THAT BUYER HAS ENTERED INTO THIS AGREEMENT WITH THE INTENTION OF MAKING AND RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC, AND LEGAL CONDITION OF THE ASSETS AND (2) THAT BUYER IS NOT RELYING UPON ANY STATEMENTS, INFORMATION, REPORTS, REPRESENTATIONS, OF WARRANTIES (OTHER THAN THOSE SPECIFICALLY SET FORTH IN SECTION 5.1 OR IN ANY CONVEYANCE DOCUMENTS EXECUTED AND DELIVERED BY SELLER), MADE BY SELLER, FRANCHISOR OR ANYONE ACTING OR CLAIMING TO ACT ON BEHALF OF SELLER OR FRANCHISOR CONCERNING THE ASSETS OR THE OPERATION OF THE RESTAURANTS, INCLUDING THE RESTAURANT EMPLOYEES, OR CONTAINED IN ANY COPIES OF MANAGEMENT PERSONNEL DATA PROVIDED TO BUYER WITH RESPECT TO THE RESTAURANT EMPLOYEES. BUYER FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED FROM SELLER OR ITS AFFILIATES ANY ACCOUNTING, TAX, LEGAL, ARCHITECTURAL, ENGINEERING, PROPERTY MANAGEMENT, OR OTHER ADVICE WITH RESPECT TO THIS TRANSACTION AND IS RELYING SOLELY UPON THE ADVICE OF ITS OWN ACCOUNTING, TAX, LEGAL, ARCHITECTURAL, ENGINEERING, PROPERTY MANAGEMENT, AND OTHER ADVISORS. SUBJECT TO THE PROVISIONS OF SECTION 5.1 AND ANY CONVEYANCE DOCUMENT EXECUTED AND DELIVERED BY SELLER, BUYER WILL PURCHASE THE ASSETS IN THEIR "AS IS", "WHERE-IS" AND "WITH-ALL FAULTS" CONDITION ON THE CLOSING DATE WITHOUT ANY WARRANTIES, WHETHER EXPRESS OR IMPLIED (INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) AND ASSUMES

THE RISK THAT ADVERSE PHYSICAL, ENVIRONMENTAL, ECONOMIC, OR LEGAL CONDITIONS MAY NOT HAVE BEEN REVEALED BY ITS INVESTIGATION.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Limitations on Representations, Warranties and Covenants . No claim based on a breach of representation, warranty or covenant contained in this Agreement or in any document executed by the parties pursuant to this Agreement may be made against Seller on or after the first anniversary of the Closing Date (the “**Limitation Period**”). The aggregate liability of Seller under this Agreement for such matters shall be limited to 10% of the Purchase Price (the “**Cap**”) and will not accrue unless or until the aggregate amount of liability under this Agreement (as to both parties constituting Seller and not individually with respect to each Seller) exceeds \$250,000 and then, only to the extent such claims exceed \$250,000 (the “**Basket**”). The Limitation Period will apply to known as well as unknown breaches of representations, warranties and covenants. Each party acknowledges that the Closing of this transaction will constitute a waiver of any breach of representations, warranties or covenants by a breaching party arising out of matters disclosed in writing to or which are otherwise known by the non-breaching party on or before the Closing Date.

Section 6.2 Indemnification by Seller and Franchisor for Breach of Representation, Warranty or Covenants . Subject to the Closing having occurred and the limitations set forth in Section 6.1, which limitations, including the Limitation Period, the Basket and the Cap will apply only to any indemnification claim under this Section 6.2, Seller and Franchisor jointly and severally agree to protect, defend, indemnify, and hold Buyer, its successors and assigns and their respective officers, directors, shareholders and members (each, a “**Buyer Indemnitee**”), harmless from and against any and all causes of action, claims, losses, liabilities, liens, damages, costs, expenses, demands and obligations (including reasonable attorneys’ fees) (collectively, “**Losses**”) asserted against, suffered or incurred by a Buyer Indemnitee that directly arise or result from any misrepresentation, breach of representation or warranty or nonfulfillment of any covenant made by Seller in this Agreement. Notwithstanding anything to the contrary contained in this Agreement (and without removing from Franchisor the benefit of the Basket or the Cap), Franchisor’s maximum aggregate liability to Buyer Indemnitees under this Article VI is \$12,000,000.

Section 6.3 Indemnification by Seller and Franchisor for Pre-Closing Liabilities .

a. It is acknowledged and agreed that Buyer is purchasing only the Assets and shall not be liable for any Pre-Closing Liabilities. Seller and Franchisor jointly and severally agree to protect, defend, indemnify and hold the Buyer Indemnitee harmless from and against any and all Losses asserted against, suffered or incurred by a Buyer Indemnitee that directly arise or result from the Pre-Closing Liabilities, including, but not limited to, the obligations set forth in Section 3.5(a); provided, however, neither Seller nor Franchisor will have an indemnification obligation to the extent the Losses relate to any condition of the Assets or the Restaurants prior to the Closing.

b. The indemnity set forth in this Section 6.3 is not subject to the limitations set forth in Section 6.1 and shall survive Closing.

Section 6.4 Indemnification by Buyer . Buyer agrees to protect, defend, indemnify, and hold Seller, its successors and assigns, and their respective officers, directors, shareholders and members (each, a “**Seller Indemnitee**”), harmless from and against any and all Losses asserted against, suffered or incurred by a Seller Indemnitee that directly arise or result from:

a. Any misrepresentation, breach of representation or warranty or nonfulfillment of any covenant made by Buyer in this Agreement;

b. Ownership and operation of the Assets, including the Restaurants, from and after the Closing;

c. Failure to pay or otherwise satisfy the Assumed Liabilities;

d. Use, maintenance or disclosure, inadvertent or otherwise, of data regarding the Restaurant Employees left in the Restaurants after the Closing; and

e. Use of any software that remains loaded on the computers in the Restaurants after the Closing to the extent such software is an Excluded Asset.

Section 6.5 Exclusive Remedy and Limitation of Liability . From and after the Closing, none of the parties hereto shall be liable or

responsible in any manner whatsoever to the other parties hereto, whether for indemnification or otherwise, except for indemnity as expressly provided in this Article VI and except as otherwise expressly contemplated in Sections 3.3, 8.3 and 9.1, which provides the exclusive remedy and cause of action of the parties hereto with respect to any matter arising out of or in connection with the purchase, sale, ownership or operation of the Assets, including the ownership and operation of the Restaurants; provided however, a party shall be entitled to seek specific performance or injunctive relief with respect to post-closing obligations of the parties. Except as provided herein, each of the parties hereby waives, to the fullest extent permitted under applicable law, any and all rights it may have to seek punitive or consequential damages from the other parties hereto (except in the case where a third party has been awarded such damages), and waives, releases and agrees not to make any claim or bring any contribution, cost recovery or other action against the other parties or any of their respective successors or assigns or any controlling person or other affiliate of the other parties, under common law or any federal, state or local law or regulation now existing or hereafter enacted which seeks to allocate liabilities between Buyer and Seller in a different manner than as expressly set forth in this Agreement. Notwithstanding the foregoing, nothing contained in this Article VI shall be deemed to modify or otherwise affect the relationship between Franchisor and Buyer or its Affiliates, as applicable, under the Applebee's Development Agreement and/or the Applebee's Franchise Agreements, including, in each case, any indemnification obligations contained therein.

Section 6.6 Indemnification Procedures

a. In the event that any claim shall be asserted by any person in respect of which payment may be sought under Section 6.2, Section 6.3 or Section 6.4 (each, a “**Claim**”), the indemnified party shall reasonably and promptly cause written notice of the assertion of any Claim of which it has knowledge which is covered by this indemnity to be forwarded to the indemnifying party. In the case of third party actions, the indemnifying party shall have the right, to have sole control at its own expense, to be represented by counsel of its choice, and to defend against, negotiate, settle or otherwise deal with any Claim which relates to any Losses entitled to indemnity under this Agreement; provided, however, that (i) the indemnifying party shall obtain the prior written approval of the indemnified party, which approval shall not be unreasonably withheld, conditioned or delayed, before entering into any settlement, adjustment or compromise of such Claim, or ceasing to defend against such Claim if pursuant thereto or as a result thereof, injunctive or other equitable relief would be imposed upon the indemnified party and (ii) the indemnified party shall cooperate with the reasonable requests of the indemnifying party in connection with such Claim. If the indemnifying party elects to defend against, negotiate, settle or otherwise deal with any Claim asserted by a third party which relates to any Losses indemnified against hereunder, it shall within ten (10) business days (or sooner, if the nature of the Claim so requires) notify the indemnified party of its intent to do so. If the indemnifying party elects not to defend against any Claim which relates to any Losses indemnified against hereunder or fails to notify the indemnified party of its election as herein provided, the indemnified party may defend against such Claim. If the indemnified party defends any Claim asserted by a third party and is entitled to indemnity under this Agreement, then the indemnifying party shall reimburse the indemnified party for the expenses and reasonable attorneys fees of defending such Claim upon submission of periodic bills (no less than monthly). If the indemnifying party shall assume the defense of any Claim asserted by a third party, the indemnified party may participate, at his or its own expense, in the defense of such Claim; provided, however, that such indemnified party shall be entitled to participate in any such defense with separate counsel at the reasonable expense of the indemnifying party (i) if so requested by the indemnifying party to participate or (ii) in the reasonable opinion of counsel to the indemnified party, a conflict or potential conflict exists between the indemnified party and the indemnifying party that would make such separate representation advisable; and provided, further, that (A) the indemnifying party shall not be required to pay for more than one such counsel for all indemnified parties in connection with any Claim and (B) to the extent the Claim relates to events or circumstances that existed for periods of time pre-Closing and post-Closing no conflict shall be deemed to exist solely for purposes of this Section 6.6(a). The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation, or settlement of any such Claim. The indemnifying party shall not be liable under this Article VI for any settlement, adjustment or compromise of any third party Claim effected by the indemnified party without the indemnifying party's consent, which consent shall not be unreasonably withheld, conditioned or delayed.

b. The amount of Losses for which an indemnified party is entitled to indemnification under this Agreement will be reduced by the amount of (i) all insurance policy proceeds received by such indemnified party and (ii) any indemnification, contribution or other similar payment recovered by such indemnified party from any third party, in each case, in connection with the Losses for which indemnification is sought.

c. After any final judgment or award shall have been rendered by a court, arbitration board or administrative agency of competent jurisdiction and the expiration of the time in which to appeal therefrom, or a settlement shall have been consummated, or the indemnified party and the indemnifying party shall have arrived at a mutually binding agreement with respect to a Claim hereunder, the indemnified party shall forward to the indemnifying party notice of any sums due and owing by the indemnifying party pursuant to this Agreement with respect to such matter.

d. The failure of the indemnified party to give reasonably prompt notice of any Claim shall not release, waive or

otherwise affect the indemnifying party's obligations with respect thereto except to the extent that the indemnifying party can demonstrate actual loss and prejudice as a result of such failure.

e. The failure of the indemnifying party to timely give notice of its intent to defend a Claim under subsection shall not release, waive or otherwise affect the indemnifying party's rights with respect thereto except to the extent that the indemnified party can demonstrate actual loss and prejudice as a result of such failure.

ARTICLE VII

COVENANTS

Section 7.1 Seller's Covenants . Without the prior written consent of Buyer, during the Contract Period, Seller covenants, as follows:

a. Seller will operate and maintain the Restaurants in the ordinary and usual manner, consistent with past practices of Seller or its Affiliates including, but not limited to, past practices with respect to (i) quantities of Food and Beverage Inventory and Supplies; (ii) the amount of cash on hand at the Restaurants, (iii) Restaurant Employees and (iv) insurance coverages.

b. Seller will not solicit any other offers, entertain any offers or negotiate with any other parties involving the sale of the Restaurants.

c. Seller will use commercially reasonable efforts to assist Buyer with the assumption, transfer or reissuance of any Permits required for the operation of the Restaurants.

d. Prior to the transfer of the Liquor Licenses to Buyer, Seller shall promptly resolve: (i) any complaint filed by the MLCC alleging a violation of the Michigan Liquor Control Code and/or MLCC Administrative Rules that occurred prior to Closing, and (ii) any Fundamental Issues Notice to Seller and any open investigations or document requests by the MLCC in connection with the investigation of Seller as it relates to the transfer of the Liquor Licenses to Buyer. Seller will use commercially reasonable efforts to assist Buyer in obtaining all approvals for the transfer of the Liquor Licenses by the MLCC from Seller to Buyer prior to the Closing. Seller expressly agrees to join in any applications, petitions or other documents, including assignments of interest in, and bills of sale for, the Liquor Licenses, and to sign any amendment to this Agreement or other agreements that are requested by the MLCC and necessary to comply with the Michigan Liquor Control Code and administrative rules promulgated thereunder so long as any such documents or requested amendments, as applicable, do not alter the material terms of this Agreement. Seller will also timely provide documents necessary to complete the transfer of the Liquor Licenses from Seller to Buyer including, but not limited to, copies of the Real Property Leases. This obligation shall survive the Closing.

e. Seller will not sell, lease, license, surrender, relinquish or dispose of, or transfer any of the Assets except in the ordinary course of business, the sale of Food and Beverage Inventory, use of Supplies, repair and replacement of FF&E and borrowing under Seller's existing credit facilities; provided, however, Seller may (i) pledge, mortgage or grant a Lien against any or all of the Assets as security for any indebtedness or other obligation (direct, contingent or otherwise) of Seller or its Affiliates, whether now or hereafter arising, so long as such Lien(s) are released with respect to the Assets on or before the Closing or (ii) terminate or not renew any or all of the Assumed Contracts so long as such action does not materially and adversely affect Buyer's rights or obligations as of the Closing Date, including any material increase in either the costs of the type of products or services subject to such Assumed Contracts or the length of notice required to terminate any replacement relationship for such Assumed Contracts.

f. Seller will not amend any Real Property Lease in a manner that would materially and adversely affect Buyer's rights or obligations as of the Closing Date, including increases in rent or changes in the length of the term of such Real Property Lease.

g. Seller will not remodel or make any material alteration to any of the Restaurants except as required hereunder pursuant to Section 8.3 or Section 9.1.

h. Seller will use commercially reasonable efforts to assist Buyer in obtaining estoppel certificates from the Landlords substantially in the form attached hereto as **Exhibit H** or the form required by the applicable Real Property Lease and, to the extent requested by Buyer, subordination, non-disturbance and attornment agreements from all holders of mortgages encumbering the property subject to the Real Property Leases.

Section 7.2 Buyer's Covenants . Buyer covenants as follows:

- a. Buyer will cooperate with Seller and use its commercially reasonable efforts to assist Seller in obtaining any third party consents necessary for Seller to assign Buyer the Assumed Contracts and the Real Property Leases.
- b. At or prior to Closing, as applicable, Buyer or its Affiliates will satisfy the requirements set forth on **Schedule 7.2(b)** of this Agreement.
- c. Buyer will use commercially reasonable efforts to cause the Landlords to release Seller and its Affiliates from guarantees, tenant liabilities or other contingent liabilities under the Real Property Leases for the period of time from and after Closing.
- d. If Seller, Franchisor or any of their respective Affiliates has any continuing financial or other obligation, whether contingent or otherwise, under any Real Property Lease after the Closing Date, neither Buyer nor any of its Affiliates shall (i) assign or transfer any such Real Property Leases, lease or the leasehold estate constituting any portion of the Assets; or (ii) renew or extend any Real Property Lease (except pursuant to the terms of existing options under such Real Property Lease as of the Closing), sublease or allow any person other than Buyer or Franchisor, its employees, agents, servants, invitees and designees to occupy or use the Restaurant premises or any portion thereof, without, in each such case, either procuring the release of the Seller, Franchisor or any of their respective Affiliates, as applicable, from the continuing obligation from and after the date of the assignment, transfer, renewal, extension or sublease or obtaining the express prior written consent of Seller, which consent shall be at Seller's sole and absolute discretion. Any attempt to do any of the foregoing without such written consent shall be null and void. If Buyer requests Seller's consent, the request will be in writing specifying the renewal or extension; the identity of the proposed assignee or sub-lessee; the duration of said desired sublease, renewal or extension; the date same is to occur; the exact location of the space affected thereby and the proposed rentals on a square foot basis chargeable thereunder. Such request for Seller's consent shall be submitted to Seller at least fifteen (15) days in advance of the date on which Buyer desires to make such renewal, assignment or sublease or allow such occupancy or use or other action that requires Seller's consent.
- e. Buyer and its Affiliates will continue to use the point of sale systems in the Restaurants for a minimum of two weeks after the Closing in substantially the same manner as used prior to the Closing.
- f. From and after the Closing, Buyer will continue to implement and report the results of the product and/or program tests described on **Schedule 7.2(f)** with respect to the Restaurants for the time periods and pursuant to the parameters specified on **Schedule 7.2(f)**.
- g. From and after the Closing, Buyer will promptly forward (but in no event more than five (5) business days after receipt) all correspondence or other legal notices addressed to Seller that relate to events occurring prior to the Closing and which do not constitute Assumed Liabilities.
- h. On or before March 31, 2013, Buyer will complete the remodel of Restaurant #58023 (Cascade/Grand Rapids) required pursuant to the terms of the Real Property Lease for such Restaurant.
- i. Any contact made with a Landlord by Buyer and any negotiations entered into between Buyer and a Landlord prior to the Closing Date will be made and conducted in strict compliance with the terms of that certain letter agreement, dated as of May 17, 2012, between King Venture, Inc. and Seller. Buyer acknowledges and agrees that any breach of such letter agreement by Buyer, King Venture, Inc. or their respective representatives will be deemed a breach of the covenant made by Buyer in this Section 7.2(i).

Section 7.3 Franchisor's Approval . The parties acknowledge and agree that on or before the Effective Date, Franchisor has approved Buyer's acquisition of the Restaurants pursuant to the terms hereof based upon the condition that the equity, ownership and operating structure of Buyer will be substantially the same as set forth in the consent letter issued by Franchisor to Buyer as of the Effective Date ("**Franchisor Consent Letter**") and satisfaction of certain other conditions set forth in the Franchisor Consent Letter.

Section 7.4 Release of Guarantees . Buyer agrees to satisfy the requirements set forth on **Schedule 7.4** to release Seller or its Affiliates from obligations under the Real Property Leases after the Closing Date.

Section 7.5 Insurance . Seller's existing insurance policies, as they affect the Restaurants, will be canceled as of the Closing Date, and Seller will receive any premium refund due.

Section 7.6 Liquor License Consent Process . Buyer agrees to use its commercially reasonable efforts to obtain the approval of the

Michigan Liquor Control Commission (“**MLCC**”) for the transfer of the Liquor Licenses from Seller to Buyer in an expeditious manner prior to the Closing. Specifically, Buyer and Seller agree to the following:

a. In accordance with the requirements of applicable law and practice, Buyer agrees to apply to transfer ownership of the Liquor Licenses from Seller to Buyer. Buyer, at its sole cost and expense, shall be responsible for preparing and filing any and all liquor license applications with the MLCC and any other applicable Governmental Authority. Seller shall cooperate with Buyer in the transfer of the Liquor Licenses, which includes but is not limited to: (i) the renewal of the Liquor Licenses in Seller’s name (but at Buyer’s expense) until the MLCC approves the transfer of the Liquor Licenses to Buyer and the Liquor Licenses are transferred by the MLCC into Buyer’s name, (ii) the execution or delivery by Seller of any documents required to be executed or delivered, as applicable, by Seller under Section 7.1(d), and (iii) the participation in any investigations of the transfer of the Liquor Licenses, if required, by any state or local agencies. Such cooperation will be at Buyer's expense.

b. No later than thirty (30) days following execution of this Agreement Buyer shall complete and file the applications required to transfer the Liquor Licenses from Seller to Buyer and shall immediately provide copies of the same to Seller. Buyer may redact sensitive personal information of officers, directors and shareholders from said applications before providing copies to Seller.

c. To the extent non-liquor permits and/or licenses, hearings, tax clearances, inspections, notice advertising and/or other prerequisites are required prior to (i) filing applications for the transfer of the Liquor Licenses, (ii) the approval of such applications, or (iii) the operation of the Restaurants after the Closing, Buyer shall file any and all applications or requests in a timely manner and shall diligently pursue and use its best efforts to satisfy such prerequisites.

d. Buyer shall pursue approval of the transfer of the Liquor Licenses with all reasonable diligence. Buyer shall provide all required information and documentation to the MLCC upon filing and as requested during the Liquor License transfer process. Buyer shall promptly respond to all MLCC requests for additional information and documentation. At the time that the MLCC approves the transfer of the Liquor Licenses to Buyer and the Liquor Licenses are transferred by the MLCC into Buyer’s name, Buyer shall immediately forward copies of the same to Seller.

e. Within five (5) business days after the Effective Date, Seller will file an application with the MLCC requesting the approval of the IPA and the issuance of Participation Permits to Seller at Closing allowing Buyer to participate in the sale of alcoholic beverages under the Liquor Licenses subject to the terms of the IPA. Buyer and Seller acknowledge that the IPA is subject to the review and approval of the MLCC. The parties agree to take all steps that are reasonably necessary to obtain approval of the IPA by the MLCC so long as such steps do not materially alter the terms of the IPA or this Agreement. In the event that the MLCC does not approve the IPA or requires modifications to the IPA, the parties agree to work together to adopt such modifications or revisions as are necessary to obtain approval of the IPA by the MLCC so long as the changes requested by the MLCC do not materially alter the terms of the IPA or this Agreement.

f. If the transfer of one or more of the Liquor Licenses to Buyer from Seller has not been approved by the MLCC on or before the Closing Date, Seller and Buyer will execute the IPA at the Closing. If the MLCC requires the IPA to be executed prior to Closing as part of its consideration of approval of the IPA and the issuance of Participation Permits to Seller at Closing as described in Section 7.6(e), Seller and Buyer agree to promptly execute the IPA and deliver it to the MLCC and the parties agree that the IPA will only be effective as of the Closing to the extent that (i) the Participation Permits have been granted by the LMCC and (ii) the transfer of one or more of the Liquor Licenses from Seller to Buyer has not yet been approved by the MLCC. For purposes of clarification, if the MLCC has not approved the transfer of one or more of the Liquor Licenses from Seller to Buyer as of the Closing, such Liquor License(s) will be deemed to be Excluded Assets until such time as the MLCC approves the transfer of such Liquor License(s) and Buyer and Seller shall continue to cooperate to effectuate such transfer.

The obligations of the parties set forth in this Section 7.6 will survive the Closing.

in writing, of any material conditions or exceptions that do not reasonably satisfy Buyer and its lenders as a result of Buyer’s environmental site assessment of the Restaurants (“**Environmental Deficiency Notice**”). After receipt of an Environmental Deficiency Notice from Buyer, Seller may then elect, by written notice given within ten (10) days following such notice (“**Environmental Notice Period**”) that Seller agrees to remediate or otherwise cure such conditions in accordance with the plan approved by Buyer as set forth below prior to the Closing Date. If Seller does not elect to so repair or cure the conditions by written notification within the Environmental Notice Period, Buyer will have the right to terminate this Agreement pursuant to Section 9.2(e) by notifying Seller, in writing, within ten (10) days following the Environmental Notice Period. If Buyer does not terminate this Agreement, Buyer will be deemed to waive the condition or exception. If Seller elects to repair or otherwise cure such conditions identified in the Environmental Deficiency Notice, any such repair or cure will be conducted pursuant to a plan approved by Buyer, which approval will not be unreasonably withheld, conditioned or delayed. Seller may elect to extend the Environmental Notice Period by up to an additional twenty (20) days if Seller determines such extension is necessary to prepare a plan for Buyer’s approval as

contemplated in this Section 7.7. Seller may make such election by providing notice to Buyer on or before the expiration of the Environmental Notice Period.

Section 7.8 Title Review and Survey . Within thirty (30) days following the Effective Date, Seller will deliver to Buyer commitments for the title policies required to be delivered pursuant to Section 4.1(d) issued by the Title Company; provided, however, Seller will not be deemed to have breached or failed to perform this obligation so long as Seller has ordered commitments for such title policies from Title Company on or before three (3) business days following the Effective Date and informs the Title Company that the title commitments are expected to be delivered no later than thirty (30) days following the Effective Date. Buyer shall order surveys, to the extent Buyer elects to do so, within fifteen (15) days following the Delivery Threshold with respect to the commitments associated with such Delivery Threshold. On or before the thirtieth (30th) day following each Delivery Threshold, Buyer shall notify Seller, in writing, of any material conditions or exceptions that do not reasonably satisfy Buyer or its lenders following review of the title commitments and surveys for the Restaurants included in such Delivery Threshold (to the extent that Buyer elects or is required to obtain surveys) (each such notice, a “**Title Deficiency Notice**”). After receipt of a Title Deficiency Notice from Buyer, Seller may then elect, by written notice given within twenty (20) days (each such period, a “**Title Notice Period**”) following such notice that Seller agrees to cure such exceptions prior to the Closing Date. If Seller does not elect to cure such or any exception by written notification within the applicable Title Notice Period, Buyer shall have the right to terminate this Agreement pursuant to Section 9.2(e) by notifying Seller, in writing, within ten (10) days following the applicable Title Notice Period. If Buyer does not timely terminate this Agreement, Buyer shall be deemed to waive the condition or exception. The exceptions to which Buyer does not issue a Title Deficiency Notice or which are waived pursuant to the immediately preceding sentence are “**Permitted Exceptions**”. Buyer acknowledges and agrees that the standard survey exception (and other standard exceptions that would be removed with a survey) will be deemed a Permitted Exception unless Buyer provides a survey, survey update or other documentation to the Title Company sufficient to delete such Permitted Exception. Notwithstanding anything to the contrary contained herein, Buyer agrees that the absence of a subordination, non-disturbance and attornment agreement from the holder of any mortgages encumbering the property subject to the Real Property Leases (or a form of such agreement that is not acceptable to Buyer) shall not constitute a material condition or exception that may be cited in a Title Deficiency Notice unless a foreclosure or other enforcement action is pending.

ARTICLE VIII

CLOSING

Section 8.1 Closing Procedure . The closing of the transactions contemplated by this Agreement (“**Closing**”) will take place at the offices of Seller at 8140 Ward Parkway, Kansas City, Missouri 64114 or at another location mutually agreeable to Buyer and Seller within fourteen (14) days following the satisfaction or waiver of the conditions precedent set forth in Article IV of this Agreement or such other date as may be mutually agreed between Buyer and Seller, provided that the Closing will take place no later than the Outside Date.

Section 8.2 Costs and Expenses . Whether or not the Closing takes place, except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expense. Seller will be responsible for the payment of (a) any sales, use, transfer, documentary or other taxes due on the transfer of the Restaurants and the Assets from Seller to Buyer (provided, that Buyer will pay any taxes, filing fees or recording costs incurred in connection with, or as a result of, Buyer’s financing) and (b) the costs of title commitments and a standard coverage leasehold policy of title insurance for each Restaurant other than the Restaurants set forth on **Schedule 4.1(d)**, for which leasehold policies will not be required (Buyer shall pay for extended coverage title policies, if desired, and any lender policies). Buyer and Seller acknowledge that no bulk sales law is applicable to this transaction. Buyer will be responsible for obtaining any Permits required to operate the Restaurants and will bear the costs associated with obtaining such Permits (including costs of transfer relating to Liquor Licenses, if applicable) and its due diligence activities relating to the contemplated transaction (including any costs relating to the conduct of inspections, investigations, environmental assessments and surveys). Buyer and Seller will share equally the costs associated with engaging the Title Company for the escrow arrangement contemplated in Section 3.2 and any additional closing costs relating to the use of the Title Company to coordinate Closing activities (excluding costs relating to Buyer’s financing, which will be Buyer’s responsibility) .

Section 8.3 Pre-Closing Inspection. Buyer shall be entitled to conduct an inspection of the physical condition of the Restaurants prior to Closing in order to confirm that the condition of the Restaurants has not changed since Buyer conducted its original inspections. If the condition of the Restaurants has materially changed since the date of Buyer’s original inspection, Buyer shall prepare a list of those physical plant items that caused the material change, normal wear and tear excepted. Seller will repair, or cause the repair of, such items to good working condition before Closing and all such repairs will be conducted in a first-class, workmanlike manner. If such repairs cannot be completed before Closing, Buyer will close at such time as contemplated hereunder and Seller will promptly repair, weather conditions permitting, such items at Seller’s cost and expense after Closing unless otherwise agreed by Buyer and Seller in such manner as to not unreasonably disrupt, or interfere with, the operation of the Restaurants. If Seller fails to complete such repairs within thirty (30) days after Closing (subject to reasonable extensions due to inclement weather), Buyer may do so and Seller shall reimburse

Buyer for the reasonable costs thereof within fifteen (15) days after Buyer's written demand, which shall be accompanied by back up documents substantiating the expenditures.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Casualty or Condemnation . During the Contract Period: if, prior to Closing, any of the Improvements are substantially damaged (if the cost to repair the damage to the Improvements relating to a Restaurant shall exceed \$250,000, the damage shall be deemed substantial with respect to such Restaurant for purposes of this Agreement) or destroyed by fire, the elements or any cause, Seller shall promptly notify Buyer of said damage or destruction, in writing (“**Contract Period Damage Notice**”). Notwithstanding anything herein to the contrary, Buyer is bound to purchase the Restaurants for the Purchase Price as required by the terms of this Agreement without regard to the occurrence during the Contract Period of such substantial damage to or destruction of the Improvements related to such Restaurant provided such substantial damage or destruction does not exist with respect to more than eight (8) Restaurants (“**Contract Period Damage**”). If such substantial damage or destruction exists with respect to more than eight (8) Restaurants, Buyer may terminate this Agreement pursuant to Section 9.2. If such damage or destruction does not exist with respect to more than eight (8) Restaurants, or if Buyer does not elect to terminate this Agreement, Seller shall elect, by written notice (“**Seller Damage Election**”) within thirty (30) days following the Contract Period Damage Notice with respect to a Restaurant(s), either to (1) repair the affected Restaurant(s) prior to Closing Date to the same or similar condition the Restaurant(s) existed prior to the applicable damage or destruction and proceed to close the transaction as contemplated herein on the Closing Date or (2) exclude the affected Restaurant(s) from the Closing, and convey such Restaurant subsequent to the Closing as provided below in this Section 9.1. If Seller exercises the option in provision (2) above with respect to one or more Restaurants, (A) the Purchase Price payable at Closing will be reduced by that portion of the Purchase Price allocated to such Restaurant(s) in Schedule 3.4; (B) Seller will retain title to the affected Restaurant(s) and the Assets associated therewith and (C) Seller will repair the Restaurant(s) to the same or similar condition the Restaurant(s) existed prior to the applicable damage or destruction and convey title to such Restaurant(s) to Buyer within six (6) months after the Closing Date at which time Buyer shall pay the deferred portion of the Purchase Price. If Seller does not repair the Restaurant(s) and convey title to Buyer within six (6) months from the Closing Date, Seller shall have no further obligation to convey such Restaurant and Buyer shall have no obligation to pay to Seller such deferred portion of the Purchase Price. For purposes of clarification, Seller's payment or obligation to make the payment in the immediately preceding sentence will not be subject to the Basket or apply toward the Cap. If a Restaurant is open for business prior to Closing even though Seller has not completed the repairs to the Restaurant necessary to restore it to the same or similar condition in which the Restaurant existed prior to the applicable damage or destruction, then, notwithstanding any Seller Damage Election to the contrary, it shall be Buyer's election as to whether the Restaurant will be included in the Closing and, if Buyer shall so elect to include the Restaurant, Seller will complete the repairs necessary to restore the Restaurant to the same or similar condition in which the Restaurant existed prior to the applicable damage or destruction within three (3) months after the Closing and Buyer will cooperate with Seller to give Seller or its representatives reasonable access to the Restaurant to complete the repairs.

Section 9.2 Termination . Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated by written notice of termination at any time before the Closing Date only as follows:

- a. by mutual written consent of Buyer and Seller;
- b. by Buyer or Seller if the Closing shall not have occurred by the Outside Date; provided, however, that the right to terminate this Agreement under this Section 9.2(b) shall not be available to any party whose failure to perform any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before the Outside Date;
- c. by Buyer or Seller, if any court of competent jurisdiction or Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the payment of the Purchase Price and such order, decree, ruling or other action shall have become final and non-appealable;
- d. by either Buyer or Seller if the other party is in material breach of this Agreement and such breach is not cured by the breaching party within thirty (30) days after receiving written notice thereof from the non-breaching party, or, if such breach cannot be reasonably cured within such thirty (30) day period, then an additional reasonable time period, but in no event longer than ninety (90) days, so long as such cure has been commenced within such thirty (30) day period and is being diligently pursued; provided, however, (i) the cure period for any breach shall not extend past the Outside Date; and (ii) no notice and cure shall be required in connection with a breach by Buyer of its obligations under Section 7.2(b) hereof, a breach of which will be deemed a material breach; or
- e. by Buyer, pursuant to Section 5.3, 7.7, 7.8 or 9.1.

In the event of termination of this Agreement pursuant to this Section 9.2, the parties acknowledge and agree that neither party shall have any liability nor further obligation to any other party, except as provided in Section 3.6 (relating to indemnification arising from Buyer's exercise of its access rights), Section 9.2, Section 9.3 and Section 9.11.

If this Agreement is terminated by Seller (a) pursuant to Section 9.2(d), or (b) due to Buyer's failure to close on the Closing Date after the satisfaction or waiver by Buyer of all of Buyer's conditions set forth in Section 4.1, in each case, the Escrowed Funds shall be delivered to Seller. If the Agreement is terminated for any other reason, the Escrowed Funds shall be delivered to Buyer.

If this Agreement is terminated by Buyer pursuant to Section 9.2(d), Buyer shall have all rights and remedies available at law or in equity.

Section 9.3 Broker's and Finder's Fees . Each party to this Agreement warrants to the other that no person or entity can properly claim a right to a broker's or finder's fee, based upon the acts of that party with respect to the transaction contemplated by this Agreement. Each party will indemnify and defend the other against and hold the other harmless from any and all loss, cost, liability, or expense (including reasonable attorneys' fees and returned commissions) resulting from any such claim by any person or entity based upon such acts. The foregoing indemnity shall not be subject to the limitations set forth in Section 6.1,

Section 9.4 Successors and Assigns . Buyer may not assign any of Buyer's rights or duties under this Agreement, except to an Affiliate of Buyer approved by Franchisor, without the prior written consent of Seller. This Agreement will inure to the benefit of and be binding upon the parties to this Agreement and their respective successors and permitted assigns.

Section 9.5 Notices . All notices required or permitted under this Agreement must be in writing and must be (i) personally delivered, (ii) sent by certified mail with return-receipt requested, (iii) sent by facsimile, (iv) sent by email or (v) sent by other means which affords the sender evidence of delivery, attempted delivery, or rejected delivery, to the respective parties at the addresses, facsimile numbers or e-mail addresses set forth in the Basic Information, unless and until a different street address, fax number or email address is designated by notice to the other party. Any notice by means which affords the sender evidence of delivery, attempted delivery, or rejected delivery will be deemed to have been given and received at the date and time of receipt, attempted delivery, or rejected delivery; provided, however, any notice by fax or email must have evidence of delivery. A "read-receipt" received for an e-mail delivery and a fax confirmation page from the sender's fax machine will be deemed evidence of delivery for notices sent by e-mail or fax, as applicable.

Section 9.6 Possession; Records Retention . Possession of the Restaurants will be delivered to Buyer on the Closing Date. Seller may retain copies of any records included in the Assets.

Section 9.7 Incorporation by Reference; Entire Agreement . All of the exhibits and schedules referred in this Agreement are incorporated in and made a part of this Agreement. This Agreement contains the entire understanding of the parties and supersedes all other written or oral understandings. As between Buyer and Seller, to the extent of any conflict between the terms of this Agreement and the terms of any exhibit or schedule, the terms of this Agreement will supersede and control and nothing contained in any exhibit shall be deemed to supersede, alter or expand any of the covenants, agreements, representations or warranties of the applicable parties contained in this Agreement. For purposes of clarification, executed versions of any exhibits to this Agreement will be considered "exhibits" for purposes of this paragraph.

Section 9.8 Attorneys' Fees . In the event any dispute between Buyer and Seller should result in litigation, the prevailing party will be reimbursed for all reasonable costs incurred in connection with such litigation, including reasonable attorneys' fees and costs on appeal.

Section 9.9 Construction . The parties acknowledge that each party and its counsel have reviewed this Agreement and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement. Captions or titles contained in this Agreement are inserted only as a matter of convenience and for reference only, and in no way limit, define, or extend the provisions of this Agreement.

Section 9.10 Governing Law; Dispute Resolution . This Agreement will be construed and interpreted in accordance with, and will be governed and enforced in all respects according to, the law of the State of Michigan. EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL IN ANY COURT ACTION ARISING AMONG THE PARTIES UNDER THIS AGREEMENT OR OTHERWISE RELATED TO THIS AGREEMENT, WHETHER MADE BY CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR OTHERWISE.

Section 9.11 Confidentiality . Each party agrees that the terms of the Confidentiality Agreement, dated November 22, 2011, between Applebee's Services, Inc. and TEAM Schostak Family Restaurants (the "**Confidentiality Agreement**") remains in full force and

effect, are not superseded by the terms of this Agreement and are incorporated herein by reference. Buyer expressly acknowledges that it is bound by the terms of, and has operated in compliance with, the Confidentiality Agreement as if it had executed the Confidentiality Agreement in the place of TEAM Schostak Family Restaurants. Without limiting the foregoing, the parties acknowledge and agree that (a) the details relating to the parties' negotiation of this Agreement and the terms and conditions of this Agreement (collectively, the "**Purchase Agreement Information**") are subject to the nondisclosure obligations set forth in the Confidentiality Agreement and, (b) notwithstanding anything to the contrary in the Confidentiality Agreement, such obligations as they relate to the Purchase Agreement Information will survive the Closing or termination of this Agreement indefinitely.

Section 9.12 Public Announcements . Buyer and Seller will jointly approve the timing of release and the content of all public disclosures regarding this Agreement and related transaction. Notwithstanding the foregoing, Seller and its Affiliates may (a) make any disclosure that it or they deem necessary, in their sole discretion, to comply with any applicable law or regulation, including securities and franchise laws, but will notify Buyer prior to doing so or (b) disclose the execution of this Agreement or the Closing, which disclosure may include the name of the Buyer, the Restaurants, the Purchase Price (but only if Seller determines that disclosure of the Purchase Price is reasonably necessary), other financial terms relating to the transaction and the Closing Date or anticipated Closing Date.

Section 9.13 Plain Meaning . Unless defined otherwise, the words used in this Agreement will be construed according to their plain meaning in the English language. The word "**will**" is used as a command. The word "**including**" is used in a nonexclusive sense.

Section 9.14 No Other Beneficiaries . Subject to the rights of Franchisor, Buyer and Seller acknowledge that this Agreement is solely for their own benefit, and that of their successors and permitted assigns.

Section 9.15 Counterparts . This Agreement may be executed in one or more counterparts and each counterpart with a hand-written signature, whether an original or an electronic data text (including facsimile, electronic data interchange and electronic mail) is considered an original and all counterparts constitute one and the same instrument.

Section 9.16 Severability . Nothing in this Agreement will be construed as requiring the commission of any act contrary to law. If there is any conflict between any provision of this Agreement and any present or future law, such provision will be limited only to the extent necessary to bring it within the requirement of the law. If any part of this Agreement is held to be indefinite, invalid, or otherwise unenforceable, the balance of this Agreement will continue in full force and effect.

Section 9.17 Further Assurances . The parties hereto agree to execute and deliver such documents, and to take such other actions, as may be necessary to carry out the intent and purposes of this Agreement.

Section 9.18 Amendments . This Agreement may be amended, modified and supplemented only by written agreement of all parties hereto.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGES]

SELLER:

**Applebee's Restaurants Mid-Atlantic LLC,
A Delaware limited liability company**

By: /s/ Michael J. Archer
Name: Michael J. Archer
Title: President

Date: July 20, 2012

**Applebee's Restaurants, Inc.,
A Kansas corporation**

By: /s/ Michael J. Archer
Name: Michael J. Archer
Title: President

Date: July 20, 2012

BUYER:

**TSFR Apple Venture LLC,
A Michigan limited liability company**

By: TSFR Apple Holdings LLC,
a Michigan limited liability company,
Manager

By: TSFR Apple Investment LLC,
a Michigan limited liability company,
Manager

By: : /s/ Mark S. Schostak
Mark S. Schostak
Its: Manager

Date: July 20, 2012

Acknowledged:

FRANCHISOR:

**Applebee's International, Inc.,
A Delaware corporation**

By: /s/ Michael J. Archer
Name: Michael J. Archer
Title: President

Date: July 20, 2012

DINEEQUITY, INC.
Computation of Consolidated Leverage Ratio and Consolidated Cash Interest Coverage Ratio
Trailing Twelve Months Ended June 30, 2012
(in thousands, except ratios)

Consolidated Leverage Ratio Calculation:	
Financial Covenant Debt (1)	\$ 1,648,994
Consolidated EBITDA (1)	<u>312,730</u>
Consolidated Leverage Ratio	<u>5.3</u>
Consolidated Interest Coverage Ratio Calculation:	
Consolidated EBITDA (1)	\$ 312,730
Consolidated Cash Interest Charges (1)	<u>131,150</u>
Consolidated Interest Coverage Ratio	<u>2.4</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.

Date: July 31, 2012

/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.

Date: July 31, 2012

/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 June 30, 2012, as filed with the Securities and Exchange Commission on July 31, 2012, (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.

Date: July 31, 2012

/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 June 30, 2012, as filed with the Securities and Exchange Commission on July 31, 2012, (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.

Date: July 31, 2012

/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.

