Dine Brands Global, Inc.
Form DEF 14A
April 02, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.   )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Dine Brands Global, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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450 North Brand Boulevard

Glendale, California 91203

(866) 995-DINE

April 2, 2018

Dear Fellow Stockholders:

We are pleased to invite you to attend the 2018 Annual Meeting of Stockholders of Dine Brands Global, Inc., which will be held on Tuesday, May 15, 2018, at 8:00 a.m., Local Time, at our offices located at 450 North Brand Boulevard, Glendale, California 91203. At this year s Annual Meeting, you will be asked to: (i) elect the three Class III directors identified in this proxy statement; (ii) ratify the appointment of Ernst & Young LLP as our independent auditor; and (iii) approve, on an advisory basis, the compensation of our named executive officers.

Whether or not you plan to attend the Annual Meeting in person, we hope you will vote as soon as possible. Voting your proxy will ensure your representation at the Annual Meeting. You can vote your shares over the Internet, by telephone or by using a traditional proxy card. Instructions on each of these voting methods are outlined in the enclosed proxy statement.

We urge you to review carefully the proxy materials and to vote: FOR the election of each of the Class III directors identified in this proxy statement; FOR the ratification of the appointment of Ernst & Young LLP as our independent auditor; and FOR the approval, on an advisory basis, of the compensation of our named executive officers.

Thank you for your continued support of and interest in Dine Brands Global, Inc. We look forward to seeing you on May 15th.

Sincerely yours,

Richard J. Dahl	Stephen P. Joyce
Chairman of the Board of Directors	Chief Executive Officer

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450 North Brand Boulevard

Glendale, California 91203

(866) 995-DINE

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 15, 2018

April 2, 2018

To the Stockholders of Dine Brands Global, Inc.:

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Stockholders (the Annual Meeting) of Dine Brands Global, Inc., a Delaware corporation (the Corporation), will be held at the Corporation s offices located at 450 North Brand Boulevard, Glendale, California 91203, on Tuesday, May 15, 2018, at 8:00 a.m., Local Time, for the following purposes as more fully described in the accompanying proxy statement:

(1) To elect the three Class III directors identified in the proxy statement;

(2) To ratify the appointment of Ernst & Young LLP as the Corporation s independent auditor for the fiscal year ending December 31, 2018; and

(3) To approve, on an advisory basis, the compensation of the Corporation s named executive officers.

Only stockholders of record at the close of business on March 19, 2018, the record date for the Annual Meeting, are entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof.

By Order of the Board of Directors,

Bryan R. Adel

Senior Vice President, Legal, General Counsel and Secretary

Important Notice Regarding the Availability of

Proxy Materials for the Annual Meeting of Stockholders

of Dine Brands Global, Inc.

to be Held on May 15, 2018

The notice of the Annual Meeting, proxy statement and 2017 annual report to stockholders and the means to vote by Internet are available at www.envisionreports.com/DIN.

Your Vote is Important

Please vote as promptly as possible by using the Internet or telephone or by signing, dating and returning the proxy card. If you did not receive a paper copy of the proxy statement with the proxy card and would like to vote by proxy card, please refer to the instructions on requesting a paper copy of these materials in this proxy statement. All stockholders are cordially invited to attend the Annual Meeting in person. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously voted by another method.

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450 North Brand Boulevard

Glendale, California 91203

(866) 995-DINE

PROXY STATEMENT FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS

QUESTIONS AND ANSWERS

Q: Why am I receiving these materials?

A: Dine Brands Global, Inc. (the Corporation) has made these materials available to you on the Internet and by mail in connection with the Corporation s solicitation of proxies for use at the Annual Meeting to be held on Tuesday, May 15, 2018, at 8:00 a.m., Local Time, and at any adjournment or postponement thereof. These materials were first sent or made available to stockholders on April 2, 2018. You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement. The Annual Meeting will be held at the Corporation s offices located at 450 North Brand Boulevard, Glendale, California 91203.

Q: What is included in these materials?

A: These materials include:

- This proxy statement for the Annual Meeting; and

- The Corporation s 2017 annual report to stockholders, which contains the annual report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the Securities and Exchange Commission (SEC) on February 20, 2018.

Q: What items will be voted on at the Annual Meeting?

A: The Board of Directors is requesting that stockholders vote on the following three proposals at the Annual Meeting:

Proposal One: The election of the three Class III directors identified in this proxy statement.

Proposal Two: The ratification of the appointment of Ernst & Young LLP as the Corporation s independent auditor for the fiscal year ending December 31, 2018.

Proposal Three: The approval, on an advisory basis, of the compensation of the Corporation s named executive officers.

Q: What are the voting recommendations of the Board of Directors?

A: The Board of Directors recommends that you vote your shares:

- **FOR** the three individuals nominated to serve as Class III directors;
- **FOR** the ratification of the appointment of Ernst & Young LLP as the Corporation s independent auditor for the fiscal year ending December 31, 2018; and
- **FOR** the approval, on an advisory basis, of the compensation of the Corporation s named executive officers.

Q: Who is entitled to vote?

A: Only stockholders of record at the close of business on March 19, 2018 (the Record Date) will be entitled to receive notice of, and to vote at, the Annual Meeting. As of the Record Date, there were 17,942,813 shares of common stock, par value $.01 per share (the Common Stock) outstanding. The holders of Common Stock are entitled to one vote per share. Stockholders of record of the Common Stock may vote their shares either in person or by proxy.

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2018 PROXY STATEMENT

PROXY STATEMENT FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS

Q: What constitutes a quorum ?

A: A quorum is necessary to hold a valid meeting of stockholders. A quorum exists if the holders of a majority of the voting power of the capital stock issued and outstanding and entitled to vote at the Annual Meeting are present in person or represented by proxy.

Q: How do I cast my vote?

A: There are four ways to vote:

By Internet. To vote by Internet, go to www.envisionreports.com/DIN. Internet voting is available 24 hours a day, although your vote by Internet must be received by 11:59 p.m. Eastern Time on May 14, 2018. You will need the control number found either on the Notice of Internet Availability of Proxy Materials or on the proxy card if you are receiving a printed copy of these materials. If you vote by Internet, do not return your proxy card or voting instruction card unless you intend to revoke your earlier vote. If you hold your shares in street name, please refer to the Notice of Internet Availability of Proxy Materials or voting instruction card provided to you by your broker, bank or other holder of record for Internet voting instructions.

By Telephone. To vote by telephone, registered stockholders should dial 800-652-VOTE (8683) and follow the instructions. Telephone voting is available 24 hours a day, although your vote by phone must be received by 11:59 p.m. Eastern Time, May 14, 2018. You will need the control number found either on the Notice of Internet Availability of Proxy Materials or on the proxy card if you are receiving a printed copy of these materials. If you vote by telephone, do not return your proxy card or voting instruction card unless you intend to revoke your earlier vote. If you hold your shares in street name, please refer to the Notice of Internet Availability of Proxy Materials or voting instruction card provided to you by your broker, bank or other holder of record for telephone voting instructions.

By Mail. By signing the proxy card and returning it in the prepaid and addressed envelope enclosed with proxy materials delivered by mail, you are authorizing the individuals named on the proxy card to vote your shares at the Annual Meeting in the manner you indicate. Stockholders are encouraged to sign and return the proxy card even if you plan to attend the Annual Meeting so that your shares will be voted if you are ultimately unable to attend the Annual Meeting. If you receive more than one proxy card, it is an indication that your shares are held in multiple accounts. Please sign and return all proxy cards to ensure that all of your shares are voted.

In Person. If you attend the Annual Meeting and plan to vote in person, you will be provided with a ballot at the Annual Meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the Annual Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, if you wish to vote at the Annual Meeting, you will need to bring to the Annual Meeting a legal proxy from your broker or other nominee authorizing you to vote those shares. Whether you are a stockholder of record or a beneficial owner, you must bring valid, government-issued photo identification to gain admission to the Annual Meeting. For directions to the Annual Meeting, please visit the Investors section of the Corporation s website at http://www.dinebrands.com.

Whichever method you use, each valid proxy received in time will be voted at the Annual Meeting by the persons named on the proxy card in accordance with your instructions. To ensure that your proxy is voted, it should be received by 11:59 p.m., Eastern Time on May 14, 2018.

Q: What happens if I do not give specific voting instructions?

A: If you do not give specific voting instructions, the following will apply:

Stockholders of Record. If you are a stockholder of record and properly sign and return a proxy card, but do not give specific voting instructions for each proposal, then the proxy holders will vote your shares as follows:

FOR the election of three individuals nominated to serve as Class III directors;

FOR the ratification of the appointment of Ernst & Young LLP as the Corporation s independent auditor for the fiscal year ending December 31, 2018; and

FOR the approval, on an advisory basis, of the compensation of the Corporation s named executive officers.

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Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of the New York Stock Exchange (the NYSE), the organization that holds your shares may generally vote on routine matters in its discretion (such as Proposal Two ratification of Ernst & Young LLP as the Corporation s independent auditor for the fiscal year ended December 31, 2018) but cannot vote on non-routine matters (such as Proposal One the election of the Corporation s Class III directors and Proposal Three the approval, on an advisory basis, of the compensation of the Corporation s named executive officers). If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the tabulator of votes that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote and will have no impact on the voting results of such proposal. Accordingly, stockholders are urged to give their broker or bank instructions on voting their shares on all matters.

Q: How will my stock be voted on other business brought up at the Annual Meeting?

A: By signing and submitting your proxy card or voting your shares on the Internet or by telephone, you authorize the persons named on the proxy card to use their discretion in voting on any other matter brought before the Annual Meeting. As of the date of this proxy statement, the Corporation does not know of any other business to be considered at the Annual Meeting.

Q: Can I change my vote or revoke my proxy?

A: Yes. If you are a stockholder of record, you can change your vote at any time before it is voted at the Annual Meeting by entering a new vote using the Internet or telephone, by submitting a later-dated proxy card or by voting by ballot at the Annual Meeting. You may also revoke your proxy at any time before it is voted at the Annual Meeting by giving written notice of revocation to the Secretary of the Corporation or by revoking your proxy in person at the Annual Meeting. If you hold shares in street name, you may submit new voting instructions by contacting your broker or other nominee. You may also change your vote or revoke your proxy in person at the Annual Meeting if you obtain a legal proxy from your broker or other nominee authorizing you to vote the shares.

Q: What vote is necessary to pass the items of business at the Annual Meeting?

A: Assuming a quorum is present at the Annual Meeting, the three director nominees identified in this proxy statement will be elected if they receive a majority of the votes cast. This means that the individuals nominated for election to the Board of Directors (Proposal One) will be elected if the votes cast FOR such nominee s election exceed the number of votes cast AGAINST such nominee s election. Abstentions and broker non-votes have no effect on the proposal relating to the election of directors. Any nominee for director who receives a greater number of votes cast AGAINST his or her election than votes cast FOR such election is required to tender his or her resignation to the Nominating and Corporate Governance Committee of the Board of Directors within 15 days of the certification of the stockholder vote at the Annual Meeting. The Nominating and Corporate Governance Committee will make a recommendation to the Board of Directors on whether to accept or reject the tendered resignation, and the Board of Directors will act on such recommendation within 90 days of the certification of the stockholder vote at the Annual Meeting.

The affirmative vote of a majority of the voting power of the stock present or represented by proxy and entitled to vote on the proposal is required to approve Proposal Two, the ratification of Ernst & Young LLP as the Corporation s independent auditor for the fiscal year ending December 31, 2018 and Proposal Three, the approval, on an advisory basis, of the compensation of the Corporation s named executive officers. If you abstain from voting on these matters, the abstention will have the same effect as a vote against that proposal. Broker non-votes, if any, will have no effect on the outcome of the proposals.

Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A: Pursuant to rules adopted by the SEC, the Corporation has elected to provide access to its proxy materials via the Internet. Accordingly, the Corporation mailed a Notice of Internet Availability of Proxy Materials (the Notice) to its stockholders on April 2, 2018. The Notice contains instructions on how to access the Corporation s proxy materials, including this proxy statement and the Corporation s 2017 annual report to stockholders. The Notice also contains instructions on how to vote. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials by mail or electronically by email. The Corporation encourages stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of its annual meetings.

This process is designed to expedite stockholders receipt of proxy materials, lower the cost of the Annual Meeting and help conserve natural resources. However, if you would prefer to receive printed proxy materials on an ongoing basis, please follow the instructions included in the Notice. If you have previously elected to receive the Corporation s proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise.

Q: What are the costs of this proxy solicitation and who will bear them?

A: The Corporation will bear the expense of printing, mailing and distributing these proxy materials and soliciting

votes. In addition to using the mail, the Corporation s directors, officers, employees, and agents may solicit proxies by personal interview, telephone, or otherwise, although they will not be paid any additional compensation. The Corporation will request brokers and nominees who hold shares of the Corporation s Common Stock in their names to furnish proxy materials to beneficial owners of the shares. The Corporation will reimburse such brokers and nominees for their reasonable out-of-pocket expenses for forwarding proxy materials to such beneficial owners.

Q: Who will count the votes?

A: A representative of Computershare, transfer agent for the Corporation, will count the votes and will serve as the independent inspector of elections for the Annual Meeting.

Additional Information

The Corporate Governance section of the Dine Brands Global, Inc. website provides up-to-date information about the Corporation s corporate governance policies and practices. In addition, the Investors section of the website includes links to the Corporation s filings with the SEC, news releases, and investor presentations by management. Please note that information contained on the Corporation s website does not constitute part of this proxy statement. You may also obtain a copy of our periodic filings from the SEC s EDGAR database at www.sec.gov.

IMPORTANT NOTE

You should rely only on the information contained in this proxy statement to vote on the proposals at the Annual Meeting. The Corporation has not authorized anyone to provide you with information that is different from what is contained in this proxy statement. This proxy statement is dated April 2, 2018. You should not assume that the information contained in this proxy statement is accurate as of any date other than such date, unless indicated otherwise herein, and the mailing of this proxy statement to stockholders shall not create any implication to the contrary.

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CORPORATE GOVERNANCE

Current Board of Directors

There are currently 10 members of the Board of Directors who are divided into the following three classes:

Class I	Class II	Class III
Howard M. Berk	Larry A. Kay	Richard J. Dahl
Daniel J. Brestle	Douglas M. Pasquale	Stephen P. Joyce
Caroline W. Nahas		Patrick W. Rose*
Gilbert T. Ray		Lilian C. Tomovich

* Patrick W. Rose will retire as of the Annual Meeting and will not stand for reelection as a Class III director. The Board of Directors has approved a reduction in the size of the Board of Directors from ten to nine directors, effective upon Mr. Rose s retirement.

Class I directors will serve until the annual meeting in 2019, Class II directors will serve until the annual meeting in 2020 and Class III directors will serve until the Annual Meeting (in each case until their respective successors are duly elected and qualified). At the Annual Meeting, three Class III directors will be elected to serve a term of three years and until their respective successors are duly elected and qualified.

The Structure of the Board of Directors

The business and affairs of the Corporation are managed under the direction of the Board of Directors. It is management s responsibility to formalize, propose and implement strategic choices and the Board of Directors role to approve strategic direction and evaluate strategic results, including both the performance of the Corporation and the performance of the Chief Executive Officer.

Effective September 2017, the Board of Directors approved changes to the Corporation s Amended Bylaws to require the Chairman of the Board of Directors to be elected from the independent members of the Board of Directors as determined by the NYSE listing standards. Mr. Dahl was elected to serve as the independent Chairman of the Board of Directors effective September 2017.

The Board of Directors believes the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer allows the Chief Executive Officer to focus on managing the daily operations of the business and enhances the Board of Directors independence from management, thus leading to better monitoring and oversight of management. The Board of Directors believes this structure best serves the interests of the Corporation and its stockholders.

In December 2017, the Board of Directors approved changes to the Corporation s Corporate Governance Guidelines to outline the responsibilities of the Chairman of the Board of Directors. Amongst other responsibilities, the duties of the Chairman of the Board of Directors include:

- leading and overseeing the Board of Directors;
- presiding at Board of Directors meetings and the annual meeting of stockholders;
- developing the agenda for Board of Directors meetings in consultation with the Chief Executive Officer;
- working with the Nominating and Corporate Governance Committee to oversee the annual evaluations of the Board of Directors;
- serving as the principal liaison between the independent directors and the Chief Executive Officer and other members of management provided that the Board of Directors also has full and unfettered access to the Chief Executive Officer and management;
- advising and serving as a partner to the Chief Executive Officer;

after reviewing with the Board of Directors, conducting the Chief Executive Officer s annual performance review with the Chair of the Nominating and Corporate Governance Committee and conducting the Chief Executive Officer s annual compensation discussion with the Chair of the Compensation Committee;

calling special meetings of stockholders and the Board of Directors as the Chairman of the Board of Directors deems appropriate; and

meeting with the Chair of each committee in the first quarter of each year to discuss and set such committee s goals and priorities for the year following the annual meeting of stockholders.

Prior to September 2017, the roles of Chairman of the Board of Directors and Chief Executive Officer were combined and held by Julia A. Stewart from May 2006 to March 2017 and Mr. Dahl from March 2017 to September 2017. During the time the roles of Chairman of the Board of Directors and Chief Executive Officer were combined, the Board of Directors considered it useful and appropriate to appoint a Lead Director from among the independent directors to coordinate the activities of the independent directors. Mr. Dahl served as the Lead Director from January 2010 to March 2017, and Caroline W. Nahas served as the Lead Director from March 2017 to September 2017.

The Role of the Board of Directors in Risk Oversight

The Board of Directors and each of its committees have an active role in overseeing management of the Corporation s risks. The Board of Directors regularly reviews information regarding the Corporation s strategic, financial and operational risks and believes that evaluating how the executive team manages the various risks confronting the Corporation is one of its most important areas of oversight.

In carrying out this critical responsibility, the Board of Directors has established an Enterprise Risk Management Council consisting of key members of the risk management, quality assurance, legal, finance and internal audit functions within the Corporation. The Enterprise Risk Management Council assists the Board of Directors with the identification, assessment, management, and monitoring of risks inherent to the business of the Corporation and with risk management decisions pertaining to the Corporation s practices and activities. The Enterprise Risk Management Council is led by the Corporation s Executive Director, Risk Management, who reports regularly to the Audit and Finance Committee and the Board of Directors.

The Audit and Finance Committee oversees the Corporation s policies with respect to risk assessment and risk management. In addition, the Audit and Finance Committee oversees and evaluates the management of risks associated with accounting, auditing, financial reporting, internal controls over financial reporting and cybersecurity. The Audit and Finance Committee assists the Board of Directors and the Chief Executive Officer in its oversight of the integrity of the Corporation s financial statements, the Corporation s compliance with legal and regulatory requirements, the performance, qualifications, and independence of the Corporation s independent auditor and the performance of the Corporation s internal audit function. The Audit and Finance Committee is responsible for reviewing and discussing the guidelines and policies governing the process by which senior management and the Corporation s internal audit function assess and manage the Corporation s exposure to risk, as well as the Corporation s major financial risk exposures and the steps management has taken to monitor and control such exposures.

The Compensation Committee and the Nominating and Corporate Governance Committee also oversee risks within their respective areas of responsibility. The Compensation Committee oversees the management of risks relating to the Corporation s compensation policies and practices. The Nominating and Corporate Governance Committee oversees the management of risks associated with the Board of Directors organization, membership and structure, corporate governance, the independence of members of the Board of Directors and assessment of the performance and effectiveness of each member of the Board of Directors. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports and management updates about such risks.

Director Independence

The NYSE rules require listed companies to have a board of directors with at least a majority of independent directors. The Board of Directors has had a majority of independent directors since the Corporation went public in 1991.

Under the NYSE rules, a director qualifies as independent if the Board of Directors affirmatively determines that he or she has no material relationship with the Corporation (either directly or as a partner, stockholder or officer of an organization that has a material relationship with the Corporation). Based upon a review of the directors backgrounds and business activities, the Board of Directors has affirmatively determined that directors Howard M. Berk, Daniel J. Brestle, Larry A. Kay, Caroline W. Nahas, Douglas M. Pasquale, Gilbert T. Ray, Patrick W. Rose and Lilian C. Tomovich have no material relationships (other than service as a director on the Board of Directors) with the Corporation and therefore that they each qualify as independent. In making its determination, the Board of Directors considered, amongst other factors, Mr. Berk s position as a partner of MSD Capital, L.P. and the fact that MSD Capital, L.P. may be deemed to beneficially own 741,631 shares of the Corporation s Common Stock.

Prior to Richard J. Dahl assuming the role of Interim Chief Executive Officer in March 2017, the Board of Directors affirmatively determined that Mr. Dahl had no material relationships (other than his service as a director on the Board of Directors) with the Corporation and therefore qualified as independent. In addition, after Mr. Dahl ceased service as the Interim Chief Executive Officer in September 2017, the Board of Directors affirmatively determined that Mr. Dahl qualified as independent. In making its determinations, the Board of Directors considered NYSE independence rules with respect to directors who serve as interim executive officers.

Effective September 12, 2017, concurrent with his appointment as Chief Executive Officer, Stephen P. Joyce no longer qualifies as an independent director. While serving in the role of Interim Chief Executive Officer from March 2017 to September 2017, Mr. Dahl did not qualify as an independent director. Prior to her departure from the Corporation and the Board of Directors in March 2017, Julia A. Stewart served as an executive officer of the Corporation and therefore did not qualify as an independent director.

Both the Sarbanes-Oxley Act of 2002 and the NYSE rules require the Board of Directors to have an audit committee comprised solely of independent directors, and the NYSE rules also require the Board of Directors to have a compensation committee and a nominating and corporate governance committee, each of which is comprised solely of independent directors. The Corporation is in compliance with these requirements.

Codes of Conduct

The Corporation is committed to maintaining high standards of business conduct and corporate governance, which we consider essential to running the business efficiently, serving the Corporation s stockholders well and maintaining the Corporation s integrity in the marketplace. Accordingly, the Board of Directors has adopted a Global Code of Conduct, which applies to all directors, officers and employees of the Corporation. The Global Code of Conduct sets forth the fundamental principles and key policies that govern the way the Corporation conducts business, including workplace conduct, conflicts of interest, gifts and entertainment, political and community involvement, protection of corporate property, fair business practices, global relations and other laws and regulations applicable to the Corporation s business.

In addition to the Global Code of Conduct, the Board of Directors has adopted a Code of Conduct for Non-Employee Directors, which serves as guidance to the Corporation s non-employee directors on ethical issues including conflicts of interest, confidentiality, corporate opportunities, fair disclosure, protection and proper use of corporate assets, fair dealing, harassment and discrimination, and other laws and regulations applicable to the Corporation s business.

The Board of Directors has also adopted the Code of Ethics for the Chief Executive Officer and Senior Financial Officers. These individuals are expected to avoid actual or apparent conflicts between their personal and professional relationships and make full disclosure of any material transaction or relationship that could create or appear to create a conflict of interest to the General Counsel, who will inform and seek a determination from the Chair of the Audit and Finance Committee as to whether a conflict exists and the appropriate disposition of the matter. In addition, these individuals are expected to promote the corporate policy of making full, fair, accurate and understandable disclosure in all reports and documents filed with the SEC; report violations of the Code of Ethics to the General Counsel or the Chair of the Audit and Finance Committee; and request from the General Counsel any waivers of the Code of Ethics, which shall be publicly disclosed if required by applicable law.

Any waiver of any provision of the Global Code of Conduct or the Code of Ethics for Chief Executive Officer and Senior Financial Officers for any executive officer may be granted only by the Board of Directors. Any waiver of the Code of Conduct for Non-Employee Directors may be granted only by the disinterested directors of the Board of Directors or the Audit and Finance Committee, and any such waiver shall be promptly disclosed to the Corporation s stockholders. The Board of Directors and the Audit and Finance Committee review whether such waivers are in the best interests of the Corporation and its stockholders, taking into account all relevant factors. In 2017, there were no waivers of (a) the Global Code of Conduct for executive officers, (b) the Code of Ethics for Chief Executive Officer and Senior Financial Officers, or (c) the Code of Conduct for Non-Employee Directors.

The Corporation also maintains an ethics hotline to allow any employee to express a concern or lodge a complaint, confidentially and anonymously, about any potential violation of the Corporation s Global Code of Conduct.

Copies of the Global Code of Conduct, the Code of Conduct for Non-Employee Directors and the Code of Ethics for Chief Executive Officer and Senior Financial Officers can be found in the Corporate Governance section of the Corporation s website, http://www.dinebrands.com. In addition, printed copies of the codes of conduct are available at no charge upon request to the Secretary at Dine Brands Global, Inc., 450 North Brand Boulevard, Glendale, California 91203, (866) 995-DINE. We will disclose any future substantive amendments to, or waivers granted to any officer from, the provisions of these ethics policies and standards on the Corporation s website as promptly as practicable as may be required under applicable rules of the SEC or the NYSE.

Corporate Governance Guidelines

The Corporation has adopted corporate governance guidelines which can be found in the Corporate Governance section of the Corporation s website, http://www.dinebrands.com. In addition, printed copies of the Corporation s corporate governance guidelines are available at no charge upon request to the Secretary at Dine Brands Global, Inc., 450 North Brand Boulevard, Glendale, California 91203, (866) 995-DINE.

Director Attendance at Meetings

Directors are expected to attend the Corporation s Annual Meeting. All directors attended the 2017 annual meeting of stockholders. The Board of Directors held sixteen meetings during 2017. During 2017, each incumbent director attended 75% or more of the aggregate of the meetings of the Board of Directors and of the committees on which he or she served that were held during the period for which he or she served as a director.

Executive Sessions of Non-Management Directors

The NYSE rules require that the non-management directors of a listed company meet at regularly scheduled executive sessions without management. The Corporation s non-management directors generally meet separately at regular meetings of the Board of Directors and a majority of committee meetings. The independent Chairman of the Board of Directors presides during executive sessions of the Board of Directors. Prior to the election of the independent Chairman of the Board of Directors, the Lead Director presided during executive sessions of the Board of Directors.

Communications with the Board of Directors

Stockholders and other interested persons wishing to communicate directly with the Board of Directors, the Chairman of the Board of Directors, any committee or chair of a committee, or any non-management director, individually or as a group, may do so by sending written communications appropriately addressed to the following address:

Dine Brands Global, Inc.

(or a particular subgroup or individual director)

c/o Office of the Secretary

450 North Brand Boulevard, 7th Floor

Glendale, California 91203

Each written communication should specify the applicable addressee or addressees to be contacted, as well as the general topic of the communication. The Board of Directors has designated the Secretary of the Corporation as its agent to receive and review communications addressed to the Board of Directors, Chairman of the Board of Directors, any committee or chair of a committee, or any non-management director, individually or as a group. The Office of the Secretary will initially receive and process communications to determine whether it is a proper communication for the Board of Directors. If the envelope containing a communication that a stockholder or other interested person wishes to be confidential is conspicuously marked Confidential, the Secretary of the Corporation will not open the communication prior to forwarding it to the appropriate

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individual(s). Generally, any communication that is primarily commercial, offensive, illegal or otherwise inappropriate, or does not substantively relate to the duties and responsibilities of our Board of Directors, may not be forwarded.

Board of Directors Retirement Policy

The Corporation s corporate governance guidelines provide that no person may stand for election to serve as a member of the Corporation s Board of Directors if he or she shall have reached his or her 76th birthday. Under special circumstances, upon the recommendation of the Nominating and Corporate Governance Committee, and upon approval by the Board of Directors, a person who has reached his or her 76th birthday may be permitted to stand for election and, if elected, continue to serve on the Board of Directors.

Other Public Corporation Directorships

The Corporation s corporate governance guidelines provide that directors should not serve on more than a total of four public corporation boards, inclusive of service on the Corporation s Board of Directors. Directors who also serve as executives of the Corporation should not serve on more than a total of two public corporation boards, inclusive of service on the Corporation s Board of Directors. The Nominating and Corporate Governance Committee has discretion to waive this guideline on a case by case basis if it determines that special circumstances warrant permitting a director to serve on more than the applicable number of public corporation boards allowed under the corporate governance guidelines. The Nominating and Corporate Governance Committee waived this guideline for Mr. Dahl, who served in the role of Chairman of the Board of Directors and Interim Chief Executive Officer from March 2017 to September 2017. Mr. Dahl serves on the boards of directors of Hawaiian Electric Industries, Inc. and its subsidiary, Hawaiian Electric Company, Inc. Mr. Dahl also serves on the boards of directors of IDACORP, Inc. and its subsidiary, Idaho Power Company. In making its determination to waive this guideline for Mr. Dahl, the Nominating and Corporate Governance Committee considered the nature of Mr. Dahl s service on other public company boards of directors, Mr. Dahl s substantial skills, experience and expertise and the special circumstances surrounding his temporary service as an executive of the Corporation. In addition, Mr. Dahl serves on the audit committees of IDACORP, Inc. and its subsidiary, Idaho Power Company, and Hawaiian Electric Industries, Inc. and its subsidiary, Hawaiian Electric Company, Inc., which is considered by the NYSE to be service on four separate public company audit committees. Mr. Dahl also serves on our Audit and Finance Committee. The Board of Directors has determined that Mr. Dahl s simultaneous service on the aforementioned audit committees does not impair Mr. Dahl s ability to effectively serve on the Corporation s Audit and Finance Committee.

Certain Relationships and Related Person Transactions

The Corporation s Global Code of Conduct provides that executive officers who encounter a potential or actual conflict of interest must fully disclose all facts and circumstances to the Corporation s General Counsel, who will inform and seek a determination from the Audit and Finance Committee as to whether a conflict exists and the appropriate disposition of the matter. The Corporation s Code of Ethics for Chief Executive and Senior Financial Officers provides that no senior officer may enter into any investment, accept any position or benefits, participate in any transaction or business arrangement or otherwise act in a manner that creates or appears to create a conflict of interest unless the senior officer makes full disclosure of all facts and circumstances to, and obtains the prior written approval of, the General Counsel, the Chair of the Audit and Finance Committee of the Board of Directors and/or the

Board of Directors. The Corporation s Code of Conduct for Non-Employee Directors provides that any director who becomes aware of any situation that involves, or reasonably may appear to involve, a conflict of interest with the Corporation must promptly bring it to the attention of the Corporation s General Counsel or to the Chair of the Audit and Finance Committee. The charter of the Nominating and Corporate Governance Committee of the Board of Directors provides that it will consider conflicts of interest in evaluating director nominees.

The Board of Directors recognizes that transactions involving the Corporation and related parties present a heightened risk of conflicts of interest. The charter of the Audit and Finance Committee provides that it will review any related party transactions. Since January 1, 2017, there were no transactions between the Corporation and any related party of the type or amount required to be disclosed under Item 404 of Regulation S-K.

Board of Directors Committees and Their Functions

The Board of Directors has three standing committees, each of which operates under a written charter approved by the Board of Directors: the Audit and Finance Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each member of these committees is an independent director in accordance with the NYSE listing standards and the applicable rules and regulations of the SEC. The Audit and Finance Committee Charter, the Compensation Committee Charter, and the Nominating and Corporate Governance Committee Charter can be found in the Corporate Governance section of the Corporation s website, http://www.dinebrands.com. Printed copies are also available at no charge upon request to the Secretary at Dine Brands Global, Inc., 450 North Brand Boulevard, Glendale, California 91203, (866) 995-DINE.

The chart below identifies directors who are members, and chairs, of each committee as of the date of this proxy statement, the principal functions of each committee and the number of meetings held by each committee during 2017. In October 2017, the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, approved significant changes to the membership of the committees. The Board of Directors believes that committee rotation fosters the sharing of new perspectives and enables directors with diverse skills and experiences to focus on different areas of oversight.

Name of Committee and Membership	Principal Functions of the Committee
Audit and Finance Committee Douglas M. Pasquale, Chair Howard M. Berk Gilbert T. Ray Richard J. Dahl	Responsible for the appointment, compensation, retention and oversight of the work of any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. Reviews with management and the independent auditor the Corporation s annual audited and quarterly financial statements and other financial disclosures, the adequacy and effectiveness of accounting and internal control policies and procedures and major issues regarding accounting principles and financial statement presentations. Meets periodically with the Corporation s director of internal audit and the independent auditor in separate executive sessions.

Meetings in 2017	
8 Meetings	Review risk assessments from management with respect to cybersecurity and oversee the Corporation s cybersecurity risk management processes.
	Reviews and discusses with management and, when appropriate, makes recommendations to the Board of Directors regarding the following: (i) the Corporation s tax program, including tax planning and compliance; and (ii) the Corporation s insurance risk management policies and programs.
	Reviews the Corporation s program to monitor compliance with the Corporation s Global Code of Conduct and meets periodically with the Corporation s General Counsel or Compliance Officer to discuss compliance with the Global Code of Conduct.
	Reviews requests from directors and executive officers of the Corporation for waivers from the application of the Corporation s Code of Conduct for Non-Employee Directors and Global Code of Conduct, respectively, and related policies of the Corporation, to make recommendations to the Board of Directors concerning such requests or to grant or deny such requests on behalf of the Board of Directors, as appropriate, and to review any public disclosures related to such waivers.
	Reviews any potential related party transactions.
	Reviews the performance and independence of the Corporation s independent auditor.
	Prepares a report required by the rules of the SEC to be included in the Corporation s proxy statement for its annual meeting of stockholders.

Name of Committee and Membership	Principal Functions of the Committee
	Reviews and provides guidance to the Board of Directors and management regarding: dividend policy; sales, issuance or repurchases of the Corporation s Common Stock; policies and guidelines on investment of cash; policies and guidelines on short and long-term financing; debt/equity ratios, fixed charge ratios, working capital, other debt covenant ratios; and other transactions or financial issues that management desires to have reviewed by the Audit and Finance Committee from time to time.
	Oversees the Corporation s policies with respect to risk assessment and risk management. Oversees and evaluates the management of risks associated with accounting, auditing, financial reporting and internal controls over financial reporting, and reviews and discusses with the Board of Directors, at least annually and at the request of the Board of Directors, issues relating to the assessment and mitigation of major financial risk factors affecting the Corporation.
Compensation Committee Daniel J. Brestle, Chair Howard M. Berk Caroline W. Nahas Patrick W. Rose	Oversees the Corporation s compensation and employee benefit plans and practices, including its executive compensation plans and its incentive compensation and equity-based plans. Reviews at least annually the goals and objectives of the Corporation s executive compensation plans, and amends, or recommends that the Board of Directors amend, these goals and objectives if the Compensation Committee deems it appropriate. Reviews, at least annually, the Corporation s executive compensation plans in light of the Corporation s goals and objectives with respect to such plans and, if appropriate, adopts, or recommends that the Board of Directors adopt, any new executive compensation plans or the amendments of existing, executive compensation plans.

Meetings in 2017	Oversees the Corporation s succession planning for the Chief Executive Officer and management development.
9 Meetings	
	Evaluates annually the performance of the Chief Executive Officer and other executive officers in light of the goals and objectives of the Corporation s executive compensation plans, and either as a committee or, together with the other independent directors, determines and approves the Chief Executive Officer s and such other executive officers compensation.
	Evaluates annually the appropriate level of compensation for the Board of Directors and committee service by non-employee members of the Board of Directors.
	Prepares a report on executive compensation to be included in the Corporation s proxy statement for its annual meeting of stockholders or its annual report on Form 10-K. Reviews and discusses with management, the Corporation s Compensation Discussion and Analysis and, as part of this review, considers the results of the most recent stockholder advisory vote on executive compensation.
	Reviews and approves severance or termination arrangements to be made with executive officers.
	Reviews and approves a peer group of companies against which to compare the Corporation s executive compensation for the purposes of assessing the competitiveness of the Corporation s executive compensation programs.
	Reviews annually the compliance of each director and executive officer with the Corporation s stock ownership guidelines.
	Reviews and monitors risks related to compensation policies and practices, and reviews with the Board of Directors, at least annually, any issues regarding assessment and mitigation of risk factors affecting the Corporation related to the Corporation s compensation policies and practices.

Name of Committee and Membership	Principal Functions of the Committee
Nominating and Corporate Governance Committee Caroline W. Nahas, Chair Larry A. Kay Lilian C. Tomovich	Identifies and recommends to the Board of Directors individuals qualified to serve as directors of the Corporation and on committees of the Board of Directors. Recommends to the Board of Directors criteria for membership on the Board of Directors. Reviews annually and advises the Board of Directors with respect to the Board of Directors composition and reviews periodically and advises the Board of Directors with respect to the size, frequency of meetings, and any other aspects of procedures of the Board of Directors and its committees.
Meetings in 2017 3 Meetings	Develops and recommends to the Board of Directors a set of corporate governance guidelines applicable to the Corporation; reviews periodically, and at least annually, the corporate governance guidelines adopted by the Board of Directors to assure that they are appropriate for the Corporation and comply with the requirements of the NYSE; and recommends any desirable changes to the Board of Directors. Reviews periodically with management the Corporation s policies and programs in such areas as charitable contributions, political action and legislative affairs. Reviews periodically the Corporation s Global Code of Conduct and Code of Conduct for Non-Employee Directors and makes recommendations to the Board of

Directors for any changes deemed appropriate.

Oversees the evaluation of the Board of Directors as a whole and evaluates and reports to the Board of Directors on the performance and effectiveness of the Board of Directors.

Oversees and reviews policies with respect to assessment and management of risks associated with the Board of Directors organization, membership and structure, succession planning, corporate governance, independence, and the performance and effectiveness of the Board of Directors.

Board of Directors Nominations

Consistent with its charter, the Nominating and Corporate Governance Committee considers various criteria in evaluating Board of Directors candidates, including: business experience, board of directors experience, skills, expertise, education, professions, backgrounds, diversity, personal and professional integrity, character, business judgment, business philosophy, time availability in light of other commitments, dedication, conflicts of interest, and such other relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board of Directors. In considering diversity, the Nominating and Corporate Governance Committee evaluates candidates with a broad range of expertise, experience, skills, professions, education, backgrounds and other board of directors experience. While the Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, it seeks to identify directors who will bring diverse viewpoints, opinions and areas of expertise that will benefit the Board of Directors as a whole. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria in evaluating prospective nominees.

The Nominating and Corporate Governance Committee also considers whether a potential nominee would satisfy the NYSE s criteria for director independence, the NYSE s accounting or related financial management expertise standard and the SEC s definition of audit committee financial expert.

Whenever a vacancy or potential vacancy exists on the Board of Directors due to expansion of the size of the Board of Directors or the resignation or retirement of an existing director, the Nominating and Corporate Governance Committee begins its process of identifying and evaluating potential director nominees. The Nominating and Corporate Governance Committee considers recommendations of members of the Board of Directors, management, stockholders and others. The Nominating and Corporate Governance Committee has sole authority to retain and terminate any search firm to be used to identify director candidates, including approving its fees and other retention terms.

The Nominating and Corporate Governance Committee conducted an evaluation and assessment of each director whose term expires in 2018 for purposes of determining whether to recommend them for nomination for re-election to the Board of Directors. After reviewing the assessment results, the Nominating and Corporate Governance Committee determined to make a recommendation to the Board of Directors that Richard J. Dahl, Stephen P. Joyce and Lilian C. Tomovich be nominated for re-election to the Board of Directors. Patrick W. Rose will retire as of the Annual Meeting and will not stand for re-election to the Board of Directors at the Annual Meeting. Ms. Tomovich joined the Board of Directors in January 2017 and was recommended for election to our Board of Directors after a comprehensive nationwide search conducted by a reputable worldwide executive search firm. The Board of Directors reviewed and accepted the Nominating and Corporate Governance Committee s recommendation and has nominated Richard J. Dahl, Stephen P. Joyce and Lilian C. Tomovich for re-election to the Board of Directors.

Stockholder Nominations

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders and will apply the same standards in considering director candidates recommended by stockholders that it applies to other candidates. Stockholders wishing to recommend director candidates for consideration by the Nominating and Corporate Governance Committee may do so by writing to the Secretary, giving the recommended nominee s name, biographical data and qualifications, accompanied by the written consent of the recommended nominee to serve if elected. Any stockholder who wishes to directly nominate a director candidate to stand for election at a meeting of stockholders must provide written notice that is timely and in proper form in accordance with the advance notice procedures provided in the Corporation s Bylaws.

The Nominating and Corporate Governance Committee did not receive any recommendations from stockholders proposing candidates for election to the Board of Directors at the Annual Meeting.

DIRECTOR COMPENSATION

Generally, the Corporation does not pay directors who are also employees of the Corporation additional compensation for their service on the Board of Directors. Compensation for non-employee directors is comprised of a cash component and an equity component. Cash compensation for non-employee directors is comprised of retainers for Board of Directors membership and retainers for serving as a member and/or chair of a Board of Directors committee and as the Chairman of the Board of Directors. Upon the separation of the Chairman and Chief Executive Officer positions and the designation of an independent Chairman of the Board of Directors, the Board of Directors set the annual Chairman of the Board of Directors retainer to be $125,000. In determining the amount of the retainer, the Board of Directors considered input from Exequity LLP, the Compensation Committee s independent consultant, and the increased role of the independent Chairman of the Board of Directors. Previously, the Lead Director also received a retainer of $25,000 which was increased to $100,000 in March 2017. The increase in the Lead Director fees reflected the increased role of the Lead Director during the search for a permanent Chief Executive Officer.

During 2017, non-employee directors were entitled to receive $70,000 as an annual cash retainer for serving as a member of the Board of Directors. In addition, depending on their roles, non-employee directors were entitled to receive:

- $125,000 as an annual retainer for the Chairman of the Board of Directors, effective September 12, 2017;
- $15,000, $12,500 and $7,500, respectively, as an annual retainer for the chairs of the Audit and Finance Committee, Compensation Committee, and Nominating and Corporate Governance Committee;
- $12,500, $10,000 and $7,500, respectively, as an annual retainer for the members of the Audit and Finance Committee, Compensation Committee, and Nominating and Corporate Governance Committee; and
- $1,500 per meeting beyond the eighth meeting attended for each director who serves on a standing committee that meets more than eight times per year.

The Corporation also reimburses each of the directors for reasonable out-of-pocket expenses incurred for attendance at Board of Directors and committee meetings and other corporate events.

Under the DineEquity, Inc. 2016 Stock Incentive Plan (2016 Stock Incentive Plan), non-employee directors may receive periodic grants of stock options, restricted stock awards (RSAs), restricted stock units (RSUs), stock appreciation rights (SARs) or performance unit awards. In February 2017, equity awards valued at approximately $105,000 in the form of RSUs were granted to each non-employee director under the 2016 Stock Incentive Plan. All of the currently outstanding RSUs granted to non-employee directors will generally vest on the third anniversary of the grant date. In the event a director retires from the Board of Directors after completing five years of service, all of the director s then outstanding RSUs will vest. To the extent the Corporation declares dividends, non-employee directors receive dividend equivalent rights in the form of additional RSUs in lieu of receiving cash dividends based upon the number of RSUs held by the director at the time of the dividend record dates. Dividend equivalent rights are subject to the same vesting restrictions as the underlying RSUs.

Directors are eligible to defer up to 100% of their annual Board of Directors retainer fees and equity award compensation pursuant to the DineEquity, Inc. Nonqualified Deferred Compensation Plan (the Deferred Compensation Plan).

Stock Ownership Guidelines

Non-employee directors are subject to stock ownership guidelines whereby each director is expected to hold the lesser of 7,000 shares of Common Stock or Common Stock with a value of at least five times the amount of the Board of Directors annual retainer. Directors are expected to meet the ownership guidelines within five years of joining the Board of Directors. Upon review by the Compensation Committee in 2017, all directors met, were on track to meet, or exceeded the ownership guidelines.

Director Compensation Table for 2017

The following table sets forth certain information regarding the compensation earned or paid in cash and stock awards granted to each non-employee director who served on the Board of Directors in 2017. During their service as Chief Executive

Officer of the Corporation, Mr. Joyce and Ms. Stewart did not receive any additional compensation for their concurrent service as a director. Mr. Dahl did not receive any additional cash compensation during his tenure as Interim Chief Executive Officer, but did receive his annual non-employee director grant given the interim nature of his role. Please see the 2017 Summary Compensation Table for the compensation received by Mr. Joyce, Mr. Dahl and Ms. Stewart in their capacity as Chief Executive Officer.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	Total ($)
Howard M. Berk	90,618	105,001	195,619
Daniel J. Brestle	84,514	105,001	189,515
Richard J. Dahl(3)	81,781	105,001	186,782
Stephen P. Joyce(4)	56,000	105,001	161,000
Larry A. Kay	81,320	105,001	186,321
Caroline W. Nahas(5)	150,267	105,001	255,268
Douglas M. Pasquale	95,024	105,001	200,025
Gilbert T. Ray	78,721	105,001	183,722
Patrick W. Rose	91,012	105,001	196,013
Lilian C. Tomovich(6)	78,777	105,050	183,827

(1) These amounts reflect the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board s Accounting Standards Codification Topic 718, *Compensation Stock Compensation* (FASB ASC Topic 718). See Note 13 to the Consolidated Financial Statements in the Corporation s annual report on Form 10-K for the fiscal year ended December 31, 2017 for information regarding assumptions underlying the valuation of equity awards.

(2) The following table sets forth the number of RSUs outstanding at December 31, 2017.

Name	**Stock Awards Outstanding at December 31, 2017 (#)**
Howard M. Berk	4,441
Daniel J. Brestle	4,441
Richard J. Dahl	4,441
Stephen P. Joyce	4,441
Larry A. Kay	4,441
Caroline W. Nahas	4,441
Douglas M. Pasquale	4,441
Gilbert T. Ray	4,441
Patrick W. Rose	4,441
Lilian C. Tomovich	1,451

(3) Mr. Dahl served as Chairman of the Board of Directors and Interim Chief Executive Officer from March 1, 2017 to September 11, 2017. Mr. Dahl s retainer fees were prorated for the period of time Mr. Dahl served as a non-employee director. In addition, Mr. Dahl ceased service as Lead Director on March 1, 2017; Mr. Dahl s Lead Director fees were prorated for the period of time Mr. Dahl served in such role.

(4) Mr. Joyce commenced service as our Chief Executive Officer on September 12, 2017. Mr. Joyce s retainer fees were prorated for the period of time Mr. Joyce served as a non-employee director.

(5) Amount reflects the increase in the Lead Director retainer for the portion of the time Ms. Nahas served as Lead Director. Ms. Nahas elected to defer all of her 2017 director cash compensation and annual non-employee director equity awards pursuant to the Deferred Compensation Plan.

(6) Ms. Tomovich was elected to the Board of Directors on January 11, 2017. Ms. Tomovich s retainer fees were prorated for the period of time Ms. Tomovich served as a director.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth information regarding beneficial ownership of more than 5% of the outstanding shares of any class of the Corporation s voting securities, which information is derived solely from certain SEC filings available as of March 19, 2018, as noted below. The percentages of Common Stock ownership have been calculated based upon 17,942,813 shares of Common Stock outstanding as of March 19, 2018.

	Shares of Common Stock Beneficially Owned	
Name and Address of Beneficial Owner	**Number**	**Percent**
FMR LLC 245 Summer Street Boston, Massachusetts 02210	2,698,220(1)	14.99%
BlackRock, Inc. 55 East 52nd Street New York, New York 10055	2,220,658(2)	12.3%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	1,725,423(3)	9.59%
Capital Research Global Investors	1,396,671(4)	7.7%

333 South Hope Street

Los Angeles, CA 90071

(1) Based solely upon a Schedule 13G/A filed with the SEC on February 13, 2018 by FMR LLC reporting beneficial ownership as of December 31, 2017. FMR LLC reported that it possessed sole power to vote none of the shares and sole power to dispose or to direct the disposition of all the shares indicated in the table above.

(2) Based solely upon on a Schedule 13G/A filed with the SEC on January 19, 2018 by BlackRock, Inc. reporting beneficial ownership as of December 31, 2017. BlackRock, Inc. reported that it possessed sole power to vote or direct the vote with respect to 2,181,711 of these shares and sole power to dispose or direct the disposition of all the shares indicated in the table above.

(3) Based solely upon a Schedule 13G/A filed with the SEC on February 9, 2018 by The Vanguard Group reporting beneficial ownership as of December 31, 2017. The Vanguard Group reported that it possessed sole power to vote or direct the vote with respect to 28,493 shares, shared power to vote or direct the vote with respect to 2,257 shares, sole power to dispose or direct the disposition of 1,696,416 shares and shared power to dispose or to direct the disposition of 29,007 of these shares.

(4) Based solely upon a Schedule 13G/A filed with the SEC on February 14, 2018 by Capital Research Global Investors reporting beneficial ownership as of December 31, 2017. Capital Research Global Investors reported that it possessed sole power to vote or direct the vote and sole power to dispose or direct the disposition of all of the shares indicated in the table above.

Security Ownership of Management

The following table sets forth as of March 19, 2018 the beneficial ownership of the Corporation s Common Stock, including shares as to which a right to acquire ownership exists within the meaning of Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended (the Exchange Act), within 60 days of March 19, 2018, of each director, each nominee for election as director, each named executive officer and all directors and executive officers of the Corporation, as a group. The percentages of ownership have been calculated based upon 17,942,813 shares of Common Stock outstanding as of March 19, 2018.

	Amount and Nature of Beneficial Ownership			
Name	**Shares Beneficially Owned(1)**	**Unvested Restricted Shares(2)**	**Total Shares Beneficially Owned**	**Percent of Class**
Howard M. Berk	22,932(3)		22,932	*
Daniel J. Brestle	16,932		16,932	*
Richard J. Dahl	65,499(4)		65,499	*
Larry A. Kay	21,244(5)		21,244	*
Caroline W. Nahas	25,757		25,757	*
Douglas M. Pasquale	5,090(6)		5,090	*
Gilbert T. Ray	24,868		24,868	*

Patrick W. Rose	53,604		53,604	*
Lilian C. Tomovich				*
Stephen P. Joyce	8,404		8,404	*
Greggory H. Kalvin	20,396(7)	6,905	27,301	*
Darren M. Rebelez	63,305	35,691	98,996	*
John C. Cywinski	24,099	29,297	53,396	*
Bryan R. Adel	62,709	7,050	69,759	*
Julia A. Stewart	414,052(8)		414,052	2.31%
Thomas W. Emrey	81,998(9)		81,998	*
Daniel V. del Olmo	4,019(10)		4,019	*
All directors and executive officers as a group (14 persons)	414,839	78,943	493,782	2.75%

* Represents less than 1% of the outstanding shares of Common Stock.

(1) None of the shares have been pledged as security. Share amounts for each of the directors, each nominee for election as director, each named executive officer and for all directors and executive officers as a group include shares subject to stock options that are exercisable within 60 days of March 19, 2018, as follows:

Name	Shares Subject to Options
Howard M. Berk	
Daniel J. Brestle	
Richard J. Dahl	16,667
Larry A. Kay	
Caroline W. Nahas	
Douglas M. Pasquale	
Gilbert T. Ray	
Patrick W. Rose	
Lilian C. Tomovich	
Stephen P. Joyce	

Greggory H. Kalvin	12,745
Darren M. Rebelez	52,405
John C. Cywinski	19,625
Bryan R. Adel	53,352
Julia A. Stewart(9)	326,690
Thomas W. Emrey(10)	72,532
Daniel V. del Olmo(11)	11,852
All directors and executive officers as a group (17 persons)	565,868

Directors also hold RSUs that are not included in the beneficial ownership table because vesting will not occur within 60 days of March 19, 2018. The amounts of RSUs held by non-employee directors as of December 31, 2017 are provided in the section of this proxy statement entitled Director Compensation.

(2) Unvested RSAs are deemed beneficially owned because grantees of unvested RSAs under the Corporation s equity compensation plans hold the sole right to vote such shares.

(3) The amount for Mr. Berk does not include 741,631 shares of the Corporation s Common Stock beneficially owned by MSD SBI, L.P. MSD Capital, L.P. is the general partner of MSD SBI, L.P. and may be deemed to beneficially own securities owned by MSD SBI, L.P. Mr. Berk is a partner of MSD Capital, L.P. and may be deemed to beneficially own securities owned by MSD Capital, L.P. Mr. Berk disclaims beneficial ownership of the shares that may be deemed to be beneficially owned by MSD Capital, L.P., except to the extent of his pecuniary interest therein.

(4) All of Mr. Dahl s shares are held by the Richard J. Dahl Revocable Living Trust dated 1/20/1995, of which Mr. Dahl serves as Trustee.

(5) The amount for Mr. Kay includes 12,645 shares of Common Stock held by the IRA Trustee for the benefit of Mr.

Kay.

(6) The amount for Mr. Pasquale includes 4,004 shares of Common Stock held by the Pasquale Living Trust.

(7) The amount for Mr. Kalvin includes 6,766.73 shares of Common Stock held by the Kalvin Family Trust.

(8) The amount for Ms. Stewart is as of March 1, 2017, the date of her departure from the Corporation, and includes 64,702 shares of Common Stock held by the Julia Stewart Family Trust, of which Ms. Stewart is the sole Trustee and sole beneficiary, and 660 shares of Common Stock held in the DineEquity, Inc. 401(k) Plan.

(9) The amount for Ms. Stewart is as of March 1, 2017, the date of her departure from the Corporation.

(10) The amount for Mr. Emrey is as of March 15, 2017, the date of his departure from the Corporation. All unvested stock options were forfeited by Mr. Emrey upon his departure from the Corporation.

(11) The amount for Mr. del Olmo is as of September 13, 2017, the date of his departure from the Corporation. All unvested stock options were forfeited by Mr. del Olmo upon his departure from the Corporation.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that the Corporation s directors, executive officers and persons who own more than ten percent of the Corporation s equity securities file reports of ownership and changes in ownership with the SEC. Based on its review of such reports and other information furnished by the directors and executive officers, the Corporation believes that all reports required to be filed pursuant to Section 16(a) of the Exchange Act were filed on a timely basis in 2017.

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on its review and discussion, the Compensation Committee recommended that the Board of Directors include the Compensation Discussion and Analysis in this proxy statement and the Corporation s annual report on Form 10-K.

THIS REPORT IS SUBMITTED BY THE

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Daniel J. Brestle (Chairman)

Howard M. Berk

Caroline W. Nahas

Patrick W. Rose

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion provides an overview and analysis of the Corporation s compensation programs and policies, the material compensation decisions made under those programs and policies with respect to the Corporation s named executive officers (the NEOs) and the material factors that were considered in making those decisions. Following this Compensation Discussion and Analysis is a series of tables under the heading Compensation Tables containing specific data about the compensation earned by or granted to our NEOs in 2017.

The Corporation navigated through several NEO transitions in 2017:

Mr. Stephen P. Joyce, a member of the Board of Directors since February 2012 and our current Chief Executive Officer (CEO), commenced service as our CEO on September 12, 2017;

Mr. Greggory H. Kalvin, our current Interim Chief Financial Officer and Senior Vice President, Corporate Controller, commenced service as our Interim Chief Financial Officer on March 15, 2017;

Mr. Richard J. Dahl, our current Chairman of the Board of Directors and our former Interim Chief Executive Officer and Interim President of the Applebee s Business Unit, ceased service as the Interim Chief Executive Officer upon the commencement of Mr. Joyce s service as our CEO on September 12, 2017 and ceased service as our President of the Applebee s Business Unit upon the commencement of Mr. John C. Cywinski s service as the President of the Applebee s Business Unit on March 9, 2017;

Ms. Julia A. Stewart, our former Chairman of the Board of Directors and Chief Executive Officer and Interim President of the Applebee s Business Unit, departed from the Corporation on March 1, 2017;

Mr. Thomas W. Emrey, our former Chief Financial Officer, departed from the Corporation on March 15, 2017; and

Mr. Daniel del Olmo, our former President, International, departed from the Corporation on September 13, 2017.

In addition to the above NEOs, the following executive officers were also NEOs in 2017:

President of the IHOP Business Unit, Mr. Darren M. Rebelez;

President of the Applebee s Business Unit, Mr. John C. Cywinski, who joined the Corporation on March 9, 2017; and

Senior Vice President, Legal, General Counsel and Secretary, Mr. Bryan R. Adel.

Unless otherwise stated herein, references to our NEOs in the below discussions regarding 2017 compensation decisions exclude executives serving or having served as our chief executive officer in 2017: Mr. Joyce, Mr. Dahl and Ms. Stewart. Compensation decisions for these NEOs were evaluated and determined on a stand-alone basis, separate and apart from our

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other NEOs, to account for the unique nature of their service to the Corporation and, in the case of Ms. Stewart, the circumstances surrounding her departure. Compensation discussions for Mr. Joyce, Mr. Dahl and Ms. Stewart are discussed under a separate section called Compensation Discussion related to Management Transitions. Compensation decisions for Mr. Kalvin in connection with his service as Interim Chief Financial Officer and sign-on compensation awarded to Mr. Cywinski in connection with his assumption of the role of President, Applebee s Business Unit, are also addressed in the section called Compensation Discussion related to Management Transitions.

Executive Summary

2017 Fiscal Year Performance Highlights and Link to Pay Decisions

While 2017 continued to be a challenging environment for casual and family dining, the Corporation and its IHOP and Applebee s Business Units delivered several accomplishments against key strategic priorities. These are highlighted by the following 2017 key accomplishments:

- Generated cash provided by operating activities of approximately $66 million;
- Returned approximately $80 million to stockholders in stock repurchases and quarterly cash dividends combined;
- Opened 77 new restaurants worldwide by IHOP franchisees and area licenses with net development (openings less closures) of 54 restaurants, the highest single-year net development total for the brand since 2009;
- Remodeled 320 domestic restaurants by IHOP franchisees under our new *Rise N Shine* design; and
- Delivered Applebee s Domestic Same Restaurant Sales increase of 1.3% for the fourth quarter of 2017.

2017 was a year of transition for the Corporation and excellent progress was made to stabilize and grow performance at both the Applebee s and IHOP Business Units. Despite several achievements, the performance against most metrics under the Corporation s incentive plans fell below expectations:

- Adjusted Earnings Per Share of $4.15 fell below the target of $4.94;
- Operating Profit for the Corporation and the IHOP and Applebee s Business Units each fell below target;

Same Restaurant Sales exceeded target by 0.7% for the Applebee s Business Unit but fell below target for the IHOP Business Unit by 3.4%;

Total Net Franchise Restaurant Development fell below target by 5 restaurants for the IHOP Business Unit; and

The Corporation s total stockholder return (TSR) for fiscal years 2015 through 2017, was negative 40.3% and ranked near the bottom of the index of publicly-traded restaurant companies.

Adjusted Earnings Per Share (or AEPS) is defined as total adjusted net income available to common stockholders divided by weighted average diluted shares. AEPS is considered to be a non-U.S. GAAP measure. Reconciliation of U.S. GAAP earnings per share to AEPS is provided in Appendix A.

Operating Profit is defined as Segment Profit plus gains on asset dispositions, less Direct G&A and losses on asset dispositions. Segment Profit is defined as segment revenues less segment expenses. Direct G&A is defined as general and administrative expenses directly incurred at operating units excluding any allocation of shared service and general corporate overhead.

Same Restaurant Sales is a key performance indicator that has a direct impact on system wide retail sales that drive our franchise royalty revenues.

Net Franchise Restaurant Development for the Corporation is defined as the number of new restaurants opened during the fiscal year, less any restaurant closings.

For complete information regarding the Corporation s 2017 performance, stockholders should read Management s Discussion and Analysis of Results of Operation and Financial Condition and the audited consolidated financial statements and accompanying notes thereto contained in the Corporation s 2017 annual report on Form 10-K filed with the SEC on February 20, 2018, which is being made available to stockholders with this proxy statement.

We believe the Corporation s 2017 compensation results were commensurate with the Corporation s performance, reflecting the Corporation s pay-for-performance philosophy:

For the third consecutive year, no payouts were made under the Corporation s long-term performance-based cash plan (cash LTIP) covering fiscal years 2015 through 2017 based on the Corporation s TSR of negative 40.3% ranking near the bottom of the index of publicly traded restaurant companies. Awards under the cash LTIP represent approximately one-third of the annual long-term incentive awards granted to NEOs. We believe this pay outcome demonstrates the alignment of a material portion of our executives compensation with the Corporation s long-term performance and the interests of our stockholders.

For the second consecutive year, annual cash incentive compensation received by the Corporation s NEOs under the annual cash incentive plan for 2017 (2017 Annual Incentive Plan) was below target and ranged from 53% to 77% of each individual s target. Payout levels reflect the Corporation s overall underperformance for 2017, including the failure to meet the performance threshold for AEPS, Applebee s Operating Profit and IHOP Same Restaurant Sales. See Compensation Decisions Made in 2017 for additional detail regarding the 2017 Annual Incentive Plan.

All stock options granted and outstanding since 2011 are underwater as of December 31, 2017 and the value of previously granted restricted stock awards (RSAs) are worth considerably less than when such RSAs were granted.

Compensation Policies, Practices and Corporate Risk Management

The Compensation Committee, along with the Chief Executive Officer and the Senior Vice President, Chief People Officer, continually assess the Corporation s compensation policies and practices to evaluate whether they remain aligned with the Corporation s pay-for-performance culture, the creation of long-term stockholder value, effective risk management and strong governance practices.

The Compensation Committee believes that, through a combination of risk-mitigating features and incentives guided by relevant market practices and Corporate-wide goals, our compensation policies and practices do not present risks that are reasonably likely to have a material adverse effect on the Corporation. The Compensation Committee believes that appropriate safeguards are in place with respect to compensation policies and practices that assist in mitigating excessive risk-taking that could harm the value of the Corporation or reward poor judgment by the Corporation s executives and other employees.

The Compensation Committee s independent compensation consultant, Exequity LLP (Exequity), conducted a risk assessment in 2017 of the Corporation s compensation policies and practices as they apply to all employees, including the NEOs. Exequity reviewed the design features and performance metrics of the Corporation s cash and stock-based incentive programs along with the approval mechanisms associated with each and determined that the Corporation s policies and practices were unlikely to create risks that are reasonably likely to have a material adverse effect on the Corporation.

The following actions, practices and policies are intended to provide for continued alignment with the Corporation s principles and/or reduce the likelihood of excessive risk-taking:

- The Compensation Committee reviews Chief Executive Officer pay-for-performance alignment by evaluating the Chief Executive Officer s compensation relative to the Corporation s TSR performance over the last five years.

- Directors and officers of the Corporation are subject to robust stock ownership guidelines.

- The Corporation s compensation mix is balanced among fixed components such as salary and benefits, annual cash incentive payments and long-term incentive awards including stock options, RSAs and the cash LTIP, which generally vest or are earned over three years.

- The Corporation s annual cash incentive plan and three-year cash LTIP both have capped payment opportunities and reward achievement of different performance metrics. Further, the cash LTIP is measured against an index of publicly-traded restaurant companies.

- The Compensation Committee has ultimate authority to determine, and increase or decrease, if appropriate, compensation provided to the Corporation s executive officers, including each of the NEOs.

- The Compensation Committee annually undertakes a tally sheet analysis of total annual compensation and the total potential payout under various termination scenarios for the NEOs.

The Corporation maintains a Clawback Policy, which allows the Board of Directors to recoup incentive compensation in certain circumstances. See Clawback Policy for further details on the Corporation s policy.

All directors and NEOs are subject to the Corporation s Insider Trading Policy, which contains a prohibition on engaging in hedging and pledging transactions involving the Corporation s securities.

The Compensation Committee has set the grant date for annual equity awards to be the close of business on the second full business day after our announcement of fiscal year-end earnings.

The Compensation Committee utilizes the services of an independent compensation consultant who does not provide any other services to the Corporation and has the authority to retain any advisor it deems necessary to fulfill its obligations.

The Corporation s equity compensation plans do not permit repricing of previously granted stock options without stockholder approval.

The Corporation has not authorized any multi-year guaranteed bonuses.

Generally, the Corporation does not provide tax gross-ups on severance payments or perquisites other than certain expenses related to relocation.

Overview of Executive Compensation Philosophy and Objectives

The Compensation Committee has structured the Corporation s executive compensation programs to align with a compensation philosophy that is based on several objectives, including:

Instilling an ownership culture and linking the interests of the NEOs with those of the Corporation s stockholders;

Paying for performance;

Rewarding executives for achievement of both annual and longer-term financial and key operating goals of the Corporation; and

Facilitating the attraction, motivation and retention of highly talented, entrepreneurial and creative executive leaders.

The Role of the Compensation Committee

Under its charter, the Compensation Committee has the sole authority to determine and approve compensation for the Corporation s NEOs and other executive officers. In addition, the Compensation Committee, which is comprised solely of independent directors and reports regularly to the Board of Directors, reviews and approves compensation and benefits programs including grants made pursuant to the Corporation s equity compensation plans, oversees the Corporation s executive compensation philosophy and strategy, ensures that proper due diligence, deliberations, and reviews of executive compensation are conducted and oversees risks related to the Corporation s compensation practices. The Compensation Committee is also responsible for reviewing the compensation for the members of the Board of Directors and submits any recommended changes for approval by the Board of Directors.

The Compensation Committee reviews the Corporation s executive compensation plans throughout the fiscal year. Decisions concerning annual salary increases, the approval of annual cash incentives, the design and objectives of each year s incentive plan and the granting of LTI awards are typically made in the first quarter of each fiscal year after a series of meetings among the Compensation Committee, its compensation consultant, the Chief Executive Officer and the Senior Vice President, Chief People Officer. The Compensation Committee also performs a tally sheet analysis which provides the Compensation Committee with information related to total annual compensation of each NEO and the potential payout each NEO would receive upon separation from the Corporation. The Compensation Committee performs this analysis on an annual basis as part of its oversight function with respect to executive compensation.

The general practice of the Compensation Committee has been to evaluate annually the performance of the Chief Executive Officer and the other executive officers and approve compensation based on this evaluation. As it relates to the assessment

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of the Chief Executive Officer s performance, the Chairman of the Board of Directors, and previously, the Lead Director, and the chairs of the Compensation Committee and the Nominating and Corporate Governance Committee discuss annual performance goals with the Chief Executive Officer and conduct an annual performance review and compensation discussion.

In addition, the Compensation Committee annually determines the compensation of the other executive officers based on evaluations of their respective performance.

Generally, the Chief Executive Officer and the Senior Vice President, Chief People Officer provide input to the Compensation Committee in connection with its compensation deliberations except with regard to decisions concerning themselves:

The Chief Executive Officer provides assessments of each NEO s performance against specific objectives and overall contributions, potential future contributions and retention risk;

Based on the assessment described above, as well as the market data provided by the Compensation Committee s independent consultant, the Chief Executive Officer and the Senior Vice President, Chief People Officer make recommendations to the Compensation Committee regarding executive compensation for each of the other NEOs; and

In instances where new executives are hired, the Chief Executive Officer and the Senior Vice President, Chief People Officer discuss available information regarding compensation provided at the executive s current or former employer, internal and external compensation benchmarking data, skill set and qualifications, and make recommendations for new executive pay packages to the Compensation Committee.

The Role of the Compensation Consultant

The Compensation Committee has the sole authority to retain or terminate a compensation consultant to assist in carrying out its responsibilities. Accordingly, during 2017, the Compensation Committee directly engaged Exequity as its independent compensation consultant to provide objective and expert analyses, advice, and information with respect to executive compensation. In performing its services, Exequity interacted collaboratively with the Compensation Committee and with senior management at the direction of the Compensation Committee. In 2017, Exequity performed the following services:

Provided executive compensation benchmarking data (as described below);

Provided analysis and advice regarding annual incentive plan design;

- Provided analysis and advice regarding long-term incentive plan design;

- Responded to other requests including, conducting a Chief Executive Officer pay-for-performance analysis, a risk assessment and a peer group analysis, a stock ownership guidelines analysis, an analysis of compensation for the Chairman of the Board of Directors, and advising on various governance and regulatory developments; and

- Advised on chief executive officer compensation for Ms. Stewart, Mr. Dahl, Mr. Joyce and other executive officers.

Exequity did not provide any additional services to the Corporation during 2017 beyond those provided in the capacity of independent compensation consultant to the Compensation Committee. The Compensation Committee has assessed the independence of Exequity pursuant to the rules of the SEC and concluded that Exequity s work for the Compensation Committee does not raise any conflicts of interest.

Compensation Benchmarking and Peer Group

The Corporation uses a restaurant peer group and compensation surveys for different benchmarking comparisons, including base salary, target annual cash incentive, LTI awards and total direct compensation opportunity (TDCO). The Compensation Committee, with input from its independent compensation consultant and management, periodically reviews its peer group (the NEO Peer Group) for the purpose of evaluating executive compensation.

The Corporation s 100% franchised business model is uncommon amongst its peer group. The majority of the peer companies have company-owned restaurants. We believe our fully franchised business model requires less capital investment and general and administrative overhead, generates higher gross profit margins and reduces volatility of adjusted free cash flow performance as compared to owning company-operated restaurants. In acknowledging the structural differences, the Compensation Committee considers a variety of metrics in evaluating the NEO Peer Group which includes but is not limited to sales, market capitalization and enterprise value and the ratio of these metrics per employee. The Corporation ranked in the first quartile in sales and in market capitalization and second quartile in enterprise value. The Corporation ranked higher than all but one peer company in sales per employee and enterprise value per employee, and all but two peer companies in market capitalization per employee. The NEO Peer Group consists of companies in the Corporation s industry that the Compensation Committee believes to approximate the Corporation s general labor market for top executive talent.

The NEO Peer Group used for evaluating 2017 compensation decisions consisted of the companies set forth below, which was the same NEO Peer Group that was used to evaluate 2016 compensation decisions other than Popeyes Louisiana Kitchen which was removed from the peer group as a result of their acquisition by Restaurant Brands International in 2017.

BJ s Restaurants, Inc.	Denny s Corporation	Red Robin Gourmet Burgers, Inc.
Bob Evans Farms, Inc.	Domino s Pizza, Inc.	Rudy Tuesday, Inc.
Brinker International, Inc.	Dunkin Brands Group, Inc.	Sonic Corp.
Buffalo Wild Wings, Inc.	Jack in the Box Inc.	Texas Roadhouse, Inc.
The Cheesecake Factory Incorporated	Panera Bread Company	The Wendy s Company
Cracker Barrel Old Country Store, Inc.	Papa Johns International, Inc.	

The NEO Peer Group was the primary data source considered by the Compensation Committee when reviewing total pay levels of the NEOs.

The Compensation Committee also considered broader compensation data from the 2017 AON Hewitt US Total Compensation by Industry Survey and the 2017 Chain Restaurant Total Rewards Association Executive and Management Compensation Survey, which provided general industry and restaurant industry pay data on executive positions for companies with comparable sales.

The Role of the Stockholder Say on Pay Votes

The Corporation provides its stockholders with the opportunity to cast an annual advisory vote on executive compensation (a say on pay proposal). At the Corporation s annual meeting of stockholders held in May 2017, approximately 77% of the votes present and entitled to vote at the meeting on the say on pay proposal were voted in favor of the proposal approving the compensation of the NEOs, as disclosed in the 2017 proxy statement. The Compensation Committee believes the 2017 say on pay vote reflects stockholders support of the Corporation s approach to executive compensation. The Compensation Committee will continue to consider the outcome of the Corporation s say on pay votes when making future compensation decisions for the NEOs.

Compensation Discussion Related to Management Transitions

As discussed above, the Corporation navigated through several management transitions in 2017. Given the unique and individualized circumstances surrounding each transition, we will discuss compensation decisions for each individual who served as our chief executive officer during 2017, our Interim Chief Financial Officer and our President, Applebee s Business Unit in this section. Compensation discussions relating to our other NEOs will be discussed below under Elements of the Compensation Program For NEOs.

Stephen P. Joyce

Mr. Joyce s compensation consists of the following: (1) an annual base salary of $1,000,000; (2) participation in the Corporation s annual incentive plan for 2018 through 2020 with a target payout of 100% of base salary; (3) a one-time cash sign-on bonus of $750,000; and (4) a commuting allowance of $125,000 per year and a temporary housing allowance of $125,000 per year. Mr. Joyce did not participate in the 2017 Annual Incentive Plan.

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In addition, Mr. Joyce received a one-time grant of 75,000 time-based RSUs, which will cliff vest on February 1, 2021 assuming Mr. Joyce remains continuously employed by the Corporation through such date. Mr. Joyce also received 350,000 performance- and time-based non-qualified stock options (NQSO) and 175,000 performance- and time-based RSUs. The performance- and time-based equity awards will cliff vest on February 1, 2021 based on Mr. Joyce s achievement of certain price targets for the Corporation s common stock and if Mr. Joyce remains continuously employed by the Corporation through such vesting date. The stock price targets were designed to be challenging but reasonably achievable with strong performance by the Corporation. Mr. Joyce s long-term incentive awards were intended to cover the entire term of his employment agreement, and it is currently not anticipated that he will receive any additional equity awards prior to the end of the term of his current employment agreement on February 1, 2021.

In determining the compensation for Mr. Joyce, the Compensation Committee considered the current state of the business and Mr. Joyce s role in returning the Corporation to growth, along with competitive market data and the input of Exequity. The Compensation Committee also considered Mr. Joyce s previous experience and proven track record for returning companies to growth.

Richard J. Dahl

In connection with Mr. Dahl s appointment as Interim Chief Executive Officer, Mr. Dahl received an annual base salary of $1,500,000, pro-rated to $905,068 for the portion of time Mr. Dahl served as Interim Chief Executive Officer in 2017, and a grant of 50,000 NQSOs, which will vest as to one-third of the shares on each of March 21, 2018, 2019 and 2020. Mr. Dahl did not participate in the Corporation s 2017 Annual Incentive Plan. In addition, the Corporation agreed to reimburse or otherwise compensate Mr. Dahl for commuting expenses during his tenure as Interim Chief Executive Officer.

In determining the compensation for Mr. Dahl, the Compensation Committee considered competitive market data and the temporary nature of Mr. Dahl s service as Interim Chief Executive Officer along with input from Exequity.

Julia A. Stewart

Upon Ms. Stewart s departure from the Corporation, she received severance payments and benefits consistent with her employment agreement dated as of November 1, 2008. In recognition of Ms. Stewarts years of service to the Corporation and for the execution of a general release of all claims and liabilities against the Corporation, Ms. Stewart was provided an additional payment of $500,000 less applicable taxes, withholdings and deductions required by law, an additional 12 months (in addition to the 24 months provided for in her employment agreement) to exercise any stock options or stock appreciation rights held by Ms. Stewart and reimbursement for reasonable attorney s fees of $51,293 incurred by Ms. Stewart in connection with discussions regarding her separation agreement.

Greggory H. Kalvin

During the period that Mr. Kalvin serves as Interim Chief Financial Officer, Mr. Kalvin receives an additional $66,000 in annual compensation and his target bonus under the Corporation s annual cash incentive plan was temporarily increased from 50% to 75%. He was also provided a one-time equity award grant of $200,000 in RSAs which will vest in full upon the third anniversary of the grant date, provided Mr. Kalvin remains continuously employed through the vesting date. In determining Mr. Kalvin s increased compensation, the Compensation

Committee considered compensation of other chief financial officers, both prior chief financial officers of the Corporation and other similarly situated chief financial officers of comparable companies, the level and type of responsibilities associated with the position, the interim nature of the role and input from Exequity.

John C. Cywinski

In connection with Mr. Cywinski s appointment as the President, Applebee s Business Unit in March 2017, Mr. Cywinski received a sign-on RSA award valued at $1,500,040, a sign-on cash bonus of $150,000 and participation in the 2016-2018 cash LTIP cycle. In addition, as discussed further below under Perquisites, the Corporation provided Mr. Cywinski a relocation benefits package.

In determining the compensation for Mr. Cywinski, the Compensation Committee considered the state of the Applebee s business and the importance of Mr. Cywinski s leadership role to return the Applebee s Business Unit to growth along with competitive market data and the input of Exequity.

Elements of the Compensation Program For NEOs

The Corporation s executive compensation program for NEOs generally consists of the following components:

Base Salary. Base salaries are designed to attract and retain talented executives and to provide a competitive and stable component of income.

Annual Cash Incentives under the Annual Incentive Plan. Annual cash incentives provide a competitive incentive opportunity for achieving financial, operational and strategic performance objectives. Generally, no payouts are made under the annual incentive plan unless these objectives are achieved.

Long-Term Incentive or LTI Awards. LTI awards are composed of stock options, RSAs and the cash LTIP with each component representing approximately one-third of the total value awarded. Each of the components is vested or earned over a three-year period to provide ongoing alignment with stockholders interests based on the Corporation s future stock price performance. Stock options provide value to the executive only if the Corporation s stock price increases above the grant date price. The value of RSAs increases or decreases with changes in the Corporation s stock price and the cash LTIP provides payment only if the Corporation s TSR performance is in the 33^{rd} percentile or greater compared to a group of publicly traded restaurant companies over a three-year performance period.

Benefits and Other Compensation. Benefits and other compensation programs, which make up a relatively modest portion of NEO compensation, are provided to protect executive health and safety and provide flexibility and efficiencies that facilitate executive productivity.

The Compensation Committee s compensation strategy is comprised of a TDCO for each NEO which is defined as base salary, target annual cash incentive and the grant date fair market value of LTI awards.

Base Salary	+	Annual Cash Incentive	+	Long-Term Incentive	=	Total Direct Compensation Opportunity

The TDCO for each NEO is generally set to fall within the third quartile (i.e., between the 50^{th} and 75^{th} percentiles) of relevant benchmark data. Rather than striving for a single market reference point, the Compensation Committee believes that a broader, third-quartile positioning provides appropriate flexibility in tailoring award opportunities based on a variety of factors such as performance, experience level, internal equity and external competitiveness.

The TDCO for 2017, as reviewed and approved by the Compensation Committee for the NEOs, is listed in the following table. TDCO differs from the total compensation amounts reported in the 2017 Summary Compensation Table in that it includes the target annual cash incentive opportunity while the 2017 Summary Compensation Table includes the amounts actually earned under the 2017 Annual Incentive Plan. Further, TDCO does not include amounts set forth in the All Other Compensation column of the 2017 Summary Compensation Table. In addition, TDCO includes the value of the target opportunity under the cash LTIP grant at the time it is awarded whereas the 2017 Summary Compensation Table includes the actual value earned, if any, based upon performance under the cash LTIP after the completion of the performance period. The TDCO also includes one-time recognition RSAs awarded to Mr. Kalvin valued at $200,020 for service as Interim Chief Financial Officer.

Total Direct Compensation Opportunity

Name	2017 Base Salary ($)	2017 Annual Cash Target Incentive ($)	2017 Long-Term Incentive ($)	2017 Total Direct Compensation Opportunity ($)
Darren M. Rebelez	$ 604,101	$ 453,076	$ 850,006	$ 1,907,183
John C. Cywinski	$ 575,000	$ 431,250	$ 800,016	$ 1,806,266
Greggory H. Kalvin	$ 399,773	$ 299,830	$ 400,028	$ 1,099,631
Bryan R. Adel	$ 475,000	$ 332,500	$ 450,043	$ 1,257,543
Daniel V. del Olmo	$ 433,000	$ 324,750	$ 600,023	$ 1,357,773

A significant portion of executive pay has been structured to be contingent on satisfying performance goals and increasing stockholder value. Accordingly, executives will not realize the incentive portion of their TDCO unless these objectives are satisfied. For the NEOs, an average of 66% of 2017 TDCO was linked to performance and/or increasing stockholder value. Mr. Kalvin s TDCO includes the additional compensation provided while he serves as Interim Chief Financial Officer as referenced above in Compensation Discussion Related to Management Transitions**.**

See the section entitled Compensation Decisions Made in 2017 in this proxy statement for additional information regarding the elements of compensation for NEOs.

The chart below illustrates the 2017 pay mix for the NEOs serving as of December 31, 2017. As noted above, we are excluding individuals who served as Chief Executive Officer during the year from this chart in light of the unique nature of their 2017 compensation. Please see Compensation Discussion Related to Management Transitions for further information regarding the compensation paid to each individual who served as Chief Executive Officer during the year and for information regarding additional compensation for our Interim Chief Financial Officer.

Compensation Decisions Made in 2017

Annual Base Salaries

In setting annual base salaries, the Compensation Committee generally considers benchmarking data derived from a review of the proxy statement disclosures of the NEO Peer Group, the AON Hewitt and Chain Restaurant surveys and, in the case of the NEOs other than the Chief Executive Officer, recommendations and assessments of the performance of the individual NEOs by the Chief Executive Officer. The Compensation Committee uses the market data to establish reliable points of reference to determine whether and to what extent it is establishing competitive levels of compensation for the NEOs.

In February 2017, the Compensation Committee set annual base salaries for 2017 as follows:

Name	Former Base Salary	New Base Salary	Percentage Increase
Darren M. Rebelez	$ 586,506	$ 604,101	3.0%
Greggory H. Kalvin	$ 325,632	$ 333,773	2.5%
Bryan R. Adel	$ 433,959	$ 444,808	2.5%
Daniel V. del Olmo	$ 360,500	$ 433,000	20.1%

Base salary increases for the NEOs were based on individual performance and external market competitiveness. Mr. del Olmo s increase reflected his promotion to include leadership over the Corporation s development function while maintaining his role as President of the International Business Unit. Mr. Kalvin also receives additional annual compensation of $66,000 while serving as Interim Chief Financial Officer. Mr. Adel s base salary was subsequently increased by an additional 6.8% to $475,000 in recognition of the expanded scope of his role to include information security, internal audit and franchise administration. Mr. Cywinski s base salary was set at $575,000, effective March 9, 2017.

Performance- and Stock-Based Compensation

Annual Cash Incentives

In early 2017, the Compensation Committee approved the 2017 Annual Incentive Plan to reward executive officers whose performance meets or exceeds the Corporation s expectations, to provide incentives for excellent future performance that contributes to the Corporation s success and profitability and to serve as a means by which eligible participants may share in the Corporation s financial success. The 2017 Annual Incentive Plan operates under the Corporation s stockholder-approved plan, which funds an incentive pool based on 20% of cash flow from operations and which limits the Chief Executive Officer s maximum incentive payout to 30% of the incentive pool and all other NEOs maximum incentive payouts to 17.5% of the incentive pool. The Compensation Committee uses negative discretion to reduce the maximum incentive payout for each NEO based on performance against our pre-established metrics as outlined below.

Pursuant to the 2017 Annual Incentive Plan, the target annual cash incentive amount for each of the NEOs is established as a percentage of base salary based on the participant s level in the management structure. The 2017 threshold, target, and maximum payout amounts for each NEO are provided in the Grants of Plan-Based Awards in 2017 table. The 2017 threshold, target and maximum percentages for each of the NEOs under the Corporation s 2017 Annual Incentive Plan were as follows:

Name	Threshold as Percentage of Base Salary	Target as Percentage of Base Salary	Maximum as Percentag of Base Salary
Darren M. Rebelez	37.5%	75%	150%
John C. Cywinski	37.5%	75%	150%
Greggory H. Kalvin	37.5%	75%	150%
Bryan R. Adel	35.0%	70%	140%
Thomas W. Emrey	37.5%	75%	150%
Daniel V. del Olmo	37.5%	75%	150%

Decisions regarding the threshold, target and maximum incentive percentages were made in consultation with Exequity and after consideration of the NEO Peer Group and survey data mentioned above and the desired TDCO pay mix. The Compensation Committee believes them to be generally consistent with incentive opportunities at the NEO Peer Group companies for similarly situated executives. Mr. Kalvin s target for 2017 is reflective of his role as Interim Chief Financial Officer. Mr. Adel s target was increased from 60% to 70% in recognition of the expanded scope of his role to include information security, internal audit and franchise administration.

The annual cash incentive for the NEOs is based on a combination of the Corporation s AEPS, Dine Brands Global, Inc., IHOP, Applebee s and International Business Unit Operating Profit, Same Restaurant Sales, Net Franchise Restaurant Development and the achievement of Strategic Initiatives. The annual cash incentive for each of the NEOs may then be decreased or increased based on the individual performance of each executive.

The Compensation Committee uses AEPS as a primary incentive metric as it represents a broad and commonly used measure of financial performance for the Corporation. The Compensation Committee includes Operating Profit as a performance measure because it believes operating profit appropriately incentivizes the business units on items specifically within their control. Same restaurant sales is a performance indicator used by the Corporation to measure the performance and sales growth of the brands. Net Franchise Restaurant Development is a growth performance indicator measuring the number of new restaurants opened during the fiscal year, less any restaurant closings.

The table below outlines the annual cash incentive metrics and weighting for each of the NEOs for 2017:

Name	Dine Brands AEPS	Dine Brands/ IHOP / Applebee s / International Business Unit Operating Profit(1)	Same Restaurant Sales(2)	Net Franchise Development(3)	Strategic Initiatives
Darren M. Rebelez	20%	20%	20%	20%	20%
John C. Cywinski	20%	20%	30%	N/A	30%
Greggory H. Kalvin	40%	20%	20%	N/A	20%

Bryan R. Adel	40%	20%	20%	N/A	20%
Thomas W. Emrey	40%	20%	20%	N/A	20%
Daniel V. del Olmo	20%	30%	N/A	30%	20%

(1) Operating profit for Mr. Emrey, Mr. Kalvin and Mr. Adel was based on Dine Brands operating profit, while Business Unit operating profit for Mr. Rebelez, Mr. Cywinski and Mr. del Olmo was based entirely on their respective Business Units.

(2) Same-restaurant sales performance for Mr. Emrey, Mr. Kalvin and Mr. Adel was based 50% on Applebee s Business Unit performance and 50% on IHOP Business Unit performance, while same restaurant sales performance for Mr. Rebelez and Mr. Cywinski was based entirely on their respective Business Units.

(3) Net franchise development for Mr. Rebelez and Mr. del Olmo is based on net franchise development for the IHOP and International Business Units, respectively.

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For each of the performance metrics, amounts were not paid unless the threshold performance level for that metric was achieved. The threshold, target and maximum payout levels for certain of the performance metrics are illustrated in the table below. Payouts increase incrementally for performance up to a maximum of 200% of an executive s target annual cash incentive opportunity.

Metric	Threshold	Target	Maximum	Actual Result	Percentage of Metric Achieved	Payout Percentage of Target for Metric
AEPS	$ 4.35	$ 4.94	$ 5.68	$ 4.15	84%	0%
Dine Brands Operating Profit	$ 179.6	$ 199.6	$ 225.5	$ 182.2	91%	56%
IHOP Business Unit Operating Profit	$ 161.2	$ 179.1	$ 202.4	$ 175.8	98%	88%
Applebee s Business Unit Operating Profit	$ 104.0	$ 115.6	$ 130.6	$ 99.4	86%	0%
International Business Unit Operating Profit	$ 9.0	$ 10.3	$ 11.8	$ 10.3	100%	100%
IHOP Same Restaurants Sales	-0.5%	1.5%	3.5%	-1.9%		0%
Applebee s Same Restaurant Sales	-8%	-6%	-2%	-5.3%		110%
				37		81%

IHOP Net Restaurant Development					
International Net Restaurant Development				17	56%
Payout as a Percentage of an Executive s Target	50%	100%	200%		

AEPS, Applebee s Operating Profit and IHOP Same Restaurant Sales fell below the required thresholds and resulted in a zero payout for that metric. All metrics were set at levels designed to be challenging such that attainment of the targeted amounts was not assured at the time they were set and would require a high level of effort and execution in order to obtain them.

All NEOs, with the exception of the Chief Executive Officer, are assessed based on their individual performance against specific Strategic Initiatives, including the following items:

Mr. Rebelez s Strategic Initiatives included the development of the IHOP brand strategy and restructuring and resourcing of the IHOP organization.

Mr. Cywinski s Strategic Initiatives included the development of the Applebee s turnaround strategy and the restructuring and resourcing of the Applebee s organization.

Mr. Kalvin s Strategic Initiatives included the implementation of new revenue recognition and lease accounting regulations and providing recommended solutions to solidify franchisee financial health.

Mr. Adel s Strategic Initiatives focused on the support and solutions to solidify franchisee financial health and to support restaurant closures, lease negotiations and restructuring.

Based on Mr. Joyce s evaluation of their performance against Strategic Initiatives, each of the NEO s received a target payout of 100% for this component of the 2017 Annual Incentive Plan, except for Mr. Adel who received a payout of 175%.

The final annual cash incentive amounts under the 2017 Annual Incentive Plan were determined by multiplying the results of the performance metrics that each NEO was measured against by an individual performance modifier for the NEOs. The final annual cash incentive payout amount may be modified upward or downward. At the end of 2017, Mr. Joyce assessed the performance of each of the NEOs against their executive leaderships and overall contribution to the Corporation s strategy and results and assigned a performance modifier as set forth in the table below:

Name	Performance Modifier

Darren M. Rebelez	1.0
John C. Cywinski	1.0
Greggory H. Kalvin	1.25
Bryan R. Adel	1.35

Mr. Kalvin s performance modifier reflected his performance against the Strategic Initiatives above and the leadership and stability provided while serving as Interim Chief Financial Officer for the majority of 2017. Mr. Adel s performance modifier reflected his performance against the Strategic Initiative above, his expanded role including information security, internal audit and franchise administration and his leadership with the Board of Directors during the Chief Executive Officer transitions.

The amounts in the table below represent the annual cash incentive paid to each of the NEOs pursuant to the 2017 Annual Incentive Plan and are calculated by multiplying the NEO s base salary by the target percentage and by the achievement level.

Name	Base Salary	Target as Percentage of Base Salary	Percentage of Incentive Target Achieved	Annual Cash Incentive Paid
Darren M. Rebelez	$ 604,101	75%	53.8%	$ 243,755
John C. Cywinski	$ 575,000	75%	63.0%	$ 271,688
Greggory H. Kalvin	$ 399,773	75%	52.8%	$ 158,160
Bryan R. Adel	$ 475,000	70%	77.2%	$ 256,757

Mr. Emrey and Mr. del Olmo forfeited their participation in the 2017 Annual Incentive Plan upon their departures and did not receive any payout. Mr. Kalvin s Base Salary and Target Percentage reflect the additional annual compensation provided while he serves as Interim Chief Financial Officer. The amounts earned by the other NEOs under the 2017 Annual Incentive Plan are reflected in the column entitled Non-Equity Incentive Plan Compensation of the 2017 Summary Compensation Table.

Annual Long-Term Incentive or LTI Awards

The Compensation Committee grants each of the NEOs a blend of NQSOs, RSAs and cash LTIP awards. The NQSOs vest in equal installments over a three-year period and are exercisable for up to a maximum of ten years. The RSAs typically cliff vest after three years and the cash LTIP payout is based on cumulative TSR against an index of publicly-traded restaurant companies over a three-year performance period. NQSOs have value to the executive only if the Corporation s stock price increases over the price on the date of grant. The value of RSAs increases or decreases with the changes in the Corporation s stock price and the cash LTIP provides payment between zero and 200% of the target award depending on TSR performance within the rankings depicted in the table below:

	Relative TSR Ranking at End of Performance Period	Payout as a Percentage of Target Cash LTIP
No Payout	< 33rd Percentile of the Index	0%
Threshold	33rd Percentile of the Index	50%
Target	50th Percentile of the Index	100%
Maximum	³ 80th Percentile of the Index	200%

The Compensation Committee believes that this mix of long-term incentives appropriately balances an emphasis on absolute and relative stock performance and aligns the compensation of our NEOs with the long-term interests of stockholders. The LTI awards are comprised of 34% of the grant date value in NQSOs, 33% of the grant date value in RSAs and 33% of the grant date value in the cash LTIP (at target). The Compensation Committee believes this weighting provides a balanced strategy between stockholder alignment, executive retention, risk and performance.

The Compensation Committee considered a range of factors in setting the value to be awarded to the NEOs, including assessments of individual performance, the potential contributions that each NEO could be expected to make in the future, each NEO s TDCO, LTI awards previously granted to certain NEOs, the size of awards provided to other individuals holding similar positions in the market data considered by the Compensation Committee, the number of shares which remained available for issuance under the 2016 Stock Incentive Plan and overall accounting expense associated with the awards.

The table below summarizes the grant date value of the annual long-term incentive awards made in 2017 (additional detail regarding long-term incentive awards granted in 2017 can be found in the Grants of Plan-Based Awards in 2017 table in this proxy statement):

Name	Stock Options	Restricted Stock	Cash LTIP at Target	Total Long-Term Incentive Opportuni
Darren M. Rebelez	$ 289,004	$ 280,502	$ 280,500	$ 850,006
John C. Cywinski	$ 272,003	$ 264,013	$ 264,000	$ 800,016
Greggory H. Kalvin	$ 68,001	$ 266,027(1)	$ 66,000	$ 400,028
Bryan R. Adel	$ 153,001	$ 148,542	$ 148,500	$ 450,043
Daniel V. del Olmo(2)	$ 204,003	$ 198,020(3)	$ 198,000	$ 600,023

(1) Includes a one-time recognition RSA award granted to Mr. Kalvin valued at $200,020 for service as Interim Chief Financial Officer.

(2) Mr. del Olmo forfeited the entirety of his total long-term incentive opportunity upon his departure from the Corporation

(3) In addition to the above awards, Mr. del Olmo was granted promotional RSAs in February 2017 valued at $300,031 for assuming additional duties as Senior Vice President, Development, which were forfeited upon his departure from the Corporation.

In March 2018, the Compensation Committee approved a retention grant of equity awards to Mr. Rebelez of 8,270 RSAs that will cliff vest after 3 years, 26,670 performance- and time-based RSUs and 25,330 performance- and time-based options. These performance- and time-based equity awards will vest at the end of 3 years in amounts based on the Corporation s achievement of certain stock price targets.

2015 2017 Cash LTIP Payout

Demonstrating the Corporation s pay-for-performance philosophy and the direct link between pay and the Corporation s stock price performance, no payouts were made under the cash LTIP for the 2015-2017 performance cycle based on the Corporation s TSR relative to the restaurant index. Performance and payouts under prior performance periods were as follows:

Performance Period	Dine Brands TSR	Restaurant Index Percentile Rank	Payout as a percentage of target award
2012 - 2014	160%	64.1%	135.3%
2013 - 2015	40.8%	27.0%	0%
2014 - 2016	4.6%	20.5%	0%
2015 - 2017	**-40.3%**	**2.7%**	**0%**

The amounts in the table below represent the target cash LTIP incentive and actual amounts paid to the NEOs pursuant to the 2015-2017 cash LTIP. Based on the Corporation s 2015-2017 TSR performance, no amounts were earned by the NEOs under the 2015-2017 cash LTIP.

Name	2015 - 2017 Target Award	2015 - 2017 Payout (0% of Target)
Darren M. Rebelez	$ 297,000	$ 0
Greggory H. Kalvin	$ 82,500	$ 0
Bryan R. Adel	$ 148,500	$ 0

Mr. Emrey and Mr. del Olmo forfeited their participation in the 2015 2017 cash LTIP upon their departures from the Corporation. Mr. Cywinski was not a participant in the 2015-2017 cash LTIP.

Stock Ownership Guidelines

The Corporation maintains robust stock ownership guidelines that are intended to further the Compensation Committee s objectives of aligning the financial interests of its executives with those of the Corporation s stockholders. The stock ownership guidelines call for each NEO to accumulate a minimum number of shares equal in value to a multiple of their base salary.

For purposes of the guidelines, stock ownership includes Common Stock owned directly, in-the-money value of exercisable NQSOs, RSAs, stock-settled RSUs, and vested shares of Common Stock held in the Corporation s 401(k) Plan. The types and amounts of stock-based awards are intended, in part, to facilitate the accumulation of sufficient shares by the Corporation s executives to allow them to meet the stock ownership guidelines.

The Compensation Committee annually reviews each NEO s progress towards meeting the stock ownership guidelines. The Compensation Committee has informed management that it may reduce or choose not to grant future stock-based compensation to any executive who fails to make reasonable progress towards meeting the stock ownership goals within five years from becoming subject to the guidelines. Based upon its October 2017 review of each NEO, including Mr. Joyce s equity holdings in the Corporation, the Compensation Committee determined that each NEO and Mr. Joyce met, exceeded or was on schedule to meet his or her guideline as outlined in the following table:

Name	Guideline as a Multiple of Base Salary	Holdings as a Multiple of Base Salary(1)	Guideline Status
Stephen P. Joyce	6	15.3	Meets Guideline
Darren M. Rebelez(2)	4	3.3	On Schedule
John C. Cywinski(3)	4	3.3	On Schedule
Greggory H. Kalvin	2	2.4	Meets Guideline
Bryan R. Adel	2	2.1	Meets Guideline

(1) Based upon holdings in the shares of common stock of the Corporation and one-year average daily price per share of the Corporation s common stock from October 4, 2016 to October 3, 2017.

(2) Mr. Rebelez has until May 4, 2020 to meet his stock ownership guideline.

(3) Mr. Cywinski has until March 9, 2022 to meet his ownership guideline.

Clawback Policy

To the extent permitted by governing law, in the event that (i) the Corporation is required to make a material restatement of its financial statements as a result of fraudulent behavior or material intentional misconduct on the part of the Corporation s current or former (a) Chief Executive Officer, (b) executive officers subject to Section 16 of the Exchange Act or (c) other executive officers who report directly to the Chief Executive Officer and (ii) any incentive compensation was paid to any of these individuals based upon achievement of certain financial results and in reliance upon the financial statements to be restated, then the Board of Directors of the Corporation may, in its sole discretion and upon making a determination that it would be in the best interest of the Corporation to do so, direct the Corporation to make reasonable efforts to seek reimbursement of any such incentive compensation paid within the past three years from the date of the restatement to the extent it exceeds the amounts that would have been earned under the restated financial statements. This policy shall apply in addition to any right of recoupment against the Chief Executive Officer and Chief Financial Officer pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or other applicable law or regulation. The Compensation Committee expects that it will review and modify the policy as may be required to comply with NYSE listing standards based on SEC rules if and when finalized.

Hedging and Pledging Restrictions

The Corporation s Insider Trading Policy prohibits pledging the Corporation s securities as collateral and entering into transactions to hedge the value of the Corporation s securities owned by individuals subject to the policy.

Employment Agreements and Change in Control Provisions

Employment Agreements

The Corporation enters into employment agreements with certain executives when it determines that an employment agreement is desirable for the Corporation to obtain a measure of assurance as to the executive s continued employment in light of prevailing market competition for the particular position held by the executive officer, or where the Compensation Committee determines that an employment agreement is necessary and appropriate to attract an executive in light of market conditions, the prior experience of the executive or practices at the Corporation with respect to other similarly situated employees.

Mr. Joyce is a party to an employment agreement with the Corporation. The employment agreement calls for a term beginning on September 12, 2017 and ending on February 1, 2021 with no automatic extensions. The Corporation may terminate the agreement at any time, with or without cause upon written notice to the executive. The employment agreement provides for a base salary, a target annual cash incentive opportunity of 100% of base salary for eligible participation years (2018, 2019 and 2020) and certain other perquisites and benefit programs. The employment agreement does not contain multi-year incentive guarantees or tax gross-ups. The employment agreement contains confidentiality, trade secrets, discoveries and non-solicitation provisions.

Mr. Rebelez and Mr. Cywinski are parties to employment agreements with the Corporation. The employment agreements call for an initial employment term of three years and provide for automatic successive one-year extensions unless the Corporation or the executive gives notice to the contrary more than 90 days prior to the expiration of the then-current term of the agreement. The Corporation may terminate the agreements at any time, with or without cause upon written notice to the executive. The employment agreements provide for a base salary, a target annual cash incentive opportunity of 75% of base salary and certain other perquisites and benefit programs. The employment agreements do not contain multi-year incentive guarantees or tax gross-ups. The employment agreements contain confidentiality, trade secrets, discoveries and non-solicitation provisions.

Mr. Kalvin is party to an employment offer letter with the Corporation, effective as of June 21, 2007 and an offer letter in connection with his assumption of the role of Senior Vice President, Corporate Controller, effective as of November 23, 2009. Mr. Kalvin is also party to an offer letter in connection with his assumption of the role of Interim Chief Financial Officer, effective as of March 15, 2017.

Mr. Adel is, and Mr. del Olmo was, party to an employment offer letter with the Corporation, effective as of August 2, 2010 and December 16, 2013, respectively. Additionally, Mr. del Olmo was a party to a promotional offer letter in connection with his promotion to include leadership over the Corporation s development function, effective January 2017.

Ms. Stewart and Mr. Emrey were each party to an employment agreement with the Corporation prior to their departures in March 2017 on substantially similar terms as those described for Mr. Rebelez and Mr. Cywinski above, except for the target annual cash incentive opportunity for Ms. Stewart which was 110%. See the section Compensation Discussion Related to Management Transition for information on Ms. Stewart s severance compensation. Mr. Emrey did not receive any severance payments or benefits in connection with his departure from the Corporation.

Under certain termination scenarios, the employment agreements may provide for severance payments, benefits continuation and vesting of outstanding equity-based awards. See Potential Payments Upon Termination or Change in Control in this proxy statement for additional information about severance arrangements, including projected severance payment amounts, pursuant to the employment agreements.

Amended and Restated Executive Severance and Change in Control Policy

Mr. Kalvin and Mr. Adel participate, and Mr. del Olmo participated, in the Corporation s Amended and Restated Executive Severance and Change in Control Policy. This policy is intended to increase the retention of the senior leadership team and to provide severance benefits under specified circumstances to certain individuals who are in a position to contribute materially to the success of the Corporation. These arrangements also are intended to facilitate changes in the leadership team by setting terms for the termination of an executive officer in advance, thereby allowing a smooth transition of responsibilities when it is in the best interests of the Corporation. Under certain termination scenarios, the policy may provide for severance payments, benefits continuation and vesting of certain outstanding equity-based awards. The policy does not provide for tax gross-ups. See Potential Payments Upon Termination or Change in Control in this proxy statement for additional information about severance arrangements, including projected severance payment amounts, pursuant to the Amended and Restated Executive Severance and Change in Control Policy.

Nonqualified Deferred Compensation Plan

Pursuant to the Deferred Compensation Plan, all NEOs, including our Chief Executive Officer, are eligible to defer their base salaries, annual cash incentives, and long-term incentive plan cash distributions. Deferrals are always 100% vested. This plan provides the NEOs with a long-term capital accumulation opportunity. The Deferred Compensation Plan provides a range of investment opportunities and is designed to comply with Section 409A of the Internal Revenue Code (the Code). See Nonqualified Deferred Compensation in this proxy statement for additional information regarding aggregate contributions made by each of the NEOs participating in the Deferred Compensation Plan during 2017, aggregate interest or other earnings accrued during 2017, the aggregate dollar amount of withdrawals during 2017 and the 2017 fiscal year end balance.

Perquisites

The Corporation provides all NEOs, including our Chief Executive Officer, with limited perquisites as part of a competitive total compensation package. The Compensation Committee annually reviews the perquisites provided to the NEOs and approves those personal benefits or perquisites that it deems to be in the Corporation s best interest in order to induce executives to maintain or accept employment with us.

Annual Physicals. Each NEO is entitled and expected to have an annual physical provided at the Corporation s cost.

Automobile Allowances. The Corporation pays each of the NEOs an automobile allowance and other automobile-related expense reimbursements. Beginning in 2018, the Corporation will no longer reimburse for other automobile-related expenses.

Airline Clubs. The Corporation will reimburse the Chief Executive Officer for the cost of up to three airline club memberships and each of the other NEOs for the cost of one airline club membership for their use when traveling for business. Beginning in 2018, the Corporation will no longer reimburse NEOs for the costs of airline club memberships.

Supplemental Life Insurance. The Corporation provides supplemental life insurance for each of the NEOs in addition to paying for life insurance for all eligible employees. Prior to her departure, Ms. Stewart was provided total insurance of $1.4 million under the Corporation s group policy while the other NEOs are provided $900,000 in life insurance under the Corporation s group policy.

Supplemental Disability Insurance. The Corporation provides supplemental disability insurance for each of the NEOs in addition to paying for disability insurance for all eligible employees. The coverage for each NEO generally provides for a benefit equal to 60% of pre-disability earnings subject to a maximum of $25,000 per month.

Tax Preparation Reimbursement. The Corporation may provide tax preparation reimbursement for certain NEOs who are required to file tax returns in multiple states as a result of their employment with the Corporation. The benefit is taxable to the NEO and is intended to encourage the NEO to engage knowledgeable experts to assist with tax preparation.

Other. On a case-by-case basis, the Corporation may provide other perquisites to certain executives from time to time. Per the terms of Mr. Joyce s employment agreement, Mr. Joyce receives a commuting expense allowance and a temporary housing allowance. Mr. Dahl received reimbursement for commuting expenses during his tenure as Interim Chief Executive Officer. The Corporation paid Mr. Dahl a tax gross-up payment in connection with the reimbursement of his commuting expenses. Mr. Cywinski received a relocation package as an inducement to join the Corporation and to pay for costs associated with relocating to Glendale, California, including the reimbursement of relocation benefits provided to Mr. Cywinski by his previous employer that he was required to repay upon his resignation from his prior employer and a related tax gross-up payment. See the 2017 Summary Compensation Table for additional details on these perquisites.

Deductibility of Certain Executive Compensation

Under Section 162(m) of the Code, income tax deductions are limited to the extent total compensation for certain executive officers exceeds $1 million in any one year. Historically, there was an exemption from this $1 million deduction limit for compensation payments that qualified as performance-based under applicable IRS regulations. To qualify as performance-based, compensation payments must be based solely upon the achievement of objective performance goals and made under a plan that is administered by the Compensation Committee. In addition, the material terms of the plan must have been approved by the stockholders and the Compensation Committee must certify that the performance goals were achieved before payments can be made. With the enactment of the 2017 Tax Cuts and Jobs Act, the performance-based compensation exemption has been eliminated under Section 162(m) of the Code, except with respect to certain grandfathered arrangements. While the Compensation Committee considers the deductibility of compensation as one factor, the Compensation Committee believes that it must maintain flexibility in its approach to executive compensation in order to structure a program that it considers to be the most effective in attracting, motivating and retaining the Corporation s key executives.

COMPENSATION TABLES

Compensation tables and accompanying notes and disclosures for all NEOs, including executives serving or having served as our chief executive officer in 2017, are set forth below. References to our NEOs in this Compensation Tables section shall include all of our NEOs for 2017.

2017 Summary Compensation Table

The following 2017 Summary Compensation Table and accompanying notes set forth information concerning compensation earned by each of the Corporation s NEOs for the fiscal year ended December 31, 2017, and, to the extent required under applicable SEC disclosure rules, the fiscal years ended December 31, 2016 and 2015. Amounts set forth in this 2017 Summary Compensation Table do not include compensation paid to Mr. Joyce and Mr. Dahl in connection with their service as members of the Board of Directors. See the Director Compensation Table for 2017 for compensation paid to Mr. Joyce and Mr. Dahl for their service on the Board of Directors.

Name & Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	All Other Compensation ($)(5)	Total ($)
Stephen P. Joyce(8) Chief Executive Officer	2017	284,615	750,000(9)	4,826,500(10)	1,076,000	(11)	76,328	7,013,443
Greggory H. Kalvin(12) Interim Chief Financial Officer and Senior Vice President, Corporate Controller	2017	386,590(13)		266,027(14)	68,001	158,160	31,876	910,654
Darren M. Rebelez President, IHOP Business Unit	2017	601,394		280,502	289,004	243,755	34,161	1,448,816
	2016	584,736		272,336	280,512	256,110	32,396	1,426,090
	2015	375,962	475,000(15)	2,597,026(16)	306,007	661,538	70,737	4,486,270
John C. Cywinski(17)	2017	457,788	150,000(18)	1,764,053(19)	272,003	271,688	631,758	3,547,290

President, Applebee s Business Unit								
Bryan R. Adel Senior Vice President, Legal, General Counsel and Secretary	2017	445,461		148,542	153,001	256,757	36,463	1,040,224
	2016	432,331		148,531	153,007	140,603	35,925	910,397
	2015	437,672		148,518	153,018	372,664	33,272	1,145,145
Former NEOs								
Richard J. Dahl(20) Chairman of the Board and Former Interim Chief Executive Officer	2017	905,068			195,500(21)		99,097	1,199,665
Julia A. Stewart(22) Former Chairman and Chief Executive Officer and Interim President, Applebee s Business Unit	2017	265,385					5,872,315(23)	6,137,700
	2016	1,000,000		1,320,050	1,360,014	792,000	50,951	4,523,015
	2015	1,038,462		1,320,062	1,360,007	2,016,850	54,610	5,789,991
Thomas W. Emrey(24) Former Chief Financial Officer	2017	161,923					19,427	181,350
	2016	524,246		264,065	272,003	213,198	27,872	1,301,384
	2015	528,698		272,359	280,513	563,701	27,570	1,672,841
Daniel V. del Olmo(25) Former President, International	2017	349,600		498,051(26)	204,003(27)		36,560	1,088,214
	2016	358,885		156,803	161,502	200,000	48,078	925,268
	2015	358,654		148,518	153,018	327,873	34,515	1,022,577

(1) Represents 27, 26 and 26 bi-weekly pay periods during the fiscal years ended December 31, 2015, 2016 and 2017, respectively.

(2) The amounts reported in this column for 2017 represent the aggregate grant date fair value related to the RSAs that were granted as part of the 2017 LTI award and the new hire and promotion grants awarded to Mr. Joyce, Mr. Kalvin, and Mr. Cywinski, each computed in accordance with FASB ASC Topic 718. The

amounts in the Stock Awards column for prior years include the aggregate grant date fair value related to stock awards granted in each of the years shown, computed in accordance with FASB ASC Topic 718. See Note 13 to Consolidated Financial Statements in the Corporation s annual report on Form 10-K for the year ended December 31, 2017, 2016 and 2015 for information regarding assumptions underlying the valuation of

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equity awards granted in 2017, 2016 and 2015. The amounts reported for Mr. Joyce s performance-based RSU is calculated based on the probable achievement of the vesting condition at the time of grant. Under FASB ASC Topic 718, the vesting condition related to Mr. Joyce s performance-based RSUs is considered a market condition and not a performance condition. Accordingly, there is no grant date fair value below or in excess of the amount reflected in the table above for Mr. Joyce that could be calculated and disclosed based on achievement of the underlying market condition.

(3) The amounts in the Option Awards column include the aggregate grant date fair value related to option awards granted in each of the years shown, computed in accordance with FASB ASC Topic 718. See Note 13 to Consolidated Financial Statements in the Corporation s annual report on Form 10-K for the year ended December 31, 2017, 2016 and 2015 for information regarding assumptions underlying the valuation of option awards granted in 2017, 2016 and 2015. The amounts reported for Mr. Joyce s performance-based NQSO is calculated based on the probable achievement of the vesting condition at the time of grant. Under FASB ASC Topic 718, the vesting condition related to Mr. Joyce s performance-based NQSO is considered a market condition and not a performance condition. Accordingly, there is no grant date fair value below or in excess of the amount reflected in the table above for Mr. Joyce that could be calculated and disclosed based on achievement of the underlying market condition.

(4) The amounts in the Non-Equity Incentive Plan Compensation column for 2017 include payouts under the 2017 Annual Incentive Plan. These payout amounts were based on the Corporation s and, if applicable, the individual s attainment of certain pre-determined performance targets. No payouts were made under the cash LTIP for the fiscal 2015-2017 performance period. For additional information on the amounts earned for 2017, see the section entitled Performance- and Stock-Based Compensation in the Compensation Discussion and Analysis section of this proxy statement.

(5) The amounts in All Other Compensation for 2017 include amounts paid or reimbursed for the following:

Name	Auto Allowance and Expenses ($)	401(k) Plan Contributions ($)	Relocation Expenses ($)	Housing and Commuting Expenses ($)	Life and Disability Insurance Premiums ($)	Annual Physical Exam ($)	Tax Preparation ($)	Airline Club ($)	Legal Expenses ($)	Cash Severance ($)	Total ($)
Stephen P. Joyce	4,316			71,154	858						76,328
Greggory H. Kalvin	14,943	13,500			3,433						31,876
Darren M. Rebelez	13,928	13,500			3,433	2,900		400			34,161

John C. Cywinski	10,147		609,639(6)		2,575			496	8,901		631,758
Bryan R. Adel	16,106	13,500			3,433	2,900		525			36,464
Former NEOs											
Richard J. Dahl				97,375(7)	1,722						99,097
Julia A. Stewart	3,494	7,885			11,670	4,100	18,373		51,293	5,775,500	5,872,315
Thomas W. Emrey	2,494	13,500			3,433						19,427
Daniel V. del Olmo	20,160	13,500				2,900					36,560

Amounts for Mr. Joyce s housing and commuting expenses, Mr. Dahl s commuting expenses and Mr. Cywinski s relocation expenses are based on amounts actually paid or reimbursed to the NEO or service provider, as applicable. Amounts for legal expenses for Ms. Stewart are based on amounts actually reimbursed to Ms. Stewart.

(6) Mr. Cywinski s relocation benefits included $243,424 for the reimbursement of relocation benefits provided to Mr. Cywinski by his previous employer that he was required to repay upon his resignation from his prior employer and a related tax gross-up payment of $125,121. The remaining relocation benefits consisted of a lump sum relocation allowance of $155,000, reimbursement for house hunting trips, temporary housing and associated travel expenses prior to his permanent relocation.

(7) The Corporation provided a tax gross-up payment of $32,318 to Mr. Dahl in connection with the reimbursement of his commuting expenses.

(8) Mr. Joyce commenced employment with the Corporation as Chief Executive Officer on September 12, 2017.

(9) Represents Mr. Joyce s sign-on bonus.

(10) Includes sign-on performance- and time-based RSUs and time-based RSUs awarded to Mr. Joyce valued at $1,783,000 and $3,043,500, respectively.

(11) Mr. Joyce was not a participant in the 2017 Annual Incentive Plan.

(12) Mr. Kalvin commenced service as our Interim Chief Financial Officer on March 15, 2017.

(13) Is inclusive of additional compensation paid to Mr. Kalvin for service as Interim Chief Financial Officer.

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(14) Includes RSAs awarded to Mr. Kalvin valued at $200,020 for service as Interim Chief Financial Officer.

(15) Represents Mr. Rebelez s 2015 sign-on bonus.

(16) Includes sign-on RSAs awarded to Mr. Rebelez valued at $2,300,015 in 2015.

(17) Mr. Cywinski commenced employment with the Corporation as President, Applebee s Business Unit, on March 9, 2017.

(18) Represents Mr. Cywinski s sign-on bonus.

(19) Includes the sign-on RSAs awarded to Mr. Cywinski valued at $1,500,040.

(20) Mr. Dahl served as Chairman of the Board of Directors and Interim Chief Executive Officer as well as Interim President, Applebee s Business Unit from March 1, 2017 to September 11, 2017.

(21) In connection with his service as Interim Chief Executive Officer, Mr. Dahl received 50,000 stock options valued at $195,500.

(22) Ms. Stewart departed the Corporation and ceased service as our Chairman of the Board of Directors and Chief Executive Officer and as Interim President, Applebee s Business Unit on March 1, 2017.

(23) Includes cash severance payments totaling $5,775,500.

(24) Mr. Emrey departed the Corporation and ceased service as our Chief Financial Officer on March 15, 2017.

(25) Mr. del Olmo departed the Corporation and ceased service as our President, International Business Unit on September 13, 2017.

(26)

Includes promotional RSAs awarded to Mr. del Olmo valued at $300,031 for assuming additional duties as Senior Vice President, Development. All unvested RSAs were forfeited upon his separation from the Corporation.

(27) Forfeited upon Mr. del Olmo s separation from the Corporation.

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Grants of Plan-Based Awards in 2017

The following table provides information with respect to the plan-based awards granted by the Compensation Committee to the NEOs, excluding Julia A. Stewart who did not receive any grants of plan-based awards, in 2017. Plan-based awards include annual incentive plan awards under the Corporation s 2017 Annual Incentive Plan (AIP), RSAs, RSUs, NQSOs and cash LTIP awards under the 2016 Stock Incentive Plan. For additional information on the performance objectives and determination of threshold, target and maximum payouts for these awards, see the section entitled Performance- and Stock-Based Compensation in the Compensation Discussion and Analysis section of this proxy statement. For the actual amounts earned under the AIP awards, see the 2017 Summary Compensation Table in this proxy statement.

me / e of ward	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares or Stock Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/Share)	Grant D Fair Valu of Stock Optio Awar ($)(4
phen oyce												
P												
J(5)	9/12/2017	8/15/2017				35,000	175,000	175,000				1,783,(
J(6)	9/12/2017	8/15/2017							75,000			3,043,5
SO(7)	9/12/2017	8/15/2017				70,000	350,000	350,000			40.58	1,076,(
ggory Kalvin												
(8)		2/17/2017	149,915	299,830	599,660							
P		2/17/2017	33,000	66,000	132,000							
A	3/3/2017	2/17/2017							1,234			66,(
A(9)	4/17/2017	4/06/2017							3,654			200,(
SO	3/3/2017	2/17/2017								15,741	53.49	68,(
ren belez												
		2/17/2017	226,538	453,076	906,152							
P		2/17/2017	140,250	280,500	561,000							
A	3/3/2017	2/17/2017							5,244			280,5
SO	3/3/2017	2/17/2017								66,899	53.49	289,(

n C. vinski									
		3/5/2017	215,625	431,250	862,500				
P(10)		3/5/2017	100,000	200,000	400,000				
P		3/5/2017	132,000	264,000	528,000				
A	3/15/2017	3/5/2017				4,816			264,(
A(11)	3/15/2017	3/5/2017				27,363			1,500,(
SO	3/15/2017	3/5/2017					58,875	54.82	272,(
an R. el									
(12)		2/17/2017	166,250	332,500	665,000				
P		2/17/2017	74,250	148,500	297,000				
A	3/3/2017	2/17/2017				2,777			148,5
SO	3/3/2017	2/17/2017					35,417	53.49	153,(
				Former NEOs					
hard Dahl									
SO	3/21/2017	3/21/2017					50,000	51.12	195,5
omas Emrey									
		2/17/2017	202,340	404,681	809,362				
niel V. Olmo									
		2/17/2017	162,375	324,750	649,500				
P		2/17/2017	99,000	198,000	396,000				
A(13)	2/15/2017	2/01/2017				4,507			300,(
A(14)	3/3/2017	2/17/2017				3,702			198,(
SO(14)	3/3/2017	2/17/2017					47,223	53.49	204,(

(1) Please see the section entitled Performance- and Stock-Based Compensation in the Compensation Discussion and Analysis section of this proxy statement for additional information regarding the AIP and cash LTIP.

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(2) Except where otherwise noted, RSAs reflected in this table cliff vest in full on the third anniversary of the date of grant.

(3) Except where otherwise noted, NQSOs reflected in this table vest and become exercisable as to one-third of the shares subject to the NQSO on each of the first, second and third anniversaries of the date of grant.

(4) The amounts in this column represent the aggregate grant date fair value related to RSAs, RSUs and NQSO awards granted in 2017 computed in accordance with FASB ASC Topic 718. See Note 13 to Consolidated Financial Statements in the Corporation s annual report on Form 10-K for the year ended December 31, 2017 for information regarding assumptions underlying the valuation of equity awards.

(5) Represents performance- and time-based RSUs which will vest on February 1, 2021 subject to Mr. Joyce s continued employment through such date and according to the attainment of certain stock price performance targets. Dividend equivalent rights accrue on the RSUs and vest proportionately with the RSUs to which they relate.

(6) Represents time-based RSUs which will vest on February 1, 2021 subject to Mr. Joyce s continued employment through such date. Dividend equivalent rights accrue on the RSUs and vest proportionately with the RSUs to which they relate.

(7) Represents performance- and time-based stock options which will vest on February 1, 2021 subject to Mr. Joyce s continued employment through such date and according to the attainment of certain stock price performance targets.

(8) Amounts for estimated future payouts under the Annual Incentive Plan include Mr. Kalvin s additional compensation for service as the Interim Chief Financial Officer and a target payout at 75% of base salary.

(9) RSAs vest as to one-third of the shares on each of the first, second and third anniversaries of the grant date.

(10) Represents participation in the 2016-2018 LTIP performance cycle.

(11) Represents RSAs awarded in connection with the hiring of Mr. Cywinski. These RSAs vest as to one-fourth of the shares on each of the first, second, third and fourth anniversaries of the date of grant.

(12) Amounts for estimated future payouts under the Annual Incentive Plan include Mr. Adel s merit increase in base salary and a target payout at 70% of base salary.

(13) Represents RSAs awarded in connection with Mr. del Olmo s assumption of the duties as Senior Vice President, Development. The RSAs were forfeited upon Mr. del Olmo s departure from the Corporation.

(14) These awards were forfeited by Mr. del Olmo upon his departure from the Corporation.

Outstanding Equity Awards at 2017 Fiscal Year-End

The following table provides summary information regarding the outstanding equity awards for the Corporation s NEOs at December 31, 2017.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Stephen P. Joyce			350,000(2)	40.58	9/12/2027	76,615(3)	3,886,679	178,769(4)	9,068,951
Greggory H. Kalvin	839			81.57	2/25/2024	726(5)	36,830		
	1,930	965(6)		113.72	2/24/2025	817(7)	41,446		
	1,882	3,764(8)		90.90	2/26/2026	1,234(9)	62,601		
		15,741(10)		53.49	3/3/2027	3,654(11)	185,367		
Darren M. Rebelez	10,869	5,434(12)		95.81	5/15/2025	3,100(13)	157,263		
	6,901	13,801(8)		90.90	2/26/2026	12,003(14)	608,912		
		66,899(10)		53.49	3/3/2027	2,996(7)	151,987		
						5,244(9)	266,028		
John C. Cywinski		58,875(15)		54.82	3/15/2027	4,816(16)	244,316		
						27,363(17)	1,388,125		
Bryan R. Adel	10,488			57.21	2/28/2021	1,306(5)	66,253		
	6,990			52.37	2/28/2022	1,634(7)	82,893		

	4,723			72.28	2/26/2023	2,777(9)	140,877
	6,607			81.57	2/25/2024		
	3,474	1,736(6)		113.72	2/24/2025		
	3,764	7,528(8)		90.90	2/26/2026		
		35,417(10)		53.49	3/3/2027		
Former NEOs							
Richard J. Dahl		50,000(18)		51.12	3/21/2027		
Julia A. Stewart	59,081			56.42	3/1/2019		
	44,146			52.37	3/1/2019		
	30,224			72.28	3/1/2019		
	46,563			81.57	3/1/2019		
	46,306			113.72	3/1/2019		
	100,370			90.90	3/1/2019		
Thomas W. Emrey							
Daniel V. del Olmo							

(1) Per share value of stock awards is $50.73 based on the closing price of the Common Stock on the NYSE on December 29, 2017.

(2) These options will become exercisable on February 1, 2021 subject to Mr. Joyce s continued employment with the Corporation through such date and in an amount to be determined based upon the achievement of certain stock price performance targets.

(3) These RSUs will vest in full on February 1, 2021 subject to Mr. Joyce s continued employment with the Corporation through such date.

(4) These RSUs will vest in full on February 1, 2021 subject to Mr. Joyce s continued employment with the Corporation through such date and in an amount to be determined based upon the achievement of certain stock price performance targets.

(5) These RSAs vested in full on February 24, 2018.

(6) The options became exercisable on February 24, 2018.

(7) These RSAs will vest in full on February 26, 2019.

(8) These options became exercisable as to one-half on February 26, 2018 and will become exercisable as to one-half on February 26, 2019.

(9) These RSAs will vest in full on March 3, 2020.

(10) These options become exercisable as to one-third on March 3, 2018 and will become exercisable as to one-third on each of March 3, 2019 and 2020.

(11) These RSAs will vest in full on April 17, 2020.

(12) These options will become exercisable in full on May 15, 2018.

(13) These RSAs will vest in full on May 15, 2018.

(14) These RSAs vest in full as to one-half on each of May 15, 2018 and 2019.

(15) These options became exercisable as to one-third on March 15, 2018 and will become exercisable as to one-third on each of March 15, 2019 and 2020.

(16) These RSAs will vest in full on March 15, 2020.

(17) These RSAs vested as to one-quarter on March 15, 2018 and will vest as to one-quarter on each of March 15, 2019, 2020 and 2021.

(18) These options became exercisable as to one-third on March 21, 2018 and will become exercisable as to one-third on each of March 21, 2019 and 2020.

2017 Option Exercises and Stock Vested

The following table provides information on stock option exercises and vesting of stock awards by the NEOs during the fiscal year ended December 31, 2017.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(3)
Stephen P. Joyce.				
Greggory H. Kalvin			810	48,487(4)
Darren M. Rebelez			6,002	306,822(5)
John C. Cywinski				
Bryan R. Adel			2,124	127,143(6)
Former NEOs				
Richard J. Dahl				
Julia A. Stewart			41,099	2,454,843(7)
Thomas W. Emrey	30,000	288,339(8)	3,540	211,904(8)
Daniel V. del Olmo			3,208	220,165(9)

(1) Represents the difference between the market value of the stock on the exercise date and the exercise price times the number of NQSOs exercised.

(2) Represents the lapsing of restrictions on and the release of RSAs granted to the NEO.

(3) Represents the product of the number of shares vested and the closing price of the Corporation s Common Stock on the NYSE on the vesting date.

(4) Value realized is based on a closing price of $59.86 per share on the February 24, 2017 vesting date.

(5) Value realized is based on a closing price of $51.12 per share on the May 15, 2017 vesting date.

(6) Value realized is based on a closing price of $59.86 per share on the February 24, 2017 vesting date.

(7) Value realized is based on a closing price of $59.73 per share on the February 22, 2017 vesting date.

(8) RSA value realized is based on a closing price of $59.86 per share on the February 24, 2017 vesting date. Stock option value realized is based on a sell price of $48.99 (for 10,000 shares), $49.27 (for 10,000 shares) and $46.68 (for 10,000 shares) minus the exercise price of $38.70 on the following exercise dates May 18, 2017, May 22, 2017 and June 12, 2017, respectively.

(9) Value realized is based on a closing price of $59.86 per share on the February 24, 2017 vesting date for 1,416 shares and a closing price of $75.56 per share on the January 13, 2017 vesting date for 1,792 shares.

2017 Nonqualified Deferred Compensation

Pursuant to the Deferred Compensation Plan, certain highly compensated employees can elect to defer up to 80% of their base salary, 100% of annual cash incentive and 100% of long-term incentive plan distributions instead of receiving these amounts as payments taxable in the year of receipt.

Under the Deferred Compensation Plan, participants may designate select investment options approved by the Compensation Committee administering the Deferred Compensation Plan in which the deferred compensation payments are deemed to be invested. These investment options are not publicly traded and are only available through variable insurance products. Participants have no ownership interest in the investment options they select, as the investment options are used principally to measure gains or losses. Amounts are credited or debited to participant s account balance in accordance with deferral elections made by the participant. There is no guaranteed investment return on any deferred payment amounts.

The unfunded, nonqualified plan structure of the Deferred Compensation Plan is required in order to preserve the beneficial tax deferral treatment for the participants. Amounts in a participant s deferral account represent unsecured claims against the Corporation s assets.

Deferred amounts together with any credited investment returns are paid out to participants in accordance with their advance written election either in a lump sum or annual installment payments commencing on the applicable benefit distribution date selected by the participant.

Contributions to or withdrawals from the Deferred Compensation Plan by NEOs during 2017 are shown below. The following table provides information regarding aggregate interest or other earnings accrued during 2017 and the aggregate account balance at 2017 fiscal year end.

Name	Executive Contributions in FY 2017 ($)	Aggregate Earnings (loss) in FY 2017 ($)	Aggregate Withdrawals/ Distributions in FY 2017 ($)	Aggregate Balance at FYE 2017 ($)
Stephen P. Joyce				
Greggory H. Kalvin				
Darren M. Rebelez				

John C. Cywinski			
Bryan R. Adel			
Former NEOs			
Richard J. Dahl			
Julia A. Stewart	37,193	317,963	
Thomas W. Emrey			
Daniel V. del Olmo	1,062		226,806

Employment Agreements

The employment agreements for Mr. Rebelez and Mr. Cywinski and the employment offer letters and Amended and Restated Executive Severance and Change in Control Policy for Mr. Kalvin, Mr. Adel and Mr. del Olmo provide for severance benefits in the event of termination by the Corporation without cause, termination by the executive for good reason either prior to or following a change in control, termination upon a change in control only, termination due to death and termination due to disability. Ms. Stewart s and Mr. Emrey s employment agreements contained the same terms.

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Employment Agreement with Stephen P. Joyce

The employment agreement between the Corporation and Mr. Joyce provides that, in the event of termination by the Corporation without cause or by Mr. Joyce for good reason prior to a change in control, upon executing a release of claims in favor of the Corporation, Mr. Joyce will be entitled to the following benefits:

- any accrued base salary through the date of termination;
- a lump sum payment equal to two times the sum of his annual base salary, plus the greater of (i) the average of his actual bonus attributable to the prior one, two or three years, depending on Mr. Joyce s length of service and (ii) Mr. Joyce s target bonus for the then current fiscal year;
- the annual bonus payout for Mr. Joyce for the year of termination based on actual performance, prorated for the length of service during such year;
- continued insurance coverage for a maximum of 18 months; and
- up to $10,000 in outplacement assistance.

In addition, in the event that such termination is on or prior to September 12, 2019, Mr. Joyce will be entitled to:

- pro-rata vesting based on length of service of all time-based RSUs granted to Mr. Joyce under his employment agreement; and
- pro-rata vesting based on length of service of all performance- and time-based RSUs and performance- and time-based options granted under his employment agreement as to the portion of such equity awards for which performance criteria have been satisfied as of the date of termination pursuant to the terms of Mr. Joyce s employment agreement.

In the event such termination is after September 12, 2019, then Mr. Joyce will be entitled to:

- full vesting of all time-based RSUs granted to Mr. Joyce under his employment agreement; and

- vesting of performance-based RSUs and performance-based options granted under his employment agreement as to the portion of such equity awards for which performance criteria have been satisfied as if Mr. Joyce remained employed through the end of the term of his employment agreement.

The employment agreement with Mr. Joyce also provides that, in the event of termination by the Corporation without cause or by Mr. Joyce for good reason within 24 months following a change in control, upon executing a release of claims in favor of the Corporation, Mr. Joyce will be entitled to the following benefits:

- a lump sum payment equal to three times the sum of his base salary, plus the greater of (i) the average of his actual bonus attributable to the prior one, two or three years depending on Mr. Joyce s length of service and (ii) Mr. Joyce s target bonus for the then current fiscal year;

- continued insurance coverage for a maximum of 18 months; and

- full vesting of all time-based RSUs, performance- and time-based RSUs and performance- and time-based options granted to Mr. Joyce under his employment agreement.

Employment Agreement with Darren M. Rebelez

The employment agreement between the Corporation and Mr. Rebelez provides that, in the event of termination by the Corporation without cause or by Mr. Rebelez for good reason prior to a change in control, upon executing a release of claims in favor of the Corporation, Mr. Rebelez will be entitled to the following benefits:

- any accrued base salary through the date of termination;

- a lump sum payment equal to the sum of his annual base salary, plus the average of his actual bonus attributable to the prior one, two or three years, depending on Mr. Rebelez s length of service;

- continued insurance coverage for a maximum of 12 months;

full vesting of any unvested time- or service-based stock options, SARs, and other equity-based awards that would have vested during the 12-month period following the date of his termination so long as such awards are not considered by the Corporation to be granted in connection with the commencement of Mr. Rebelez s employment;

full vesting of any unvested time- or service-based stock options, SARs, and other equity-based awards that would have vested during the 12-month period following the date of his termination for awards that are considered by the Corporation to be granted in connection with the commencement of Mr. Rebelez s employment so long as termination occurs following the second anniversary of Mr. Rebelez s start date;

pro rata vesting of any unvested equity-based or long-term cash-based awards subject to performance-based vesting conditions that would have vested at the end of the performance period, based on actual performance during such performance period;

the right to exercise any vested stock options or SARs for up to 24 months; and

up to $10,000 in outplacement assistance.

The employment agreement with Mr. Rebelez also provides that, in the event of termination by the Corporation without cause or by Mr. Rebelez for good reason within 3 months prior to or 24 months following a change in control, upon executing a release of claims in favor of the Corporation, Mr. Rebelez will be entitled to the following benefits:

a lump sum payment equal to two times the sum of his base salary, plus the average of his actual bonus attributable to the prior one, two or three years depending on Mr. Rebelez s length of service;

a lump sum payment equal to his prorated bonus for the year of termination based on actual performance through the date of termination;

continued insurance coverage for a maximum of 24 months;

full vesting of any unvested stock options, SARs, and other equity-based awards;

full vesting of any unvested equity-based or long-term cash-based awards subject to performance-based vesting conditions, based on actual performance; and

the right to exercise any vested stock options or SARs for up to 24 months.

Employment Agreement with John C. Cywinski

The employment agreement between the Corporation and Mr. Cywinski provides that, in the event of termination by the Corporation without cause or by Mr. Cywinski for good reason prior to a change in control, upon executing a release of claims in favor of the Corporation, Mr. Cywinski will be entitled to the following benefits:

any accrued base salary through the date of termination;

a lump sum payment equal to the sum of his annual base salary, plus the average of his actual bonus attributable to the prior one, two or three years, depending on Mr. Cywinski s length of service;

continued insurance coverage for a maximum of 12 months;

full vesting of any unvested time- or service-based stock options, SARs, and other equity-based awards that would have vested during the 12-month period following the date of his termination;

pro rata vesting of any unvested equity-based or long-term cash-based awards subject to performance-based vesting conditions that would have vested at the end of the performance period, based on actual performance during such performance period;

the right to exercise any vested stock options or SARs for up to 24 months; and

up to $10,000 in outplacement assistance.

The employment agreement with Mr. Cywinski also provides that, in the event of termination by the Corporation without cause or by Mr. Cywinski for good reason within 24 months following a change in control, upon executing a release of claims in favor of the Corporation, Mr. Cywinski will be entitled to the following benefits:

- a lump sum payment equal to two times the sum of his base salary, plus the average of his actual bonus attributable to the prior one, two or three years depending on Mr. Cywinski s length of service;
- a lump sum payment equal to his prorated bonus for the year of termination based on actual performance through the date of termination;
- continued insurance coverage for a maximum of 24 months;
- full vesting of any unvested stock options, SARs, and other equity-based awards;
- full vesting of any unvested equity-based or long-term cash-based awards subject to performance-based vesting conditions, based on actual performance; and
- the right to exercise any vested stock options or SARs for up to 24 months.

Amended and Restated Executive Severance and Change in Control Policy

Pursuant to the terms of the employment offer letters for Mr. Kalvin, Mr. Adel and Mr. del Olmo and the Amended and Restated Executive Severance and Change in Control Policy, if the executive s employment is involuntarily terminated by the Corporation without cause prior to a change in control, upon executing a release of claims in favor of the Corporation, the executive will be entitled to the following benefits:

- an amount equal to 12 months base salary, plus pro rata bonus; and
- up to $5,000 in outplacement assistance.

The Amended and Restated Executive Severance and Change in Control Policy also provides that in the event the executive s employment is involuntarily terminated by the Corporation without cause within 24 months following a change in control or the executive s employment is voluntarily terminated for good reason within 24 months following a change in control, upon executing a release of claims in favor of the Corporation, the executive will be entitled to the following benefits:

- an amount equal to 24 months base salary, plus the greater of (i) the target bonus for the year in which the termination occurs and (ii) the average of the executive s actual bonus attributable to the prior three years;
- full vesting of any unvested stock options, restricted stock, other unvested equity awards or grants, and unvested long-term cash-based awards subject to performance-based vesting conditions, based on actual performance;
- up to $5,000 in outplacement assistance; and
- continued insurance coverage for a maximum of 24 months.

Mr. del Olmo was subject to the same terms as Mr. Adel and Mr. Kalvin pursuant to the terms of the employment offer letter for Mr. del Olmo and the Amended and Restated Executive Severance and Change in Control Policy. Mr. del Olmo did not receive any severance benefits in connection with his departure from the Corporation in September 2017.

Employment Agreement with Julia A. Stewart

The employment agreement between Ms. Stewart and the Corporation provided that, in the event of termination by the Corporation without cause or by Ms. Stewart for good reason prior to a change in control, she would be entitled to the following benefits which she became entitled to upon her separation:

- a lump sum payment equal to two times the sum of her annual base salary, plus the average of her actual bonus attributable to the prior three years ($5,250,500);
- continued insurance coverage for a maximum of 24 months ($75,236 for full 24 months of coverage);
- reimbursement of reasonable business expenses incurred through the date of termination;

full vesting of all unvested stock options and any other equity-based awards as of the day immediately preceding the effective date of her separation agreement (estimated value of $5,430,159, based on the closing stock price on February 22, 2017); and

the right to exercise any vested stock options for up to 24 months.

Upon Ms. Stewart s departure from the Corporation, she received severance payments and benefits consistent with her employment agreement, as discussed above, an additional payment of $500,000 less applicable taxes, withholdings and deductions required by law, an additional 12 months (in addition to the 24 months provided for in her employment agreement) to exercise any stock options or stock appreciation rights held by Ms. Stewart and reimbursement for reasonable attorney s fees incurred by Ms. Stewart in connection with discussions regarding her separation agreement of $51,293. In connection with the receipt of the above, Ms. Stewart executed a general release of all claims and liabilities against the Corporation.

Employment Agreement with Thomas W. Emrey

Mr. Emery was subject to an employment agreement that provided for separation benefits similar to the benefits in place for the Corporation s other NEOs. Mr. Emery did not receive any separation benefits under his employment agreement or the Corporation s Amended and Restated Executive Severance and Change in Control Policy upon his separation.

Section 280G of the Code

The employment agreements for Mr. Joyce, Mr. Rebelez and Mr. Cywinski as well as the Amended and Restated Executive Severance and Change in Control Policy applicable to Mr. Kalvin and Mr. Adel, provide that if any payment or benefit received by the executive would not be deductible by reason of Section 280G of the Code, then the payment or benefits will be reduced until no portion of such payment or benefits is not deductible by reason of Section 280G of the Code, provided, that no such reduction will be made unless the net after-tax benefit received by the executive after such reduction would exceed the net after-tax benefit received by the executive if no such reduction was made.

Potential Payments Upon Termination or Change in Control

The information below describes and estimates certain compensation that would become payable under existing plans and arrangements assuming the continuing NEO s employment had terminated or a change in control had occurred on December 31, 2017, based on the Corporation s closing stock price on December 29, 2017. These benefits are in addition to benefits available generally to salaried employees.

Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event and the Corporation s stock price.

There can be no assurance that a termination or change in control would produce the same or similar results as those described if occurring on another date or at another price, or if any assumption used to prepare this information is not correct in fact. Please see Employment Agreements and Change in Control Provisions in the Compensation Discussion and Analysis section of this proxy statement for additional information. Please see the summary above for the amounts paid to Ms. Stewart in connection with her separation. No payments were made to Mr. Emrey or Mr. del Olmo upon their departures from the Corporation, and no payments were made to Mr. Dahl upon the cessation of his tenure as Interim Chief Executive Officer.

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The following table presents payments for involuntary termination by the Corporation for reasons other than cause or, in the case of Mr. Joyce, Mr. Rebelez and Mr. Cywinski, voluntary termination by the participant for good reason prior to a change in control.

Payments	Joyce	Kalvin	Rebelez	Cywinski	Adel
Cash Severance	$ 2,000,000	$ 333,773	$ 1,062,875	$ 575,000	$ 475,000
Pro-Rata Bonus Payment	$	$ 158,160	$	$	$ 256,757
Time-Vested NQSO Spread Value	$	$	$	$	$

9 years

10 years

Discount rate

5.220%

4.603%

Volatility

24.68%

20.11%

Dividend yield

11.50%

12.00%

The estimated fair value of the total common stock options was $284,500 and $158,300 at June 30, 2006 and December 31, 2005, respectively. The estimated fair value of each option grant at June 30, 2006 and December 31, 2005, respectively, was $0.421 and $0.243. For the three months ended June 30, 2006 and 2005, six months ended June 30, 2006 and the period from March 8, 2005 (date operations commenced) through June 30, 2005 (hereafter referred to as period ended June 30, 2005), the components of equity compensation expense are as follows (in thousands):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Period Ended June 30, 2005
	(Unaudited)		(Unaudited)	
Options granted to Manager	$ 10	$ 24	$ 122	$ 30
Restricted shares granted to Manager	215	788	670	987
Restricted shares granted to non-employee directors	15	15	30	19
Total equity compensation expense	$ 240	$ 827	$ 822	$ 1,036

During the three and six months ended June 30, 2006, the Manager had received 2,086 and 7,824 shares, respectively, as incentive compensation, valued at $29,000 and $115,000, respectively, pursuant to the management agreement. No incentive fee compensation shares were issued as of December 31, 2005.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 – (Continued)
(Unaudited)

NOTE 8 - CAPITAL STOCK AND EARNINGS PER SHARE – (Continued)

The following table presents a reconciliation of basic and diluted earnings per share for the periods presented as follows (in thousands, except share and per share amounts):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Period Ended June 30, 2005
Basic:	(Unaudited)		(Unaudited)	
Net income	$ 6,066	$ 2,280	$ 11,217	$ 2,232
Weighted average number of shares outstanding	17,580,293	15,333,334	17,099,051	15,333,334
Basic net income per share	$ 0.35	$ 0.15	$ 0.66	$ 0.15
Diluted:				
Net income	$ 6,066	$ 2,280	$ 11,217	$ 2,232
Weighted average number of shares outstanding	17,580,293	15,333,334	17,099,051	15,333,334
Additional shares due to assumed conversion of dilutive instruments	112,293	40,310	123,502	69,067
Adjusted weighed-average number of common shares outstanding	17,692,586	15,373,644	17,222,553	15,402,401
Diluted net income per share	$ 0.34	$ 0.15	$ 0.65	$ 0.14

Potentially dilutive shares relating to stock options to purchase 651,666 shares of common stock and warrants to purchase 1,568,244 shares of common stock for the three and six months ended June 30, 2006 and 349,000 restricted shares and options to purchase 651,666 shares of common stock for the three months ended June 2005 and the period ended June 30, 2005 are not included in the calculation of diluted net income per share because the effect is anti-dilutive.

NOTE 9 - RELATED-PARTY TRANSACTIONS

Management Agreement

The base management fee for the three and six months ended June 30, 2006 was $918,000 and $1.8 million respectively. The incentive management fee for the three and six months ended June 30, 2006 was $319,000 and $432,000, respectively. The base management fee for the three months ended June 30, 2005 and period from March 8, 2005 to June 30, 2005 was $808,000 and $1.0 million, respectively. No incentive management fee was earned by the Manager for the three months ended June 30, 2005 and the period ended June 30, 2005.

At June 30, 2006, the Company was indebted to the Manager for base and incentive management fees of $615,000 and $315,000, respectively, and reimbursement of expenses of $142,000. At December 31, 2005, the Company was indebted to the Manager for base and incentive management fees of $552,000 and $344,000, respectively, and reimbursement of expenses of $143,000. These amounts are included in management and incentive fee payable and accounts payable and accrued liabilities, respectively.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 – (Continued)
(Unaudited)

NOTE 9 - RELATED-PARTY TRANSACTIONS – (Continued)

Relationship with Resource Real Estate

Resource Real Estate, a subsidiary of RAI, originates, finances and manages the Company's commercial real estate loan portfolio, including A notes, B notes and mezzanine loans. The Company reimburses Resource Real Estate for loan origination costs associated with all loans originated. At June 30, 2006 and December 31, 2005, the Company was indebted to Resource Real Estate for loan origination costs in connection with the Company's commercial real estate loan portfolio of $164,000 and $22,000, respectively.

Relationship with LEAF Financial Corporation ("LEAF")

LEAF, a subsidiary of RAI, originates and manages equipment leases and notes on the Company's behalf. The Company purchases these leases and notes from LEAF at a price equal to their book value plus a reimbursable origination cost not to exceed 1% to compensate LEAF for its origination costs. In addition, the Company pays LEAF an annual servicing fee, equal to 1% of the book value of managed assets, for servicing the Company's equipment leases and notes. At June 30, 2006 and December 31, 2005, the Company was indebted to LEAF for servicing fees in connection with the Company's equipment finance portfolio of $114,000 and $41,000, respectively. The LEAF servicing fees for the three and six months ended June 30, 2006 were $165,000 and $220,000, respectively. No LEAF servicing fees were incurred for the three months and period ended June 30, 2005.

Relationship with RAI

At June 30, 2006, RAI, the corporate parent of the Manager, had a 10.7% ownership interest in the Company, consisting of 1,900,000 shares purchased, 7,824 shares received as incentive compensation pursuant to the management agreement (excluding 6,149 shares earned but not received relating to incentive compensation for the three months ended June 30, 2006) and 307 vested shares associated with the issuance of restricted stock. In addition, certain officers of the Manager and its affiliates had a 2.2% ownership interest in the Company, consisting of 313,167 shares purchased and 83,995 vested shares associated with the issuance of restricted stock as of June 30, 2006. All such shares were purchased at the same price at which shares were purchased by the other investors.

Relationship with Law Firm

Until 1996, the Company's Chairman, Edward Cohen, was of counsel to Ledgewood Law Firm. The Company paid Ledgewood $91,000 and $289,000 for the three and six months ended June 30, 2006, respectively, and $400,000 for the period ended June 30, 2005. No such fees were paid for the three months ended June 30, 2005. Mr. Cohen receives certain debt service payments from Ledgewood related to the termination of his affiliation with Ledgewood and its redemption of his interest.

NOTE 10 - DISTRIBUTIONS

On June 20, 2006, the Company declared a quarterly distribution of $0.36 per share of common stock, $6.4 million in the aggregate, which was paid on July 21, 2006 to stockholders of record as of June 29, 2006.

On March 16, 2006, the Company declared a quarterly distribution of $0.33 per share of common stock, $5.9 million in the aggregate, which was paid on April 10, 2006 to stockholders of record as of March 27, 2006.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 – (Continued)
(Unaudited)

NOTE 10 - DISTRIBUTIONS – (Continued)

On January 13, 2006, the Company paid a special dividend to stockholders of record on January 4, 2006, including holders of restricted stock, consisting of warrants to purchase the Company’s common stock. Each warrant entitles the holder to purchase one share of common stock at an exercise price of $15.00 per share. Stockholders received one warrant for each ten shares of common stock and restricted stock held. If an existing stockholder owned shares in other than a ten-share increment, the stockholder received an additional warrant. The warrants will expire on January 13, 2009 and will not be exercisable until January 13, 2007. An aggregate of 1,568,244 shares are issuable upon exercise of the warrants.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, “Disclosure About Fair Value of Financial Instruments,” requires disclosure of the fair value of financial instruments for which it is practicable to estimate value. The estimated fair value of available-for-sale securities, derivatives and direct financing leases and notes is equal to their respective carrying value presented in the consolidated balance sheets. The estimated fair value of loans held for investment was $780.1 million and $571.7 million as of June 30, 2006 and December 31, 2005, respectively. The estimated fair value of all other assets and liabilities approximate carrying value as of June 30, 2006 and December 31, 2005 due to the short-term nature of these items.

NOTE 12 - DERIVATIVE INSTRUMENTS

At June 30, 2006, the Company had nine interest rate swap contracts and four forward interest rate swap contracts. The Company will pay an average fixed rate of 4.67% and receive a variable rate equal to one-month and three-month LIBOR on the interest rate swap contracts. The aggregate notional amount of these contracts is $836.8 million. The Company will pay an average fixed rate of 5.65% and receive a variable rate equal to one-month LIBOR on the forward interest rate swap contracts. The aggregate notional amount of these contracts is $56.6 million, of which three contacts will commence in August 2006 and one contract will commence in February 2007. In addition, the Company had one interest rate cap agreement outstanding whereby it reduced its exposure to variability in future cash outflows attributable to changes in LIBOR. The aggregate notional amount of this contract was $15.0 million at June 30, 2006.

At December 31, 2005, the Company had six interest rate swap contracts outstanding whereby the Company will pay an average fixed rate of 3.89% and receive a variable rate equal to one-month and three-month LIBOR. The aggregate notional amount of these contracts was $972.2 million at December 31, 2005. In addition, the Company had one interest rate cap agreement outstanding whereby it reduced its exposure to variability in future cash outflows attributable to changes in LIBOR. The aggregate notional amount of this contract was $15.0 million at December 31, 2005.

The estimated fair value of the Company’s interest rate swaps, forward swaps and interest rate cap was $6.7 million and $3.0 million as of June 30, 2006 and December 31, 2005, respectively. The Company had aggregate unrealized gains of $6.4 million and $2.8 million on the interest rate swap agreements and interest rate cap agreement, as of June 30, 2006 and December 31, 2005, respectively, which is recorded in accumulated other comprehensive loss.

NOTE 13 - SUBSEQUENT EVENT

On August 7, 2006, the Company closed an offering for $25.0 million in unsecured trust preferred securities through a wholly-owned Delaware statutory trust, RCC Trust II. The Company intends to issue the trust preferred securities and fund the offering on or before September 15, 2006. The securities bear a floating rate of interest equal to three-month LIBOR plus 3.95%. The securities mature on October 30, 2036 and may be called at par by the Company any time after October 30, 2011.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONAND RESULTS OF OPERATIONS (Unaudited)

This report contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "project," "should," "wi negative of these terms or other comparable terminology. Such statements are subject to the risks and uncertainties more particularly described in Item 1A, under the caption "Risk Factors," in our Annual Report on Form 10-K for period ended December 31, 2005. These risks and uncertainties could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release the results of any revisions to forward-looking statements which we may make to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events, except as may be required under applicable law.

Overview

We are a specialty finance company that intends to qualify and will elect to be taxed as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable period ended December 31, 2005. Our objective is to provide our stockholders with total returns over time, including quarterly distributions and capital appreciation, while seeking to manage the risks associated with our investment strategy. We invest in a combination of real estate-related assets and, to a lesser extent, higher-yielding commercial finance assets. We finance a substantial portion of our portfolio investments through borrowing strategies seeking to match the maturities and repricing dates of our financings with the maturities and repricing dates of those investments, and to mitigate interest rate risk through derivative instruments. Future distributions and capital appreciation are not guaranteed, however, and we have only limited operating history and REIT experience upon which you can base an assessment of our ability to achieve our objectives.

We generate our income primarily from the spread between the revenues we receive from our assets and the cost to finance the purchase of those assets and hedge interest rate risks. We generate revenues from the interest we earn on our agency and non-agency residential mortgage-backed securities, or RMBS, commercial mortgage-backed securities, or CMBS, mezzanine debt, first priority tranches of commercial mortgage loans, or A notes, subordinated tranches of commercial mortgage loans, or B notes, other asset-backed securities, or ABS, syndicated bank loans and payments on equipment leases and notes. We use a substantial amount of leverage to enhance our returns and we finance each of our different asset classes with different degrees of leverage. The cost of borrowings to finance our investments comprises a significant part of our expenses. Our net income will depend on our ability to control these expenses relative to our revenue. In our non-agency RMBS, CMBS, other ABS, syndicated bank loans and equipment leases and notes, we use warehouse facilities as a short-term financing source and collateralized debt obligations, or CDOs, and, to a lesser extent, other term financing as a long-term financing source. In our commercial real estate loan portfolio, we use repurchase agreements as a short-term financing source and CDOs and, to a lesser extent, other term financing as a long-term financing source. We expect that our other term financing will consist of long-term match-funded financing provided through long-term bank financing and asset-backed financing programs. In our agency RMBS portfolio, we finance the acquisition of our investments with short-term repurchase arrangements. We seek to mitigate the risk created by any mismatch between the maturities and repricing dates of our agency RMBS and the maturities and repricing dates of the repurchase agreements we use to finance them through derivative instruments, principally floating-to-fixed interest rate swap agreements and interest rate cap agreements.

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On March 8, 2005, we received net proceeds of $214.8 million from a private placement of 15,333,334 shares of common stock. On February 10, 2006, we received net proceeds of $27.3 million from our initial public offering of 4,000,000 shares of common stock (including 1,879,200 shares sold by certain selling stockholders of the Company). As of June 30, 2006, we had invested 14.8% of our portfolio in commercial real estate-related assets, 36.6% in agency RMBS, 16.1% in non-agency RMBS and 32.5% in commercial finance assets. We intend to diversify our portfolio over our targeted asset classes during the next 12 months as follows: between 20% and 25% in commercial real estate-related assets, between 25% and 30% in agency RMBS, between 15% and 20% in non-agency RMBS, and between 30% and 35% in commercial finance assets, subject to the availability of appropriate investment opportunities and changes in market conditions. We expect that diversifying our portfolio by shifting the mix towards higher-yielding assets will increase our earnings, subject to maintaining the credit quality of our portfolio. If we are unable to maintain the credit quality of our portfolio, however, our earnings will decrease. Because the amount of leverage we intend to use will vary by asset class, our asset allocation may not reflect the relative amounts of equity capital we have invested in the respective classes. The results of operations discussed below are for the three and six months ended June 30, 2006, three months ended June 30, 2005 and the period from March 8, 2005 (date operations commenced) to June 30, 2005 (which we refer to as the period ended June 30, 2005).

Results of Operations

Our portfolio investments have been comprised of commercial real estate loans, agency RMBS, non-agency RMBS, other ABS, syndicated bank loans, private equity and equipment leases and notes. We have financed our agency RMBS portfolio and commercial real estate loan portfolio through short-term repurchase agreements, our non-agency RMBS, other ABS and syndicated bank loans through warehouse facilities as a short-term financing source and our equipment lease and notes portfolio through a secured term facility. We intend to use CDOs and other secured borrowings as a long-term financing source for our non-agency RMBS, other ABS, syndicated bank loans and commercial real estate loans. Through June 30, 2006 and the period ended December 31, 2005, we closed one and two CDO financings, respectively. In general, to the extent that we do not hedge the interest rate exposure within our agency RMBS portfolio, rising interest rates (particularly short-term rates) will decrease our net interest income from levels that might otherwise be expected, as the cost of our repurchase agreements will rise faster than the yield on our agency RMBS. In addition, our agency RMBS are subject to interest rate caps while the short-term repurchase agreements we use to finance them are not. As a result, if interest rates rise to the point where increases in our interest income are limited by these caps, our net interest income could be reduced or, possibly, we could incur losses. In January 2006, we entered into an amortizing swap agreement that will extend the period of time we have hedged the risks on our agency RMBS portfolio through October 2007. Concurrently with entering into this interest rate swap agreement, we sold approximately $125.4 million of agency RMBS, thereby reducing our portfolio of agency RMBS to $853.5 million, on a cost basis. Since this sale, our agency RMBS portfolio has been reduced further by prepayments to a balance of $812.8 million, on a cost basis, at June 30, 2006. We expect to continue to lower our exposure to this asset class as prepayments are received on this portfolio. As of June 30, 2006, we had entered into interest rate swaps that seek to hedge a substantial portion of the risks associated with increasing interest rates with maturities ranging from July 2006 through October 2007.

Our net income for the three and six months ended June 30, 2006 was $6.1 million and $11.2 million, or $0.34 and $0.65 per weighted average common share-diluted, respectively, as compared to $2.3 million and $2.2 million, or $0.15 and $0.14 per weighted average common share (basic and diluted), for the three months and period ended June 30, 2005, respectively.

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The following table sets forth information relating to our interest income recognized for the periods presented (in thousands):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Period Ended June 30, 2005
INTEREST INCOME:				
Interest income from securities available-for-sale:				
Agency RMBS	$ 9,404	$ 7,478	$ 19,631	$ 7,881
Non-agency RMBS	5,900	2,109	11,299	2,110
CMBS	395	314	784	314
Other ABS	354	188	681	188
Private equity	–	–	30	–
Total interest income from securities available-for-sale	16,053	10,089	32,425	10,493
Interest income from loans:				
Syndicated bank loans	10,496	1,445	17,991	1,445
Commercial real estate loans	5,204	13	8,729	13
Total interest income from loans	15,700	1,458	26,720	1,458
Interest income - other:				
Leasing	1,297	–	1,803	–
Interest rate swap agreements	1,451	–	2,663	–
Temporary investment in over-night repurchase agreements	402	852	726	1,142
Total interest income - other	3,150	852	5,192	1,142
TOTAL INTEREST INCOME	$ 34,903	$ 12,399	$ 64,337	$ 13,093

Interest Income - Three and Six Months Ended June 30, 2006 as compared to Three Months and Period Ended June 30, 2005

During 2005, we were in the process of acquiring and building our investment portfolio. As a result, we acquired a substantial portion of our commercial real estate loans and commercial finance assets after the three months and period ended June 30, 2005 had been completed. This balance sheet trend is important in comparing and analyzing the results of operations for the 2006 and 2005 periods presented.

In addition, since the Company commenced operations on March 8, 2005, results for the period ended June 30, 2005 reflect less than four months of activity as compared with the six full months ended June 30, 2006.

Interest income increased $22.5 million (182%) and $51.2 million (391%) to $34.9 million and $64.3 million for the three and six months ended June 30, 2006, respectively, from $12.4 million and $13.1 million for the three months and period ended June 30, 2005, respectively. We attribute these increases to the following:

Interest income from securities available-for-sale

Agency RMBS securities generated $9.4 million and $19.6 million of interest income for the three and six months ended June 30, 2006, respectively, as compared to $7.5 million and $7.9 million for the three months and period ended June 30, 2005, respectively, an increase of $1.9 million (26%) and $11.7 million (149%), respectively. These increases primarily resulted from the following:

· The acquisition of $459.8 million of agency RMBS securities during the three months and period ended June 30, 2005, which were held for the entire three and six months ended June 30, 2006.

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· The acquisition of $186.3 million of agency RMBS securities since June 30, 2005.

These acquisitions were partially offset by:

· The sale of agency RMBS securities in January 2006 totaling approximately $125.4 million.

· The receipt of principal payments on agency RMBS securities totaling $182.0 million since June 30, 2005, including $40.7 million and $76.3 million during the three and six months ended June 30, 2006, respectively.

Non-agency RMBS securities contributed $5.9 million and $11.3 million of interest income for the three and six months ended June 30, 2006, respectively, as compared to $2.1 million for both the three months and period ended June 30, 2005, an increase of $3.8 million (180%) and $9.2 million (435%), respectively. These increases resulted primarily from the following:

· The acquisition of $274.4 million of non-agency securities during the three months and period ended June 30, 2005, which were held for the entire three and six months ended June 30, 2006.

· The acquisition of $84.2 million of non-agency securities (net of sales of $3.5 million) since June 30, 2005, including $3.1 million and $4.4 million (net of sales of $3.5 million) acquired during the three and six months ended June 30, 2006, respectively.

CMBS securities contributed $395,000 and $784,000 of interest income for the three and six months ended June 30, 2006, respectively, as compared to $314,000 for both the three months and period ended June 30, 2005, respectively, an increase of $81,000 (26%) and $470,000 (150%). These increases resulted primarily from the following:

· The acquisition of $28.0 million of CMBS securities during the three months and period ended June 30, 2005, which were held for the entire three and six months ended June 30, 2006.

Other ABS securities contributed $354,000 and $681,000 of interest income for the three and six months ended June 30, 2006, respectively, as compared to $188,000 for both the three months and period ended June 30, 2005, respectively, an increase of $166,000 (88%) and $493,000 (262%), respectively. These increases resulted primarily from the following:

· The acquisition of $23.1 million of other ABS securities (net of sales of $5.5 million) during the three months and period ended June 30, 2005, which were held for the entire three and six months ended June 30, 2006.

· The acquisition of $771,000 of other ABS securities during both the three and six months ended June 30, 2006.

These acquisitions were partially offset by:

· The receipt of principal payments on other ABS securities totaling $1.5 million since June 30, 2005, including $444,000 and $931,000 during the three and six months ended June 30, 2006, respectively.

Interest income from loans

Syndicated bank loans generated $10.5 million and $18.0 million of interest income for the three and six months ended June 30, 2006, respectively, as compared to $1.4 million for both the three months and period ended June 30, 2005, an increase of $9.1 million (626%) and $16.6 million (1,145%), respectively. These increases resulted primarily from the following:

- The acquisition of $157.1 million of syndicated bank loans (net of sales of $30.0 million) during the three months and period ended June 30, 2005, which were held for the entire three and six months ended June 30, 2006.

- The acquisition of $553.6 million of syndicated bank loans (net of sales of $124.8 million) since June 30, 2005, including $165.4 million (net of sales of $29.2 million) and $340.8 million (net of sales of $63.8 million) during the three and six months ended June 30, 2006, respectively.

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These acquisitions were partially offset by:

· The receipt of principal payments on syndicated bank loans totaling $103.1 million since June 30, 2005, including $32.8 million and $70.5 million during the three and six months ended June 30, 2006, respectively.

Commercial real estate loans produced $5.2 million and $8.7 million of interest income for the three and six months ended June 30, 2006, as compared to $13,000 for both the three months and period ended June 30, 2005, respectively. These increases resulted entirely from the following:

· The acquisition of $25.3 million of commercial real estate loans during the three months and period ended June 30, 2005, which were held for the entire three and six months ended June 30, 2006.

· The acquisition of $267.6 million of commercial real estate loans (net of principal payments of $16.5 million) since June 30, 2005, including $96.8 million and $137.8 million during the three and six months ended June 30, 2006, respectively.

Interest income - other

Our equipment leasing portfolio generated $1.3 million and $1.8 million in interest income for the three and six months ended June 30, 2006, respectively, resulting from the purchase of $87.6 million of equipment leases and notes (net of principal payments of $10.2 million) since June 30, 2005, including $20.3 million (net of principal payments of $3.8 million) and $62.5 million (net of principal payments of $8.4 million) of equipment leases and notes acquisitions during the three and six months ended June 30, 2006, respectively. No income was generated from our equipment leasing and notes portfolio for the three months and period ended June 30, 2005.

Interest from interest rate swap agreements produced $1.5 million and $2.7 million of interest income for the three and six months ended June 30, 2006, respectively, resulting from increases in the floating rate index we receive under our swap agreements. During the prior year, the floating rate we received did not exceed the fixed rate we paid under these same agreements. As a result, no interest income from interest rate swap agreements was generated for the three months and period ended June 30, 2005.

The following table sets forth information relating to our interest expense incurred for the periods presented (in thousands):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Period Ended June 30, 2005
INTEREST EXPENSE:				
Agency RMBS	$ 9,419	$ 4,522	$ 18,536	$ 4,732
Non-agency / CMBS / ABS	5,339	1,982	10,191	1,982
Syndicated bank loans	7,829	791	13,103	791
Commercial real estate loans	2,655	–	4,476	–
Leasing	938	–	948	–
General	339	635	467	635
TOTAL INTEREST EXPENSE	$ 26,519	$ 7,930	$ 47,721	$ 8,140

Interest Expense - Three and Six Months Ended June 30, 2006 as compared to Three Months and Period Ended June 30, 2005

During 2005, while we were in the process of acquiring and building an investment portfolio, our borrowing obligations grew in tandem with the related underlying assets. Subsequent to June 30, 2005, we added additional borrowings that substantially funded our investment portfolio acquisitions that are detailed under the “Results of Operations−Interest Income” section. Further, some of the existing borrowings at June 30, 2005 were repaid by new borrowings after June 30, 2005. These developing borrowing trends are important in comparing and analyzing interest expense for the 2006 and 2005 periods presented.

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In addition, since the Company commenced operations on March 8, 2005, results for the period ended June 30, 2005 reflect less than four months of activity as compared with the six full months ended June 30, 2006.

Interest expense increased $18.6 million (235%) and $39.6 million (486%) to $26.5 million and $47.7 million for the three and six months ended June 30, 2006, respectively, from $7.9 million and $8.1 million for the three months and period ended June 30, 2005, respectively. We attribute these increases to the following:

Interest expense related to Agency RMBS repurchase agreements was $9.4 million and $18.5 million for the three and six months ended June 30, 2006, respectively, as compared to $4.5 million and $4.7 million for the three months and period ended June 30, 2005, respectively, an increase of $4.9 million (108%) and $13.8 million (292%). These increases resulted primarily from the following:

· We funded securities acquired during the 2005 period substantially with repurchase agreement obligations which were $741.0 million and $764.0 million, on average, during the three and six months ended June 30, 2006, respectively, as compared to $708.0 million and $631.0 million, on average, during the three months and period ended June 30, 2005, respectively.

· Our weighted average interest rate on these repurchase agreement obligations increased to 5.07% and 4.83% for the three and six months ended June 30, 2006, respectively, from 3.14% and 3.09% for both the three months and period ended June 30, 2005, respectively.

Non-agency RMBS, CMBS and other ABS, which we refer to collectively as ABS, assets were pooled and financed by a CDO (Ischus CDO II). Interest expense related to these obligations was $5.3 million and $10.2 million for both the three and six months ended June 30, 2006, respectively, as compared to $2.0 million for both the three months and period ended June 30, 2005, an increase of $3.3 million (169%) and $8.2 million (414%). These increases resulted primarily from the following:

· As a result of the continued acquisitions of ABS assets during the period after June 30, 2005, we financed our first ABS CDO (Ischus CDO II) in July 2005. Ischus CDO II issued $376.0 million of senior notes into several classes with rates ranging from 1-month LIBOR plus 0.27% to 1-month LIBOR plus 2.85%. The Ischus CDO II proceeds were used to repay borrowings under our warehouse facility, which had a balance at June 30, 2005 of $318.2 million.

· The weighted average interest rate on the senior notes was 5.47% and 5.23% for the three and six months ended June 30, 2006, respectively, as compared to 3.53% on the warehouse facility for both the three months and period ended June 30, 2005.

· We amortized $148,000 and $299,000 of deferred debt issuance costs related to the Ischus CDO II closing for the three and six months ended June 30, 2006, respectively. No such costs were incurred for the three months and period ended June 30, 2005.

Interest expense on syndicated bank loans was $7.8 million and $13.1 million for the three and six months ended June 30, 2006, as compared to $791,000 for both the three months and period ended June 30, 2005, respectively, an increase of $7.0 million (890%) and $12.3 million (1,557%), respectively. These increases resulted primarily from the following:

· As a result of the continued acquisitions of syndicated bank loans during the period after June 30, 2005, we financed our first syndicated bank loan CDO (Apidos CDO I) in August 2005. Apidos CDO I issued $321.5 million of senior notes into several classes with rates ranging from 3-month LIBOR plus 0.26% to a fixed rate of 9.251%. The

Apidos CDO I financing proceeds were used to repay borrowings under our warehouse facility, which had a balance at June 30, 2005 of $154.6 million. The weighted average interest rate on the senior notes was 5.44% and 5.17% for the three and six months ended June 30, 2006, respectively, as compared to 3.14% on the warehouse facility for both the three months and period ended June 30, 2005.

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- As a result of the continued acquisitions of syndicated bank loans after the closing of Apidos I, we financed our second syndicated bank loan CDO (Apidos CDO III) in May 2006. Apidos CDO III issued $262.5 million of senior notes into several classes with rates ranging from 3-month LIBOR plus 0.26% to 3-month LIBOR plus 4.25%. The Apidos CDO III proceeds used to repay borrowings under a warehouse facility, which had a balance as of March 31, 2006 of $132.8 million. The weighted average interest rate on the senior notes was 5.48% and 5.14% for the three and six months ended June 30, 2006, respectively. No such facility existed as of June 30, 2005.

- We amortized $200,000 and $329,000 of deferred debt issuance costs related to the CDO closings for the three and six months ended June 30, 2006, respectively. No such costs were incurred for the three months and period ended June 30, 2005.

Interest expense on commercial real estate loans was $2.7 million and $4.5 million for the three and six months ended June 30, 2006, respectively, resulting from the financing of our commercial real estate loan portfolio acquired after June 30, 2005 primarily with repurchase agreements. At June 30, 2006, we had an outstanding balance of $203.9 million with an interest rate of 6.29%. No interest expense was incurred in connection with financing our commercial real estate loan portfolio for the three months and period ended June 30, 2005.

Interest expense on leasing activities was $938,000 and $948,000 for the three and six months ended June 30, 2006, respectively, resulting from the financing of direct financing leases and notes acquired since June 30, 2005 with our secured term credit facility. At June 30, 2006, we had an outstanding balance of $73.3 million with an interest rate of 7.39%. No interest expense was incurred in connection with financing our equipment leasing and notes portfolio for the three months and period ended June 30, 2005.

Other Gains and Losses - Three Months Ended June 30, 2006 as compared to Three Months Ended June 30, 2005

Net realized gain on investments for the three months ended June 30, 2006 of $161,000 consisted of gains on the sale of bank loans. Net realized loss on investments for the three months ended June 30, 2005 of $14,000 consisted of $18,000 of losses related to the sale of bank loans and $4,000 of gains related to the sale of available-for-sale securities.

Other Gains and Losses - Six Months Ended June 30, 2006 as compared to the Period Ended June 30, 2005

Net realized loss on investments for the six months ended June 30, 2006 of $538,000 consisted of $1.4 million of losses related to the sale of available-for-sale securities, $303,000 of net realized gains on the sale of bank loans and $570,000 of gains related to the early termination of two equipment leases. Net realized loss on investments for the period ended June 30, 2005 of $14,000 consisted of $18,000 of losses related to the sale of bank loans and $4,000 of gains related to the sale of available-for-sale securities.

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The following table sets forth information relating to our non-investment expenses incurred for the periods presented (in thousands):

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005		Six Months Ended June 30, 2006		Period Ended June 30, 2005	
NON–INVESTMENT EXPENSES:								
Management fee - related party	$	1,237	$	808	$	2,230	$	1,016
Equity compensation - related party		240		827		822		1,036
Professional services		304		100		565		122
Insurance		125		120		246		150
General and administrative		573		320		998		383
TOTAL NON–INVESTMENT EXPENSES	$	2,479	$	2,175	$	4,861	$	2,707

Since the Company commenced operations on March 8, 2005, results for the period ended June 30, 2005 reflect less than four months of activity as compared with the six full months ended June 30, 2006.

Non-Investment Expenses - Three and Six Months Ended June 30, 2006 as compared to Three Months and Period Ended June 30, 2005

Management fee - related party increased $429,000 (53%) and $1.2 million (119%) to $1.2 million and $2.2 million for the three and six months ended June 30, 2006, respectively, as compared to $808,000 and $1.0 million for the three months and period ended June 30, 2005, respectively. These amounts represent compensation in the form of base management fees and incentive management fees pursuant to our management agreement. The base management fees increased by $109,000 (14%) and $782,000 (77%) to $918,000 and $1.8 million for the three and six months ended June 30, 2006, respectively, as compared to $808,000 and $1.0 million for the three months and period ended June 30, 2005, respectively. These increases were due to increased equity as a result of our public offering in February 2006. Incentive management fees totaled $319,000 and $432,000 for the three and six months ended June 30, 2006, respectively. The manager did not earn an incentive management fee for the three months and period ended June 30, 2005.

Equity compensation - related party decreased $587,000 (71%) and $214,000 (21%) to $240,000 and $822,000 for the three and six months ended June 30, 2006, respectively, as compared to $827,000 and $1.0 million for the three months and period ended June 30, 2005, respectively. These expenses relate to the amortization of the March 8, 2005 grant of restricted common stock to the manager, the March 8, 2005 and 2006 grants of restricted common stock to our non-employee independent directors and the March 8, 2005 grant of options to the manager to purchase common stock. The decreases in expense were primarily the result of an adjustment related to our quarterly remeasurement of unvested stock and options to reflect changes in fair value of our common stock.

Professional services increased $204,000 (204%) and $443,000 (363%) to $304,000 and $565,000 for the three and six months ended June 30, 2006, respectively, as compared to $100,000 and $122,000 for the three months and period ended June 30, 2005. These increases were primarily due to an increase in audit and tax fees associated with the closing of Apidos CDO III.

Insurance expense increased $5,000 (.4%) and $96,000 (64%) to $125,000 and $246,000 for the three and six months ended June 30, 2006, respectively, as compared to $120,000 and $150,000 for the three months and period ended June 30, 2005, respectively. These amounts represent amortization related to our purchase of directors' and officers' insurance. The increase for the six months ended June 30, 2006 was due to the fact that the period ended June 30, 2005 did not contain a full six months of operations, but rather covered the period from our initial date of operations, March 8, 2005, through June 30, 2005, as compared to the full six months ended June 30, 2006.

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General and administrative expenses increased $253,000 (79%) and $615,000 (161%) to $573,000 and $998,000 for the three and six months ended June 30, 2006, respectively, as compared to $320,000 and $383,000 for the three months and period ended June 30, 2005, respectively. These expenses include expense reimbursements due to our manager, rating agency expenses and all other operating costs incurred. These increases were primarily the result of the addition of rating agency fees associated with our three CDOs, which all closed subsequent to June 30, 2005 as well as an increase in general operating expenses.

Income Taxes

We do not pay federal income tax on income we distribute to our stockholders, subject to our compliance with REIT qualification requirements. However, Resource TRS, our domestic TRS, is taxed as a regular subchapter C corporation under the provisions of the Internal Revenue Code. As of June 30, 2006 and 2005, we did not conduct any of our operations through Resource TRS.

Apidos CDO I and Apidos CDO III, our foreign taxable REIT subsidiaries, were formed to complete securitization transactions structured as secured financings. Apidos CDO I and Apidos CDO III are organized as exempt companies incorporated with limited liability under the laws of the Cayman Islands and are generally exempt from federal and state income tax at the corporate level because their activities in the United States are limited to trading in stock and securities for their own account. Therefore, despite their status as taxable REIT subsidiaries, they generally will not be subject to corporate tax on their earnings and no provision for income taxes is required; however, we generally will be required to include Apidos CDO I and Apidos CDO III's current taxable income in our calculation of REIT taxable income.

Financial Condition

Summary

Our total assets at June 30, 2006 were $2.2 billion as compared to $2.0 billion at December 31, 2005. The increase in total assets principally was due to a $202.4 million increase in our syndicated bank loans held by Apidos CDO III, which closed in May 2006, a $138.0 million increase in our commercial real estate loan portfolio resulting from the purchase of nine additional loans and three additional fundings on existing loan positions, and a $54.7 million increase in equipment leases and notes in connection with three additional purchases of leasing assets from LEAF Financial Corporation in March, May and June 2006. This increase was partially offset by the sale of approximately $125.4 million of agency RMBS coupled with principal repayments of $76.3 million on this portfolio. As a result of the sale, we reduced the associated debt with this portfolio. Our liquidity at June 30, 2006 was strengthened by the completion of our initial public offering in February 2006 which resulted in net proceeds of $27.3 million after deducting underwriters' discounts and commissions and offering expenses and the completion of our May 2006 trust preferred securities issuance which resulted in net proceeds of $24.2 million after deducting issuance costs. As of June 30, 2006, we had $3.6 million of cash and cash equivalents.

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Investment Portfolio

The tables below summarize the amortized cost and estimated fair value of our investment portfolio as of June 30, 2006 and as of December 31, 2005, classified by interest rate type. The tables below include both (i) the amortized cost of our investment portfolio and the related dollar price, which is computed by dividing amortized cost by par amount, and (ii) the estimated fair value of our investment portfolio and the related dollar price, which is computed by dividing the estimated fair value by par amount (in thousands, except percentages):

	June 30, 2006					
	Amortized cost	Dollar price	Estimated fair value	Dollar price	Estimated fair value less amortized cost	Dollar price
Floating rate						
Non-agency RMBS	$ 341,148	99.15%	$ 341,951	99.39%	$ 803	0.24%
CMBS	429	100.00%	433	100.93%	4	0.93%
Other ABS	18,571	98.92%	18,642	99.30%	71	0.38%
A notes	20,000	100.00%	20,000	100.00%	–	0.00%
B notes	147,639	99.90%	147,639	99.90%	–	0.00%
Mezzanine loans	55,484	99.97%	55,484	99.97%	–	0.00%
Syndicated bank loans	604,842	100.21%	603,128	99.93%	(1,714)	-0.28%
Total floating rate	$ 1,188,113	99.83%	$ 1,187,277	99.76%	$ (836)	-0.07%
Hybrid rate						
Agency RMBS	$ 812,791	100.08%	$ 790,815	97.38%	$ (21,976)	-2.70%
Total hybrid rate	$ 812,791	100.08%	$ 790,815	97.38%	$ (21,976)	-2.70%
Fixed rate						
Non-agency RMBS	$ 6,000	100.00%	$ 5,882	98.03%	$ (118)	-1.97%
CMBS	27,528	98.69%	26,002	93.22%	(1,526)	-5.47%
Other ABS	3,314	99.97%	3,095	93.36%	(219)	-6.61%
B notes	16,705	98.26%	16,705	98.26%	–	0.00%
Mezzanine loans	52,687	89.87%	52,687	89.87%	–	0.00%
Syndicated bank loans	249	99.60%	249	99.60%	–	0.00%
Equipment leases and notes	77,984	100.00%	77,984	100.00%	–	0.00%
Total fixed rate	$ 184,467	96.55%	$ 182,604	95.57%	$ (1,863)	-0.98%
Grand total	$ 2,185,371	99.64%	$ 2,160,696	98.51%	$ (24,675)	-1.13%

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	December 31, 2005								
		Amortized cost	Dollar price		Estimated fair value	Dollar price		Estimated fair value less amortized cost	Dollar price
Floating rate									
Non-agency RMBS	$	340,460	99.12%	$	331,974	96.65%	$	(8,486)	-2.47%
CMBS		458	100.00%		459	100.22%		1	0.22%
Other ABS		18,731	99.88%		18,742	99.94%		11	0.06%
B notes		121,945	100.00%		121,945	100.00%		–	0.00%
Mezzanine loans		44,500	100.00%		44,500	100.00%		–	0.00%
Syndicated bank loans		398,536	100.23%		399,979	100.59%		1,443	0.36%
Private equity		1,984	99.20%		1,954	97.70%		(30)	-1.50%
Total floating rate	$	926,614	99.77%	$	919,553	99.01%	$	(7,061)	-0.76%
Hybrid rate									
Agency RMBS	$	1,014,575	100.06%	$	1,001,670	98.79%	$	(12,905)	-1.27%
Total hybrid rate	$	1,014,575	100.06%	$	1,001,670	98.79%	$	(12,905)	-1.27%
Fixed rate									
Non-agency RMBS	$	6,000	100.00%	$	5,771	96.18%	$	(229)	-3.82%
CMBS		27,512	98.63%		26,904	96.45%		(608)	-2.18%
Other ABS		3,314	99.97%		3,203	96.62%		(111)	-3.35%
Mezzanine loans		5,000	100.00%		5,000	100.00%		–	0.00%
Syndicated bank loans		249	99.60%		246	98.40%		(3)	-1.20%
Equipment leases and notes		23,317	100.00%		23,317	100.00%		–	0.00%
Total fixed rate	$	65,392	99.42%	$	64,441	97.97%	$	(951)	-1.45%
Grand total	$	2,006,581	99.90%	$	1,985,664	98.86%	$	(20,917)	-1.04%

Residential Mortgage-Backed Securities

At June 30, 2006 and December 31, 2005, the mortgages underlying our hybrid adjustable rate agency RMBS had fixed interest rates for a weighted average of approximately 54 months and 52 months, respectively, after which time the rates reset and become adjustable. The average length of time until maturity of those mortgages was 28.9 years and 29.1 years, respectively. These mortgages are also subject to interest rate caps that limit both the amount that the applicable interest rate can increase during any year, known as an annual cap, and the amount that it can rise through maturity of the mortgage, known as a lifetime cap. After the interest rate reset date, interest rates on our hybrid adjustable rate agency RMBS float based on spreads over various London Interbank Offered Rate, or LIBOR indices. The weighted average lifetime cap for our portfolio is an increase of 6%; the weighted average maximum annual increase is 2%.

The following tables summarize our hybrid adjustable rate agency RMBS portfolio as of June 30, 2006 and December 31, 2005 (dollars in thousands):

	June 30, 2006			
			Weighted average	
Security description	**Amortized cost**	**Estimated fair value**	**Coupon**	**Months to reset [(1)]**

3-1 hybrid adjustable rate RMBS	$	238,990	$	234,989	4.12%	23.7
5-1 hybrid adjustable rate RMBS		167,215		163,111	4.72%	51.4
7-1 hybrid adjustable rate RMBS		406,586		392,715	4.81%	72.6
Total	$	812,791	$	790,815	4.59%	53.7

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	December 31, 2005					
					Weighted average	
Security description	Amortized cost		Estimated fair value		Coupon	Months to reset (1)
3-1 hybrid adjustable rate RMBS	$	405,047	$	400,807	4.16%	25.2
5-1 hybrid adjustable rate RMBS		178,027		176,051	4.73%	54.3
7-1 hybrid adjustable rate RMBS		431,501		424,812	4.81%	75.6
Total	$	1,014,575	$	1,001,670	4.54%	51.7

(1) Represents number of months before conversion to floating rate.

At June 30, 2006, we held $790.8 million of agency RMBS, at fair value, which is based on market prices provided by dealers, net of unrealized gains of $10,000 and unrealized losses of $22.0 million, as compared to $1.0 billion at December 31, 2005, net of unrealized gains of $13,000 and unrealized losses of $12.9 million. As of June 30, 2006, our agency RMBS portfolio had a weighted average amortized cost of 100.08%, largely unchanged from the weighted average amortized cost of 100.06% at December 31, 2005. Our agency RMBS were purchased at a net premium of $667,000 and $594,000 at June 30, 2006 and December 31, 2005, respectively, and were valued below par because the weighted average coupons of 4.59% and 4.54% and the corresponding interest rates of loans underlying our agency RMBS were below prevailing market rates. During an increasing interest rate environment, the fair value of our RMBS would continue to decrease, thereby increasing our net unrealized losses.

At June 30, 2006, we held $347.8 million of non-agency RMBS, at fair value, which is based on market prices provided by dealers, net of unrealized gains of $2.0 million and unrealized losses of $1.4 million as compared to $337.7 million at December 31, 2005, net of unrealized gains of $370,000 and unrealized losses of $9.1 million. At June 30, 2006 and December 31, 2005, our non-agency RMBS portfolio had a weighted average amortized cost of 99.17% and 99.13%, respectively. As of June 30, 2006 and December 31, 2005, our non-agency RMBS were valued below par, in the aggregate, because of wide credit spreads during the respective periods.

At both June 30, 2006 and December 31, 2005, none of the securities whose fair market value was below amortized cost had been downgraded by a credit rating agency and 84.5% and 76.9%, respectively, were guaranteed by either Freddie Mac or Fannie Mae. We intend and have the ability to hold these securities until maturity to allow for the anticipated recovery in fair value as they reach maturity.

The following tables summarize our RMBS classified as available-for-sale as of June 30, 2006 and December 31, 2005, which are carried at fair value (in thousands, except percentages):

	June 30, 2006					
	Agency RMBS		Non-agency RMBS		Total RMBS	
RMBS, gross	$	812,125	$	350,062	$	1,162,187
Unamortized discount		(420)		(3,071)		(3,491)
Unamortized premium		1,086		157		1,243
Amortized cost		812,791		347,148		1,159,939
Gross unrealized gains		10		2,042		2,052
Gross unrealized losses		(21,986)		(1,357)		(23,343)
Estimated fair value	$	790,815	$	347,833	$	1,138,648
Percent of total		69.5%		30.5%		100.0%

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	December 31, 2005		
	Agency RMBS	Non-agency RMBS	Total RMBS
RMBS, gross	$ 1,013,981	$ 349,484	$ 1,363,465
Unamortized discount	(777)	(3,188)	(3,965)
Unamortized premium	1,371	164	1,535
Amortized cost	1,014,575	346,460	1,361,035
Gross unrealized gains	13	370	383
Gross unrealized losses	(12,918)	(9,085)	(22,003)
Estimated fair value	$ 1,001,670	$ 337,745	$ 1,339,415
Percent of total	74.8%	25.2%	100.0%

The table below describes the terms of our RMBS portfolio as of June 30, 2006 and December 31, 2005 (dollars in thousands). Dollar price is computed by dividing amortized cost by par amount.

	June 30, 2006		December 31, 2005	
	Amortized cost	Dollar price	Amortized cost	Dollar price
Moody's ratings category:				
Aaa	$ 812,791	100.08%	$ 1,014,575	100.06%
A1 through A3	42,319	100.22%	42,172	100.23%
Baa1 through Baa3	279,750	99.85%	281,929	99.85%
Ba1 through Ba3	25,079	90.65%	22,359	89.20%
Total	$ 1,159,939	99.81%	$ 1,361,035	99.82%
S&P ratings category:				
AAA	$ 812,791	100.08%	$ 1,014,575	100.06%
AA+ through AA-	–	–%	2,000	100.00%
A+ through A-	59,274	99.59%	59,699	99.55%
BBB+ through BBB-	265,146	99.05%	262,524	98.99%
BB+ through BB-	1,728	92.65%	1,199	94.78%
No rating provided	21,000	100.00%	21,038	100.00%
Total	$ 1,159,939	99.81%	$ 1,361,035	99.82%
Weighted average rating factor	123		104	
Weighted average original FICO (1)	631		633	
Weighted average original LTV (1)	79.91%		80.02%	

(1) Weighted average only reflects the 30.5% and 25.2%, respectively, of the RMBS in our portfolio that are non-agency.

The constant prepayment rate to balloon, or CPB, on our RMBS at June 30, 2006 and December 31, 2005 was 15%. CPB attempts to predict the percentage of principal that will repay over the next 12 months based on historical principal paydowns. As interest rates rise, the rate of refinancing typically declines, which we believe may result in lower rates of prepayments and, as a result, a lower portfolio CPB.

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Commercial Mortgage-Backed Securities

At June 30, 2006 and December 31, 2005, we held $26.4 million and $27.4 million, respectively, of CMBS at fair value, which is based on market prices provided by dealers, net of unrealized gains of $3,000 and $1,000, respectively, and unrealized losses of $1.5 million and $608,000, respectively. In the aggregate, we purchased our CMBS portfolio at a discount. As of June 30, 2006, the remaining discount to be accreted into income over the remaining lives of the securities was $365,000, which was substantially the same as the $380,000 to be accreted into income at December 31, 2005. These securities are classified as available-for-sale and as a result are carried at their fair market value.

The table below describes the terms of our CMBS as of June 30, 2006 and December 31, 2005 (dollars in thousands). Dollar price is computed by dividing amortized cost by par amount.

	June 30, 2006		December 31, 2005	
	Amortized cost	Dollar price	Amortized cost	Dollar price
Moody's ratings category:				
Baa1 through Baa3	$ 27,957	98.71%	$ 27,970	98.66%
Total	$ 27,957	98.71%	$ 27,970	98.66%
S&P ratings category:				
BBB+ through BBB-	$ 12,204	99.04%	$ 12,225	98.98%
No rating provided	15,753	98.46%	15,745	98.41%
Total	$ 27,957	98.71%	$ 27,970	98.66%
Weighted average rating factor	346		346	

Other Asset-Backed Securities

At June 30, 2006 and December 31, 2005, we held $21.7 million and $21.9 million, respectively, of other ABS at fair value, which is based on market prices provided by dealers, net of unrealized gains of $71,000 and $24,000, respectively, and unrealized losses of $219,000 and $124,000, respectively. In the aggregate, we purchased our other ABS portfolio at a discount. As of June 30, 2006 and December 31, 2005, the remaining discount to be accreted into income over the remaining lives of securities was $203,000 and $25,000, respectively. These securities are classified as available-for-sale and, as a result, are carried at their fair market value.

The table below describes the terms of our other ABS as of June 30, 2006 and December 31, 2005 (dollars in thousands). Dollar price is computed by dividing amortized cost by par amount.

	June 30, 2006		December 31, 2005	
	Amortized cost	Dollar price	Amortized cost	Dollar price
Moody's ratings category:				
Baa1 through Baa3	$ 21,885	99.08%	$ 22,045	99.89%
Total	$ 21,885	99.08%	$ 22,045	99.89%
S&P ratings category:				
BBB+ through BBB-	$ 19,862	98.99%	$ 19,091	99.87%
No rating provided	2,023	100.00%	2,954	100.00%

Total	$	21,885	99.08%	$	22,045	99.89%
Weighted average rating factor		408			398	

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Commercial Real Estate Loans

The following is a summary of the loans in our commercial real estate loan portfolio at the dates indicated (in thousands):

Description	Quantity	Amortized Cost	Interest Rates	Maturity Dates
June 30, 2006:				
A note - whole loan, floating rate	1	$ 20,000	LIBOR plus 1.25%	January 2008
B notes, floating rate	9	147,600	LIBOR plus 1.90% to LIBOR plus 6.25%	January 2007 to April 2008
B note, fixed rate	1	16,700	8.68%	April 2016
Mezzanine loans, floating rate	5	55,500	LIBOR plus 2.25% to LIBOR plus 4.50%	August 2007 to July 2008
Mezzanine loan, floating rate	1	6,500	10 year Treasury rate plus 6.64%	January 2016
Mezzanine loans, fixed rate	4	46,200	5.78% to 9.50%	October 2009 to May 2016
Total	21	$ 292,500		
December 31, 2005:				
B notes, floating rate	7	$ 121,700	LIBOR plus 2.15% to LIBOR plus 6.25%	January 2007 to April 2008
Mezzanine loans, floating rate	4	44,400	LIBOR plus 2.25% to LIBOR plus 4.50%	August 2007 to July 2008
Mezzanine loans, fixed rate	1	5,000	5.78% to 9.50%	October 2009 to May 2016
Total	12	$ 171,100		

Syndicated Bank Loans

At June 30, 2006, we held a total of $603.4 million of syndicated bank loans at fair value all of which are held by and secure the debt issued by Apidos CDO I and Apidos CDO III. At December 31, 2005, we held a total of $400.2 million of syndicated loans at fair value, of which $63.0 million were financed and held on our Apidos CDO III warehouse facility. This facility was subsequently terminated in May 2006 upon the closing of Apidos CDO III. The increase in total syndicated loans was principally due to the Apidos CDO III funding. We own 100% of the equity issued by Apidos CDO I and Apidos CDO III, which we have determined are variable interest entities, or VIEs, and are therefore deemed to be their primary beneficiaries. As a result, we consolidated Apidos CDO I and Apidos CDO III as of June 30, 2006 and December 31, 2005, even though we did not own any of the equity of Apidos CDO III as of December 31, 2005.

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The table below describes the terms of our syndicated bank loan investments as of June 30, 2006 and December 31, 2005 (dollars in thousands). Dollar price is computed by dividing amortized cost by par amount.

	June 30, 2006		December 31, 2005	
	Amortized cost	Dollar price	Amortized cost	Dollar price
Moody's ratings category:				
Ba1 through Ba3	$ 227,422	100.01%	$ 155,292	100.24%
B1 through B3	376,168	100.28%	243,493	100.23%
Caa1 and through Caa3	1,501	100.13%	–	–%
Total	$ 605,091	100.21%	$ 398,785	100.23%
S&P ratings category:				
BBB+ through BBB-	$ 13,592	100.01%	$ 15,347	100.20%
BB+ through BB-	245,267	100.05%	131,607	100.22%
B+ through B-	331,165	100.34%	246,335	100.24%
CCC+ through CCC-	11,640	100.09%	5,496	100.37%
No rating provided	3,427	100.59%	–	–%
Total	$ 605,091	100.21%	$ 398,785	100.23%
Weighted average rating factor	2,098		2,089	

Equipment Leases and Notes

Investments in direct financing leases and notes as of June 30, 2006 and December 31, 2005 were as follows (in thousands):

	June 30, 2006	December 31, 2005
Direct financing leases	$ 21,077	$ 18,141
Notes receivable	56,907	5,176
Total	$ 77,984	$ 23,317

Private Equity Investments

In February 2006, we sold our private equity investment for $2.0 million. We intend to invest in trust preferred securities and private equity investments with an emphasis on securities of small- to middle-market financial institutions, including banks, savings and thrift institutions, insurance companies, holding companies for these institutions and REITS. Trust preferred securities are issued by a special purpose trust that holds a subordinated debenture or other debt obligation issued by a company to the trust.

Interest Receivable

At June 30, 2006, we had interest receivable of $10.2 million, which consisted of $9.7 million of interest on our securities, loans and equipment leases and notes, $374,000 of purchased interest that had been accrued on syndicated and commercial real estate loans purchased and $129,000 of interest earned on sweep accounts. At December 31, 2005, we had interest receivable of $9.3 million, which consisted of $9.1 million of interest on our securities, loans and equipment leases and notes, $172,000 of purchased interest that had been accrued when our securities and loans were purchased and $95,000 of interest earned on escrow and sweep accounts.

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Other Assets

Other assets at June 30, 2006 of $3.0 million consisted primarily of $2.0 million of loan origination costs associated with our trust preferred securities issuance, revolving credit facility, commercial real estate loan portfolio and secured term facility, a $380,000 receivable due in connection with a commercial real estate loan hedging transaction, $345,000 of prepaid directors' and officers' liability insurance.

Other assets at December 31, 2005 of $1.5 million consisted primarily of $1.2 million of prepaid costs, principally professional fees, associated with the preparation and filing with the SEC of a registration statement for our initial public offering and $193,000 of loan origination costs associated with our revolving credit facility, commercial real estate loan portfolio and secured term facility.

Hedging Instruments

As of June 30, 2006 and December 31, 2005, we had entered into hedges with a notional amount of $851.8 million and $987.2 million, respectively. Our hedges at June 30, 2006 and December 31, 2005 were fixed-for-floating interest rate swap agreements whereby we swapped the floating rate of interest on the liabilities we hedged for a fixed rate of interest. The maturities of these hedges range from July 2006 to February 2017 and April 2006 to June 2014, as of June 30, 2006 and December 31, 2005, respectively. At June 30, 2006 and December 31, 2005, the unrealized gain on our interest rate swap agreements and interest rate cap agreement was $6.4 million and $2.8 million, respectively. In an increasing interest rate environment, we expect that the fair value of our hedges will continue to increase. We intend to continue to seek such hedges for our floating rate debt in the future.

Repurchase Agreements

We have entered into repurchase agreements to finance our agency RMBS and commercial real estate loans. These agreements are secured by our agency RMBS and commercial real estate loans and bear interest rates that have historically moved in close relationship to LIBOR. At June 30, 2006, we had established nine borrowing arrangements with various financial institutions and had utilized four of these arrangements, principally our arrangement with Credit Suisse Securities (USA) LLC or CS. None of the counterparties to these agreements are affiliates of the Manager or us.

We seek to renew our repurchase agreements as they mature under the then-applicable borrowing terms of the counterparties to our repurchase agreements. Through June 30, 2006, we have encountered no difficulties in effecting renewals of our repurchase agreements.

At June 30, 2006, we had outstanding $527.7 million of repurchase agreements secured by our agency RMBS with CS, which was substantially lower than our December 31, 2005 outstanding balance of $947.1 million, all of which matured in less than 30 days. This decrease resulted primarily from two events that occurred during the six months ended June 30, 2006:

· the sale of approximately $125.4 million of our agency RMBS portfolio and the corresponding reduction in debt associated with this sale; and

· the completion of the transition of our financing on 19 agency RMBS transactions, originally purchased and financed with CS, to another counterparty, UBS Securities LLC, which is consistent with our strategy as previous discussed in our Annual Report on Form 10-K. This transition eliminates our exposure to same party transactions at June 30, 2006, as covered under SFAS 140.

The weighted average current borrowing rates of repurchase agreements under the CS facility were 5.27% and 4.34% at June 30, 2006 and December 31, 2005, respectively. The repurchase agreements were secured by agency RMBS with an estimated fair value of $545.7 million and $975.3 million at June 30, 2006 and December 31, 2005, respectively, with weighted average maturities of 22 days and 17 days, respectively. The net amount at risk, defined as the sum of the fair value of securities sold plus accrued interest income minus the sum of repurchase agreement liabilities plus accrued interest expense, was $17.3 million and $31.2 million at June 30, 2006 and December 31, 2005, respectively.

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At June 30, 2006, we had outstanding $201.6 million of repurchase agreements secured by our agency RMBS with UBS Securities LLC with a weighted average current borrowing rate of 5.29%, all of which matured in less than 30 days. At June 30, 2006, the repurchase agreements were secured by agency RMBS with an estimated fair value of $208.8 million and a weighted average maturity of 24 days. The net amount at risk was $7.0 million at June 30, 2006. At December 31, 2005, we had no borrowings under repurchase agreements with UBS Securities LLC.

In August 2005, our subsidiary, RCC Real Estate, entered into a master repurchase agreement with Bear, Stearns International Limited to finance the purchase of commercial real estate loans. The maximum amount of borrowing under the repurchase agreement is $150.0 million. Each repurchase transaction specifies its own terms, such as identification of the assets subject to the transaction, sales price, repurchase price, rate and term. We guarantee RCC Real Estate's obligations under the repurchase agreement to a maximum of $150.0 million, of which $102.3 million was guaranteed at June 30, 2006. At June 30, 2006, we had outstanding $102.3 million of repurchase agreements, which was substantially higher than the outstanding balance at December 31, 2005 of $80.6 million, all of which matured in than 30 days. This increase resulted from the purchase of three additional loans. The weighted average current borrowing rates were 6.30% and 5.51% at June 30, 2006 and December 31, 2005, respectively. At June 30, 2006 and December 31, 2005, the repurchase agreements were secured by commercial real estate loans with an estimated fair value of $148.2 million and $116.3 million, respectively, and had weighted average maturities of 17 days each. The net amount of risk was $45.7 million and $36.0 million at June 30, 2006 and December 31, 2005, respectively.

In December 2005, our subsidiary, RCC Real Estate SPE, LLC, entered into a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch to finance the purchase of commercial real estate loans. The maximum amount of our borrowing under the repurchase agreement is $300.0 million. Each repurchase transaction specifies its own terms, such as identification of the assets subject to the transaction, sales price, repurchase price, rate and term. We have guaranteed RCC Real Estate SPE's obligations under the repurchase agreement to a maximum of $30.0 million, which may be reduced based upon the amount of equity we have in the commercial real estate loans held on this facility. Our maximum risk under this guaranty was $10.1 million at June 30, 2006 and $30.0 million at December 31, 2005. At June 30, 2006, we had outstanding $101.1 million of repurchase agreements, which was substantially higher than the outstanding balance at December 31, 2005 of $38.5 million, all of which matured in less than 30 days. This increase resulted from the purchase of six additional loans and three additional fundings on existing loan positions. The weighted average current borrowing rates were 6.54% and 5.68% at June 30, 2006 and December 31, 2005, respectively. At June 30, 2006 and December 31, 2005, the repurchase agreements were secured by commercial real estate loans with an estimated fair value of $145.6 million and $55.0 million, respectively, and had weighted average maturities of 18 days each. The net amount of risk was $44.4 million and $16.7 million at June 30, 2006 and December 31, 2005, respectively.

Collaterized Debt Obligations

As of June 30, 2006, we had executed three CDO transactions. In July 2005, we closed Ischus CDO II, a $400.0 million CDO transaction that provided financing for mortgage-backed and other asset-backed securities. The investments held by Ischus CDO II collateralize $376.0 million of senior notes issued by the CDO vehicle. In August 2005, we closed Apidos CDO I, a $350.0 million CDO transaction that provided financing for syndicated bank loans. The investments held by Apidos CDO I collateralize $321.5 million of senior notes issued by the CDO vehicle. In May 2006, we closed Apidos CDO III, a $285.5 million CDO transaction that provided financing for syndicated bank loans. The investment held by Apidos CDO III collaterized $262.5 million of senior notes issued by the CDO vehicle.

Warehouse Facility

In May 2005, we formed Apidos CDO III and began borrowing on a warehouse facility provided by Citigroup Financial Products, Inc. to purchase syndicated loans. At December 31, 2005, $63.0 million was outstanding under the facility. On May 9, 2006, we terminated our Apidos CDO III warehouse agreement with Citigroup Global Markets Inc. and the warehouse funding liability was replaced with the issuance of long-term debt by Apidos CDO III.

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Trust Preferred Securities

In May 2006, the Company formed RCTI for the sole purpose of issuing and selling trust preferred securities. In accordance with FIN 46R, RCTI is not consolidated into our consolidated financial statements because we are not deemed to be the primary beneficiary of RCTI. We own 100% of the common shares of RCTI, which also issued $25.0 million of preferred shares to unaffiliated investors. Our rights as the holder of the common shares of RCTI are subordinate to the rights of the holders of preferred shares only in the event of a default; otherwise, our economic and voting rights are pari passu with the preferred shareholders. We record our $774,000 as an investment in RCTI's common shares as an investment in an unconsolidated trust and record dividend income upon declaration by RCTI.

In connection with the issuance and sale of the trust preferred securities, we issued a $25.8 million junior subordinated debenture to RCTI. The junior subordinated debenture debt issuance costs are deferred in other assets in the consolidated balance sheets. We record interest expense on the junior subordinated debenture and amortization of debt issuance costs in our consolidated statements of operations.

Term Facility

In March 2006, we entered into a secured term credit facility with Bayerische Hypo - und Vereinsbank AG, New York Branch to finance the purchase of equipment leases and notes. The maximum amount of our borrowing under this facility is $100.0 million. At June 30, 2006, $73.3 million was outstanding under the facility. The facility bears interest at one of two rates, determined by asset class.

- Pool A - one-month LIBOR plus 1.10%; or
- Pool B - one-month LIBOR plus 0.80%.

The weighted average interest rate was 7.39% at June 30, 2006.

Credit Facility

In December 2005, we entered into a $15.0 million corporate credit facility with Commerce Bank, N.A. This facility was increased to $25.0 million in April 2006. The unsecured revolving credit facility permits us to borrow up to the lesser of the facility amount and the sum of 80% of the sum of our unsecured assets rated higher than Baa3 or better by Moody's and BBB- or better by Standard and Poor's plus our interest receivables plus 65% of our unsecured assets rated lower than Baa3 by Moody's and BBB- from Standard and Poor's. Up to 20% of the borrowings under the facility may be in the form of standby letters of credit. At June 30, 2006, no balance was outstanding under this facility.

Stockholders' Equity

Stockholders' equity at June 30, 2006 was $225.5 million and included $23.0 million of net unrealized losses on securities classified as available-for-sale, offset by $6.4 million of unrealized gains on cash flow hedges, shown as a component of accumulated other comprehensive loss. The unrealized losses consist of $22.0 million of net unrealized losses on our agency RMBS portfolio and $985,000 of net unrealized losses on our non-agency RMBS, CMBS, and other ABS portfolio. Stockholders' equity at December 31, 2005 was $195.3 million and included $22.4 million of net unrealized losses on securities classified as available-for-sale, offset by $2.8 million of unrealized gains on cash flow hedges, shown as a component of accumulated other comprehensive loss. The unrealized losses consist of $12.9 million of net unrealized losses on our agency RMBS portfolio, $9.4 million of net unrealized losses on our non-agency RMBS, CMBS, and other ABS portfolio and a $30,000 unrealized loss on a private equity investment. The increase during the six months ended June 30, 2006 was principally due to the completion of our initial public offering of 4,000,000 shares of our common stock (including 1,879,200 shares sold by certain selling stockholders) at a price of $15.00 per share. The offering generated net proceeds of $27.3 million after deducting underwriters' discounts and commissions and offering expenses.

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As a result of our ‘‘available-for-sale’’ accounting treatment, unrealized fluctuations in market values of assets do not impact our income determined in accordance with GAAP, or our taxable income, but rather are reflected on our consolidated balance sheets by changing the carrying value of the asset and stockholders' equity under ‘‘Accumulated Other Comprehensive Income (Loss).’’ By accounting for our assets in this manner, we hope to provide useful information to stockholders and creditors and to preserve flexibility to sell assets in the future without having to change accounting methods.

Estimated REIT Taxable Income

We calculate estimated REIT taxable income, which is a non-GAAP financial measure, according to the requirements of the Internal Revenue Code. The following table reconciles net income to estimated REIT taxable income for the periods presented (in thousands):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Period Ended June 30, 2005
Net income	$ 6,066	$ 2,280	$ 11,217	$ 2,232
Additions:				
Share-based compensation to related parties	240	827	822	1,036
Incentive management fee expense to related party paid in shares	77	–	108	–
Capital losses from the sale of available-for-sale securities	–	–	1,411	–
Estimated REIT taxable income	$ 6,383	$ 3,107	$ 13,558	$ 3,268

We believe that a presentation of estimated REIT taxable income provides useful information to investors regarding our financial condition and results of operations as this measurement is used to determine the amount of dividends that we are required to declare to our stockholders in order to maintain our status as a REIT for federal income tax purposes. Since we, as a REIT, expect to make distributions based on taxable earnings, we expect that our distributions may at times be more or less than our reported earnings. Total taxable income is the aggregate amount of taxable income generated by us and by our domestic and foreign taxable REIT subsidiaries. Estimated REIT taxable income excludes the undistributed taxable income of our domestic taxable REIT subsidiary, if any such income exists, which is not included in REIT taxable income until distributed to us. There is no requirement that our domestic taxable REIT subsidiary distribute its earning to us. Estimated REIT taxable income, however, includes the taxable income of our foreign taxable REIT subsidiaries because we will generally be required to recognize and report their taxable income on a current basis. We use estimated REIT taxable income for this purpose. Because not all companies use identical calculations, this presentation of estimated REIT taxable income may not be comparable to other similarly-titled measures of other companies.

Liquidity and Capital Resources

Through June 30, 2006, our principal sources of funds were the net proceeds from our March 2005 private placement, net proceeds from our February 2006 public offering, net proceeds from our May 2006 trust preferred securities issuance, repurchase agreements totaling $934.1 million, CDO financings totaling $946.5 million and an equipment leasing secured term facility totaling $73.3 million. We expect to continue to borrow funds in the form of repurchase agreements to finance our agency RMBS and commercial real estate loan portfolios, through warehouse agreements to finance our non-agency RMBS, CMBS, other ABS, syndicated bank loans, trust preferred securities and private equity investments and through our secured term facility to finance our equipment leases and notes prior to the execution of CDOs and other term financing vehicles.

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Our liquidity needs consist principally of funds to make investments, make distributions to our stockholders and pay our operating expenses, including our management fees. Our ability to meet our liquidity needs will be subject to our ability to generate cash from operations and, with respect to our investments, our ability to obtain additional debt financing and equity capital. Through June 30, 2006, we have not experienced difficulty utilizing any of our repurchase agreements. We may increase our capital resources through offerings of equity securities (possibly including common stock and one or more classes of preferred stock), CDOs, trust preferred securities issuances or other forms of term financing. Such financing will depend on market conditions. If we are unable to renew, replace or expand our sources of financing on substantially similar terms, we may be unable to implement our investment strategies successfully and may be required to liquidate portfolio investments. If required, a sale of portfolio investments could be at prices lower than the carrying value of such assets, which would result in losses and reduced income.

We held cash and cash equivalents of $3.6 million at June 30, 2006. In addition, we held $39.9 million of available-for-sale securities that had not been pledged as collateral under our repurchase agreements at June 30, 2006.

We entered into a $15.0 million credit facility with Commerce Bank, N.A., in December 2005. In April 2006, this facility was increased to $25.0 million. At June 30, 2006, no borrowings were outstanding under this facility.

We entered into a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch, an affiliate of Deutsche Bank Securities, Inc. for a maximum of $300.0 million to finance our commercial real estate loan portfolio. As of June 30, 2006, we had $101.1 million outstanding under this agreement.

We entered into a master repurchase agreement with Bear, Stearns International Limited for a maximum of $150.0 million to finance our commercial real estate loan portfolio. As of June 30, 2006, we had $102.3 million outstanding under this agreement.

We entered into a $100.0 million secured term credit facility with Bayerische Hypo - und Vereinsbank AG, New York Branch to finance the purchase of equipment leases and notes, in March 2006. At June 30, 2006, we had $73.3 million outstanding under the facility.

We anticipate that, upon repayment of each borrowing under a repurchase agreement, we will immediately use the collateral released by the repayment as collateral for borrowing under a new repurchase agreement. We also anticipate that our borrowings under any warehouse credit facility will be refinanced through the issuance of CDOs. Our leverage ratio may vary as a result of the various funding strategies we use. As of June 30, 2006 and December 31, 2005, our leverage ratio was 8.8 times and 9.4 times, respectively. This decrease was primarily due to the proceeds received from our initial public offering in February 2006. Our target leverage ratio is eight to 12 times.

We have entered into master repurchase agreements with CS, Barclays Capital Inc., J.P. Morgan Securities Inc., Countrywide Securities Corporation, Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Goldman Sachs & Co., Bear, Stearns International Limited and UBS Securities LLC. As of June 30, 2006, we had $527.7 million outstanding under our agreement with CS and $201.6 million outstanding under our agreement with UBS Securities LLC to finance our agency RMBS portfolio.

We had a warehouse facility with Citigroup Financial Products, Inc. pursuant to which it would provide up to $200.0 million of financing for the acquisition of syndicated bank loans to be sold to Apidos CDO III. On May 9, 2006, we terminated our Apidos CDO III warehouse agreement with Citigroup Global Markets Inc. and the warehouse funding liability was replaced with the issuance of long-term debt by Apidos CDO III.

In order to maintain our qualification as a REIT and to avoid corporate-level income tax on the income we distribute to our stockholders, we intend to make regular quarterly distributions of all or substantially all of our net taxable income to holders of our common stock. This requirement can impact our liquidity and capital resources.

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During the quarter ended June 30, 2006, we declared a dividend of $6.4 million or $0.36 per common share, which was paid on July 21, 2006 to stockholders of record as of June 29, 2006.

Contractual Obligations and Commitments

The table below summarizes our contractual obligations as of June 30, 2006. The table below excludes contractual commitments related to our derivatives, which we discuss in our Annual Report on Form 10-K for fiscal 2005 in Item 7A – "Quantitative and Qualitative Disclosures about Market Risk," and the management agreement that we have with our Manager, which we discuss in our Annual Report on Form 10-K for fiscal 2005 in Item 1 – "Business" – and Item 13 – "Certain Relationships and Related Transactions" because those contracts do not have fixed and determinable payments.

	Contractual commitments (in thousands)				
	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Repurchase agreements[1]	$ 934,060	$ 934,060	$ –	$ –	$ –
CDOs	946,526	–	–	–	946,526
Secured term facility	73,343	–	–	73,343	–
Junior subordinated debenture held by an unconsolidated trust that issued trust preferred securities	25,774	–	–	–	25,774
Base management fees[2]	3,702	3,702	–	–	–
Total	$ 1,983,405	$ 937,762	$ –	$ 73,343	$ 972,300

(1) Includes accrued interest of $1.3 million.
(2) Calculated only for the next 12 months based on our current equity, as defined in our management agreement.

At June 30, 2006, we had nine interest rate swap contracts and four forward interest rate swap contracts with a notional value of $836.8 million. These contracts are fixed-for-floating interest rate swap agreements under which we contracted to pay a fixed rate of interest for the term of the hedge and will receive a floating rate of interest. As of June 30, 2006, the average fixed pay rate of our interest rate hedges was 4.67% and our receive rate was one-month and three-month LIBOR, or 5.14%. As of June 30, 2006, the average fixed pay rate of our forward interest rate hedges was 5.65% and our receive rate was one-month and three-month LIBOR. Three of our forward interest rate swap contracts that were to become effective in August 2006 were terminated subsequent to June 30, 2006 and one remaining forward interest rate swap contract will become effective in February 2007.

At June 30, 2006, we also had one interest rate cap with a notional value of $15.0 million. This cap reduces our exposure to the variability in future cash flows attributable to changes in LIBOR.

Off-Balance Sheet Arrangements

As of June 30, 2006, other than RCTI as previously discussed in "Summary of Financial Condition - Trust Preferred Securities", we did not maintain any other relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities or VIEs, established for the purpose of facilitating off-balance sheet arrangements or contractually narrow or limited purposes. Further, as of June 30, 2006, we had not guaranteed any obligations of unconsolidated entities or entered into any commitment or intent to provide additional funding to any such entities.

Recent Developments

On August 7, 2006, we closed an offering for $25.0 million in unsecured trust preferred securities through a wholly-owned Delaware statutory trust, RCC Trust II. We intend to issue the trust preferred securities and fund the offering on or before September 15, 2006. The securities bear a floating rate of interest equal to three-month LIBOR plus 3.95%. The securities mature on October 30, 2036 and may be called at par by the Company any time after October 30, 2011.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2006 and December 31, 2005, the primary component of our market risk was interest rate risk, as described below. While we do not seek to avoid risk completely, we do seek to assume risk that can be quantified from historical experience, to actively manage that risk, to earn sufficient compensation to justify assuming that risk and to maintain capital levels consistent with the risk we undertake or to which we are exposed.

The following sensitivity analysis tables show, at June 30, 2006 and December 31, 2005, the estimated impact on the fair value of our interest rate-sensitive investments and liabilities of changes in interest rates, assuming rates instantaneously fall 100 basis points and rise 100 basis points (dollars in thousands):

	June 30, 2006		
	Interest rates fall 100 basis points	**Unchanged**	**Interest rates rise 100 basis points**
Hybrid adjustable-rate agency RMBS and other ABS(1)			
Fair value	$ 847,353	$ 825,794	$ 805,227
Change in fair value	$ 21,559	$ –	$ (20,567)
Change as a percent of fair value	2.61%	–	2.49%
Repurchase and secured term facility (2)			
Fair value	$ 1,007,403	$ 1,007,403	$ 1,007,403
Change in fair value	$ –	$ –	$ –
Change as a percent of fair value	–	–	–
Hedging instruments			
Fair value	$ (12,631)	$ 6,673	$ 12,778
Change in fair value	$ (19,304)	$ –	$ 6,105
Change as a percent of fair value	n/m	–	n/m

	December 31, 2005		
	Interest rates fall 100 basis points	**Unchanged**	**Interest rates rise 100 basis points**
Hybrid adjustable-rate agency RMBS and other ABS(1)			
Fair value	$ 1,067,628	$ 1,038,878	$ 1,011,384
Change in fair value	$ 28,750	$ –	$ (27,494)
Change as a percent of fair value	2.77%	–	2.65%
Repurchase and warehouse agreements (2)			
Fair value	$ 1,131,238	$ 1,131,238	$ 1,131,238
Change in fair value	$ –	$ –	$ –
Change as a percent of fair value	–	–	–
Hedging instruments			
Fair value	$ (4,651)	$ 3,006	$ 4,748
Change in fair value	$ (7,657)	$ –	$ 1,742
Change as a percent of fair value	n/m	–	n/m

(1) Includes the fair value of other available-for-sale investments that are sensitive to interest rate changes.

(2) The fair value of the repurchase agreements and the secured term facility would not change materially due to the short-term nature of these instruments.

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For purposes of the tables, we have excluded our investments with variable interest rates that are indexed to LIBOR. Because the variable rates on these instruments are short-term in nature, we are not subject to material exposure to movements in fair value as a result of changes in interest rates.

It is important to note that the impact of changing interest rates on fair value can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the fair value of our assets could increase significantly when interest rates change beyond 100 basis points from current levels. In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of our assets would likely differ from that shown above and such difference might be material and adverse to our stockholders.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1 (1)	Restated Certificate of Incorporation of Resource Capital Corp.
3.2 (1)	Amended and Restated Bylaws of Resource Capital Corp.
4.1 (1)	Form of Certificate for Common Stock for Resource Capital Corp.
4.2	Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., as Trustee, dated May 25, 2006.
4.3	Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated May 25, 2006.
4.4	Junior Subordinated Note due 2036 in the principal amount of $25,774,000, dated May 25, 2006.
10.1 (1)	Registration Rights Agreement among Resource Capital Corp. and Credit Suisse Securities (USA) LLC for the benefit of certain holders of the common stock of Resource Capital Corp., dated as of March 8, 2005.
10.2 (1)	Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of March 8, 2005.
10.3 (1)	2005 Stock Incentive Plan
10.4 (1)	Form of Stock Award Agreement
10.5 (1)	Form of Stock Option Agreement
10.6 (1)	Form of Warrant to Purchase Common Stock
10.7	Junior Subordinated Note Purchase Agreement by and between Resource Capital Corp., Resource Capital Trust I and Wells Fargo Bank, N.A., as trustee, dated May 25, 2006.
31.1	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification of Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

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(1) Filed previously as an exhibit to our registration statement on Form S-11, Registration No. 333-126517.

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SIGNATURES

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

	RESOURCE CAPITAL CORP. **(Registrant)**
Date: August 10, 2006	By: /s/ Jonathan Z. Cohen Jonathan Z. Cohen Chief Executive Officer and President
Date: August 10, 2006	By: /s/ David Bryant David J. Bryant Chief Financial Officer and Chief Accounting Officer

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