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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2002 **Commission file number 0-8360**

IHOP CORP.

(Exact name of registrant as specified in its charter)

Delaware	**95-3038279**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
450 North Brand Boulevard, Glendale, California	**91203-2306**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (818) 240-6055

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	**New York Stock Exchange**

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12-b-2). Yes ☒ No ☐

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2002: $605 million.

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

Class	Outstanding as of January 31, 2003
Common Stock, $.01 par value	21,279,500

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on Tuesday, May 20, 2003 (the "2003 Proxy Statement") are incorporated by reference into Part III.

PART I

Item 1. Business.

a. General Development of Business

IHOP Corp. (referred to herein as "IHOP" or the "Company") was incorporated under the laws of the State of Delaware in 1976. In July 1991, IHOP completed an initial public offering of common stock. There were no significant changes to our corporate structure during

2002.

IHOP Corp.'s principal executive offices are located at 450 North Brand Boulevard, Glendale, California and our telephone number is (818) 240-6055. Our website is located at www.ihop.com. We make all of our filings with the Securities and Exchange Commission available free of charge on our website as soon as reasonably practicable after such reports have been filed with or furnished to the SEC. The information contained on our website is not incorporated into this Annual Report on Form 10-K.

This Annual Report on Form 10-K should be read in conjunction with the cautionary statements on page 12.

b. Financial Information about Industry Segments

IHOP is engaged in the development, operation and franchising of International House of Pancakes restaurants primarily in the United States. Information about our revenues, operating profits and assets is contained in Part II, Item 6 of this Annual Report on Form 10-K.

c. Narrative Description of Business

Recent Developments

On January 13, 2003 the Company announced significant changes in the way we conduct our business. These include a transition from Company-financed restaurant development to a more traditional franchise development model, in which franchisees finance and develop their new restaurants.

General

IHOP Corp. and its subsidiaries develop, operate and franchise International House of Pancakes restaurants, one of America's best-known, national, family restaurant chains. At December 31, 2002, there were 1,103 IHOP restaurants. Franchisees operated 902 of these restaurants, area licensees operated 125 restaurants, and IHOP operated 76 restaurants. Franchisees and area licensees are independent third parties who operate their restaurants under legal agreements with IHOP. IHOP restaurants are located in 45 states and Canada.

IHOP restaurants feature table service and moderately priced, high-quality food and beverage items in an attractive and comfortable atmosphere. Although the restaurants are best known for their award-winning pancakes, omelets and other breakfast specialties, IHOP restaurants offer a broad array of lunch, dinner and snack items as well. They are open throughout the day and evening hours, and some operate 24 hours a day.

Franchisees and area licensees operate more than 90% of IHOP restaurants. Our approach to franchising is founded on the franchisees' active involvement in the day-to-day operations of their respective restaurants. We are selective in granting franchises and we prefer to franchise to those who intend to be active in the management of their restaurant(s), rather than to passive investors or investment groups.

We seek to increase our revenues and profits by focusing on several areas of our business. These areas include: (1) development and franchising of new IHOP restaurants, (2) marketing, advertising and product development programs aimed at attracting new guests and retaining our existing customers, and (3) implementation of restaurant-level operating changes designed to improve sales and profitability.

Restaurant Development

Prior to the January 13, 2003 announcement mentioned in **Recent Developments** above, IHOP financed and developed the large majority of new IHOP restaurants prior to franchising them (the "Old Model"). Under the Old Model, when the restaurant was ultimately franchised, we became the franchisee's landlord. Our new business model (the "New Model") relies on franchisees to finance and develop their own IHOP restaurants. Under the New Model, IHOP will approve the franchisees' proposed sites but will not contribute capital or become the franchisee's landlord.

The Company views 2003 as a transition year as we implement our New Model. The Company expects to finance, develop and franchise approximately 55 to 60 IHOP restaurants under the Old Model in 2003. The New Model contemplates that franchisees will finance and develop approximately 20 to 25 IHOP restaurants in 2003 and we expect that substantially all new IHOP restaurants will be financed and developed by franchisees or area licensees in 2004 and thereafter. In 2002, we developed 86 new restaurants, and our franchisees and area licensees developed an additional 15 new restaurants. Currently area licensees located in Florida and British Columbia, Canada operate 12% of IHOP restaurants.

Regardless of the business model, new IHOP restaurants are developed after a stringent site selection process supervised by our senior management. We expect to add restaurants to the IHOP system in major markets where we already have a core customer base. We believe that concentrating growth in existing markets allows us to achieve economies of scale in our supervisory and advertising functions. We also look to strategically add restaurants in new markets in which we have no presence or our presence is limited. This occurs primarily where these new markets are geographically near to existing markets and present significant business opportunities.

The development process involves obtaining rights to land either through a purchase of fee property, or through ground or "build to suit" leases. A "build to suit" lease is one in which the landlord provides the capital to construct and equip the restaurant. Fee and ground lease

properties are developed with either our own capital or capital furnished by the franchisee, as applicable. The mix of fee properties, ground leases and "build to suit" leases is not predictable. However, our recent experience has increasingly been to obtain rights to land via ground leases.

In 2002, we primarily built two types of new free-standing restaurant buildings. The larger format restaurant is approximately 4,900 square feet in size and contains 176 seats. The second building type is designed for use in smaller, high-potential markets. It is approximately 4,000 square feet in size and seats about 134 people. We also purchased and converted existing buildings into IHOP restaurants. The square footage and number of seats in a restaurant conversion vary by location. In 2002, restaurant conversions averaged 128 seats per restaurant. Our older A-Frame style restaurants, which have not been built since 1985, contain approximately 3,000 square feet and about 100 seats. At times we acquire existing restaurants and convert them to IHOP restaurants. Of the 86 new IHOP restaurants we developed in 2002, 14 were the larger format building, 65 were the smaller format building, and 7 were restaurant conversions or leased space in multi-tenant buildings.

To the greatest extent possible, subject to local zoning restrictions, we continue to use our familiar signature blue color on the roof, awnings and other exterior decor of our restaurants.

The table below sets forth our average development cost per restaurant in 2002. For leased restaurants the discounted present value of the lease and any additional sums paid to acquire the lease have been allocated to land, building and site improvements and other costs, as appropriate.

	Average Per Restaurant
Land	$ 634,000
Building	824,000
Equipment	353,000
Site improvements and other costs	198,000
Total	$ 2,009,000

New IHOP restaurants that opened in 2001 realized average sales of approximately $1,586,000 per restaurant in their first twelve full months of operations.

Franchising

As discussed above, the Company views 2003 as a year of transition from the Old Model to the New Model. Accordingly, our franchising activities will include both models in 2003. For clarity of presentation, the discussion is separated between those activities specific to the Old Model and those which apply to the New Model.

Old Model

Under the Old Model, when we develop a restaurant we identify the site for the new restaurant, purchase the site or lease it from a third party, and build the restaurant and equip it with all required equipment. We select and train the franchisee and supervisory personnel who will operate the restaurant. In addition, we finance approximately 80% of the franchise fee and lease the restaurant and equipment to the franchisee. After the franchisee is operating the restaurant, we provide continuing support with respect to operations, marketing and new product development.

Our involvement in the development of new restaurants allows IHOP to charge a franchise and development fee. In addition, we derive income from the financing of the franchise and development fee and from the leasing of property and equipment to franchisees. However, we also incur obligations in the development, franchising and start-up operations of the new restaurants.

Under the Old Model, the new restaurants are often franchised to current franchisees or restaurant managers who already understand IHOP's approach to the restaurant business. In the past five years, sales to existing franchisees and IHOP employees, or to their immediate families, constituted approximately 74% of franchise sales transactions.

An initial franchise fee of approximately $200,000 to $375,000 is generally required for a newly developed restaurant, depending on the site. The franchisee typically pays approximately 20% of the initial franchise fee in cash, and we finance the remaining amount over five to eight years. We also receive continuing revenues from the franchisee as follows: (1) a royalty equal to 4.5% of the restaurant's sales; (2) income from the leasing of the restaurant and related equipment; (3) revenue from the sale of certain proprietary products, primarily pancake mixes; (4) a local advertising fee equal to about 2% of the restaurant's sales, which is usually collected by IHOP and then paid to a local advertising cooperative; and (5) a national advertising fee equal to 1% of the restaurant's sales.

New Model

Under the New Model, IHOP's approach to franchising will be similar to that of most of our franchising competitors in the foodservice

industry. Franchisees can undertake individual store development or multi-store development. Under the single store development program, the franchisee will be required to pay a non-refundable location fee of $15,000. If the proposed site is approved for development, the location fee of $15,000 will be credited against an initial franchise fee of $50,000. The

franchisee will then use his or her own capital and financial resources to acquire a site, build and equip the business and to fund working capital needs.

In addition to offering franchises for individual restaurants, the Company intends to enter into multi-store development agreements with qualified franchisees. These multi-store development agreements will provide franchisees with an exclusive right to develop new IHOP restaurants in designated geographic territories for a specified period of time. Multi-store developers will be required to develop and operate a specified number of restaurants according to an agreed upon development schedule. Multi-store developers will be required to pay a development fee of $20,000 for each restaurant to be developed under a multi-store development agreement. Additionally, for each store which is actually developed, there will be an initial franchise fee of $40,000 against which the development fee of $20,000 will be credited. The number of stores and the schedule of stores to be developed under multi-store development agreements will be negotiated on an agreement by agreement basis. Therefore, the total development and initial franchise fees will be subject to the outcome of those negotiations. With respect to restaurants developed under the New Model, the Company will receive continuing revenues from the franchisee as follows: (1) a royalty equal to 4.5% of the restaurant's sales; (2) revenue from the sale of certain proprietary products, primarily pancake mixes; (3) a local advertising fee equal to about 2% of the restaurant's sales, which is usually paid to a local advertising cooperative; and (4) a national advertising fee equal to 1% of the restaurant's sales.

It is the Company's expectation that under the New Model a larger proportion of restaurants will be franchised to people who are new to the IHOP system. While there is no specific profile for franchise candidates, the Company expects to market franchises to existing multi-unit operators who currently own and operate restaurants in other non-competing segments of the restaurant business, e.g. quick service restaurants or casual dining.

Area License Agreements

We have entered into long-term area licensing agreements covering the state of Florida and the southern-most counties of Georgia and the province of British Columbia, Canada. As of December 31, 2002, the area licensee for the state of Florida and certain counties in Georgia operated or sub-franchised a total of 125 IHOP restaurants and the area licensee for the province of British Columbia, Canada operated or sub-franchised a total of 12 IHOP restaurants. The area license agreements provide for royalties ranging from 0.5% to 2% of sales, and advertising fees of 0.25% of sales and give the area licensees the right to develop new IHOP restaurants in their territories. We also derive revenue from the sale of proprietary products to these area licensees and their sub-franchisees. We treat the revenues from our area licensees as franchise operations revenues for financial reporting purposes.

Make-up of Franchise System

The table below sets forth information regarding the distribution of single-unit and multi-unit franchisees in the IHOP system. It does not include information concerning our area licensees or their sub-franchisees.

Number of Units Held by Franchisee	Franchises	Percent of Total
One	208	57.5%
Two to Five	124	34.2%
Six to Ten	17	4.7%
Eleven to Fifteen	5	1.4%
Sixteen and over	8	2.2%
Total Number of Franchisees	362	100%

Restaurant Operations and Support

It is our goal to make every dining experience at an IHOP restaurant a satisfying one. Our franchisees and managers of company-operated restaurants always strive to exceed guests' expectations. We hold firm to the belief that a satisfied customer will be a repeat customer and will tell others about our restaurants. To ensure that our guests' expectations are fulfilled, all restaurants are operated in accordance with uniform operating standards and specifications relating to the quality and preparation of menu items, selection of menu items, maintenance, repair and cleanliness of premises, and the appearance and conduct of employees.

Our Operations Department is charged with ensuring that these high standards are met at all times. We have developed our operating standards in consultation with our franchisee operators. These standards are detailed in our Manual of Standard Operating Procedures.

Each restaurant is assigned an Operations Consultant. He or she regularly visits and evaluates the restaurant to ensure that it remains

in compliance with the operating guidelines and procedures. At least twice per year, the Operations Consultant conducts a comprehensive written evaluation of every aspect of the restaurant's operations. The Operations Consultant then meets with the franchisee or manager to discuss the results of the evaluation and develop a plan to address any areas needing improvement.

The IHOP menu offers a large selection of high-quality, moderately priced products designed to appeal to a broad customer base. These include a wide variety of pancakes, waffles, omelets and breakfast specialties, chicken, steak, sandwiches, salads and lunch and dinner specialties. Most IHOP restaurants offer special items for children and seniors at reduced prices. In recognition of local tastes, IHOP restaurants typically offer regional specialties that complement the IHOP core menu. Our Research and Development Department works together with franchisees and our Operations and Marketing Departments to continually develop new menu ideas. These new menu items are thoroughly evaluated in our test kitchen and in limited regional tests before being introduced throughout the system. The purpose of adding new items to our menu is to be responsive to our guests' needs and requests, and to keep the menu fresh and appealing to our customers.

Training is ongoing at all IHOP restaurants. A prospective franchisee is required to participate in an extensive training program before he or she is first sold a franchise. The training program involves classroom study and hands-on operational training in one of our regional training restaurants. Each franchisee learns to cook, wait on tables, serve as a host, wash dishes and perform each of the other tasks necessary to operate a successful restaurant. New restaurant opening teams provide on-site instruction to restaurant employees to assist in the opening of most new IHOP restaurants.

The Company offers additional training courses from time to time on subjects such as selling, customer service and managing people.

Marketing and Advertising

Most IHOP franchisees and company-operated restaurants contribute about 2% of sales to local advertising cooperatives. The Company also provides advertising funds to these cooperatives. The advertising co-ops use these funds to purchase television advertising time, radio advertising time and place advertisements in printed media or direct mail. In addition to television advertising, IHOP encourages local area marketing by its franchisees. These marketing programs include discounts and specials aimed at increasing customer traffic and encouraging repeat business. Prior to 2003, nearly all television advertising was purchased on a market by market basis. The Company intends to devote a substantial portion of its advertising budget in 2003 to national television advertising, in recognition of the national scope of the chain and the economies of scale available to national advertisers. In 2003, local advertising co-ops plan to expend additional sums for television advertising in their respective markets.

Company-Operated Restaurants

Company-operated restaurants are those restaurants newly developed by IHOP that have not yet been franchised and those restaurants reacquired by us through negotiation or franchisee defaults. The type and number of company-operated restaurants varies from time to time as we develop new restaurants, reacquire franchised restaurants and franchise new and reacquired restaurants.

Restaurants that we reacquire from franchisees typically require investment in remodeling and rehabilitation before being refranchised. They may remain as company-operated restaurants for a substantial period of time. As a consequence, a significant number of company-operated restaurants are likely to incur operating losses during the initial period of their rehabilitation. At the end of 2002, the Company operated a total of 76 IHOP restaurants.

Remodeling and Refranchising Program

Restaurants that we reacquire are often underperforming as a result of having been poorly operated and physically neglected. When we reacquire a restaurant, we begin a multi-step rehabilitation program for that restaurant. First these restaurants are physically rehabilitated, then we hire and train the restaurant staff. After these first steps are completed, we implement new marketing and operations programs designed to regain the business of former guests and attract new patrons. After a restaurant has been rehabilitated and its sales volume reaches acceptable levels, the restaurant is refranchised to a qualified franchisee. In the past five years IHOP reacquired a total of 72 restaurants from franchisees and subsequently closed 14 of those restaurants. In those same years, a total of 50 restaurants were refranchised.

We also require most of our franchisees, and strongly encourage all of our franchisees, to periodically remodel their restaurants. In most instances, we require that our restaurants be remodeled at least every 5 years.

Purchasing

IHOP has entered into supply contracts for pancake mixes and pricing agreements for various other products, including pork products, coffee, soft drinks and juices, to ensure the availability of quality products at competitive prices. We also have negotiated agreements with food distribution companies to limit markups charged on food and restaurant supplies purchased by individual IHOP restaurants.

Competition and Markets

The restaurant business is highly competitive and is affected by, among other things, changes in eating habits and preferences, local, regional and national economic conditions, population trends and traffic patterns. The principal bases of competition in the industry are the type, quality and price of the food products served. Additionally, restaurant location, quality and speed of service, advertising, name

identification and attractiveness of facilities are important.

The acquisition of sites is also highly competitive. We are often competing with other restaurant chains and retail businesses for suitable sites for the development of new restaurants.

Foodservice chains in the United States include the following segments: quick-service sandwich, chicken, pizza, family restaurant, dinner house, buffet, hotel restaurant and contract/catering. Differentiated chains competing within their segments against each other and local, single-outlet operators characterize the current structure of the U.S. restaurant and institutional foodservice market.

Information published in 2002 by *The Nations Restaurant News* ranked IHOP 27th out of the top 100 foodservice chains based on estimated fiscal 2002 system-wide sales in the United States. The same publication included 10 family restaurant chains in its top 100 chains, and IHOP ranked third in this segment. During December 2002, based on a nationwide sample of IHOP company-operated and

franchised restaurants, the approximate guest check average per IHOP customer was $7.36. The guest check average for the year 2001 was $7.00.

Trademarks and Service Marks

We have registered our trademarks and service marks with the United States Patent and Trademark Office. These include "International House of Pancakes," "IHOP" and variations of each, as well as "Any Time's a Good Time for IHOP," "The Home of the Never Empty Coffee Pot," "Rooty Tooty Fresh 'N Fruity," and "Harvest Grain 'N Nut." We also register new trademarks and service marks from time to time. We are not aware of any infringing uses that could materially affect our business or any prior claim to these marks that would prevent us from using or licensing the use thereof for restaurants in any area of the United States. We have also registered our trademarks and service marks and variations thereof in Canada for use by our current licensees. Where feasible and appropriate, we register our trademarks and service marks in other nations for future use. Our current registered trademarks and service marks will expire, unless renewed, at various dates from 2003 to 2012. We routinely apply to renew our active trademarks prior to their expiration.

Seasonality

IHOP's business, like that of most restaurant companies, is somewhat seasonal. Our restaurants generally experience greater customer traffic and sales in the summer months and during various holidays when children are out of school and family vacations are more frequent. Restaurants in some resort areas and warm weather climates tend to experience greater customer traffic and sales in the winter months.

Government Regulation

IHOP is subject to various federal, state and local laws affecting our business as well as a variety of regulatory provisions relating to zoning of restaurant sites, sanitation, health and safety. As a franchisor, we are subject to state and federal laws regulating various aspects of franchise operations and sales. These laws impose registration and disclosure requirements on franchisors in the offer and sale of franchises. In certain cases, they also apply substantive standards to the relationship between franchisor and franchisee, including primarily defaults, termination, non-renewal of franchises, and the potential impact of new IHOP restaurants on sales levels at existing IHOP restaurants. Environmental requirements have not had a material effect on the operations of our Company-operated restaurants or the restaurants of our franchisees.

Various federal and state labor laws govern our relationships with our employees. These include such matters as minimum wage requirements, overtime and other working conditions. Significant additional government-imposed increases in minimum wages, paid leaves of absence, mandated health benefits or increased tax reporting and tax payment requirements with respect to employees who receive gratuities could, however, be detrimental to the economic viability of franchisee-operated and company-operated IHOP restaurants.

Employees

At December 31, 2002, we employed 4,392 persons, of whom 291 were full-time, non-restaurant, corporate personnel.

Item 2. Properties.

The table below shows the location and status of the 1,103 IHOP restaurants as of December 31, 2002:

Location	Franchise	Company-Operated	Area License	Total
United States				
Alabama	13	4	0	17

Alaska	1	0	0	1
Arizona	26	0	0	26
Arkansas	9	0	0	9
California	208	4	0	212
Colorado	26	3	0	29
Connecticut	8	0	0	8
Delaware	2	0	0	2
Florida	0	0	124	124
Georgia	43	2	1	46
Hawaii	1	0	0	1
Idaho	5	1	0	6
Illinois	36	5	0	41
Indiana	8	2	0	10
Iowa	6	2	0	8
Kansas	9	0	0	9
Louisiana	13	0	0	13
Maine	1	0	0	1
Maryland	22	5	0	27
Massachusetts	13	0	0	13
Michigan	7	9	0	16
Minnesota	1	1	0	2
Mississippi	8	0	0	8
Missouri	18	2	0	20
Nebraska	4	1	0	5
Nevada	18	0	0	18
New Hampshire	2	0	0	2
New Jersey	29	4	0	33
New Mexico	8	0	0	8
New York	36	3	0	39
North Carolina	26	2	0	28
Ohio	5	0	0	5
Oklahoma	15	0	0	15
Oregon	7	7	0	14
Pennsylvania	12	3	0	15
Rhode Island	1	0	0	1
South Carolina	16	0	0	16
Tennessee	21	3	0	24
Texas	133	0	0	133
Utah	12	0	0	12
Virginia	38	1	0	39
Washington	14	12	0	26
West Virginia	1	0	0	1
Wisconsin	7	0	0	7
Wyoming	1	0	0	1
International				
Canada(1)	12	0	0	12
Totals	902	76	125	1,103

(1) IHOP reports restaurants in Canada as franchise restaurants although the restaurants are operated under an area license agreement.

As of December 31, 2002, 6 of the 76 company-operated restaurants were located on sites owned by IHOP and 70 were located on sites leased by IHOP from third parties; of the 902 franchisee-operated restaurants, 49 were located on sites owned by IHOP, 704 were located on sites leased by IHOP from third parties and 149 were located on sites owned or leased by franchisees; and all of the restaurants operated by area licensees were located on sites owned or leased by the area licensees.

IHOP's leases with its landlords generally provide for an initial term of 15 to 25 years, with most having one or more five-year renewal options in favor of IHOP. The leases typically provide for payment of rentals in an amount equal to the greater of a fixed amount or a specified percentage of gross sales and for payment by IHOP of taxes, insurance premiums, maintenance expenses and certain other costs. Historically, we generally have been successful at renewing those leases that expire without further renewal options. However, from time to time we choose not to renew a lease or are unsuccessful in negotiating satisfactory renewal terms. When this occurs, the restaurant is closed and possession of the premises is returned to the landlord.

We currently lease our principal corporate offices in Glendale, California under a lease having a remaining term of approximately nine

years. We also lease regional offices in Lyndhurst, New Jersey; Norcross, Georgia; Lombard, Illinois; Dallas, Texas; Portland, Oregon; Fredericksburg, Virginia; and Greenwood Village, Colorado.

Item 3. Legal Proceedings.

IHOP is subject to various claims and legal actions that arise in the ordinary course of business, many of which are covered by insurance. We believe such claims and legal actions, individually or in the aggregate, will not have a material adverse effect on our business or the financial condition, results of operations, or cash flows of the Company.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "IHP". As of January 31, 2003, there were approximately 5,895 stockholders, including the beneficial owners of shares held in "street name."

The following table sets forth the high and low prices of IHOP's common stock for each quarter of 2002 and 2001 as reported by the NYSE.

Quarter Ended	High	Low	Quarter Ended	High	Low
March 31, 2002	$ 33.92	$ 27.40	March 31, 2001	$ 24.00	$ 18.90
June 30, 2002	36.46	28.42	June 30, 2001	27.40	19.10
September 30, 2002	29.50	23.38	September 30, 2001	29.15	21.03
December 31, 2002	25.44	21.08	December 31, 2001	31.03	24.40

On March 20, 2003 the board of directors declared a quarterly dividend of $.25 per share, payable May 19, 2003 to shareholders of record on May 1, 2003. Prior to this declaration, the Company had not declared or paid any dividends on its common stock in the last five years. The board of directors indicated its intention to declare recurring quarterly dividends in the future, however, any future dividend declarations will be made at the discretion of the board of directors and will be based on the Company's earnings, financial condition, cash requirements, future prospects and other factors deemed relevant at the time. The purchase agreements governing our 5.20% senior notes, our 5.88% senior notes, our 7.42% senior notes, and our credit agreement with our bank limit the amount of retained earnings available for dividends and investments. At December 31, 2002, approximately $128 million of retained earnings were potentially free of restriction as to distribution of dividends.

In October 2002, IHOP completed a private placement of $100 million of non-collateralized senior notes due October 2012. The notes have a fixed interest rate of 5.234% with annual principal payments of $13.6 million commencing October 2006. Proceeds from the sale of the senior notes will be used, in part, to fund capital expenditures for new restaurants and for general corporate purposes.

Additional information regarding this item is presented under the caption "Securities Authorized for Issuance Under Equity Compensation Plans" in the proxy statement for our 2003 meeting of shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

Five-Year Financial Summary

	Year Ended December 31,				
	2002(a)	2001(a)	2000(a)	1999(a)	1998(a)
	(In thousands, except per share amounts)				
Income Statement Data					
Revenues					
Franchise operations	$ 238,422	$ 208,630	$ 183,361	$ 163,486	$ 145,955
Sales of franchises and equipment	53,019	46,996	47,065	39,545	40,347

Company operations	74,433	68,810	72,818	70,204	69,906
Total revenues	365,874	324,436	303,244	273,235	256,208
Costs and expenses					
Franchise operations	105,701	86,136	72,394	64,189	58,539
Cost of sales of franchises and equipment	35,294	31,086	30,944	23,958	26,628
Company operations	72,275	66,330	70,085	66,016	65,711
Field, corporate and administrative	48,253	40,621	36,481	34,531	32,381
Depreciation and amortization	15,967	14,818	13,562	12,310	11,271
Interest	21,575	21,107	21,751	19,391	17,417
Other (income) expense, net	1,452	(123)	567	604	1,456
Total costs and expenses	300,517	259,975	245,784	220,999	213,403
Income before income taxes	65,357	64,461	57,460	52,236	42,805
Provision for income taxes	24,509	24,173	22,122	20,111	16,694
Net income	$ 40,848	$ 40,288	$ 35,338	$ 32,125	$ 26,111
Net income per share(b)					
Basic	$ 1.95	$ 1.98	$ 1.77	$ 1.61	$ 1.33
Diluted	$ 1.92	$ 1.94	$ 1.74	$ 1.58	$ 1.30
Weighted average shares outstanding(b)					
Basic	20,946	20,398	20,017	19,983	19,659
Diluted	21,269	20,762	20,263	20,358	20,033
Balance Sheet Data (end of period)					
Cash and cash equivalents	$ 98,739	$ 6,252	$ 7,208	$ 4,176	$ 2,294
Property and equipment, net	286,226	238,026	193,624	177,743	161,689
Total assets	819,800	641,429	562,212	520,402	443,032
Long-term debt	145,768	50,209	36,363	41,218	49,765
Capital lease obligations	171,170	168,105	167,594	165,557	129,861
Stockholders' equity(c)	364,389	312,430	259,995	226,480	187,868

(a) Fiscal 1998 is comprised of 53 weeks (371 days); all other years are comprised of 52 weeks (364 days).

(b) All share and per-share amounts have been restated to reflect the stock split on May 27, 1999.

(c) On March 20, 2003 the board of directors declared a quarterly dividend of $.25 per share, payable May 19, 2003 to shareholders of record on May 1, 2003. Prior to this declaration, the Company had not declared or paid any dividends on its common stock in the last five years. The board of directors indicated its intention to declare recurring quarterly dividends in the future, however, any future dividend declarations will be made at the discretion of the board of directors and will be

based on the Company's earnings, financial condition, cash requirements, future prospects and other factors deemed relevant at the time.

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

Forward-Looking Statements

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of IHOP's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto. Certain forward-looking statements are contained in this report. They use such words as "may," "will," "expect," "believe," "plan," or other similar terminology. These statements involve known and unknown risks, uncertainties and other

factors that may cause the actual results to be materially different than those expressed or implied in such statements. These factors include, but are not limited to: risks associated with the implementation of the Company's new strategic growth plan; availability of suitable locations and terms for the sites designated for development; legislation and government regulation, including the ability to obtain satisfactory regulatory approvals; conditions beyond IHOP's control such as weather, natural disasters or acts of war or terrorism; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the International House of Pancakes brand and concept by guests and franchisees; IHOP's overall marketing, operational and financial performance; economic and political conditions; adoption of new, or changes in, accounting policies and practices and other factors discussed from time to time in our press releases, public statements and/or filings with the Securities and Exchange Commission. Forward-looking information is provided by us pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, we disclaim any intent or obligation to update these forward-looking statements.

Recent Developments

On January 13, 2003 the Company announced significant changes in the way we conduct our business. These include a transition from Company-financed restaurant development to a more traditional franchise development model, in which franchisees are called upon to finance and develop their new restaurants. The anticipated impact of the change in our Business Model is discussed more fully under the "Outlook" section of Item 7.

General

In 2002 and 2001, IHOP Corp. operated solely under its Company-Financed development model, the "Old Model." IHOP's revenues for 2002 and 2001 are recorded in three categories: franchise operations, sales of franchises and equipment, and Company operations.

Franchise operations includes payments from franchisees of rents, royalties and advertising fees, proceeds from the sale of proprietary products to distributors, franchisees and area licensees, interest income received in connection with the financing of franchise and development fees and equipment sales, interest income received from direct financing leases on franchised restaurant buildings, and payments from area licensees of royalties and advertising fees.

Revenues from the sale of franchises and equipment and the associated costs of such sales are affected by the number and mix of restaurants franchised. We franchise four kinds of restaurants: restaurants newly developed by IHOP; restaurants developed by franchisees; restaurants developed by area licensees; and restaurants that have been previously reacquired from franchisees. Franchise rights for restaurants newly developed by IHOP normally sell for a franchise fee of $200,000 to $375,000 or more, have little if any associated franchise cost of sales, and include an equipment sale in excess of $300,000 that is usually at a price that includes little or no profit margin. Franchise rights for

restaurants developed by franchisees normally sell for a franchise fee of $50,000, have minor associated franchise cost of sales, and do not include an equipment sale. Previously reacquired franchises normally sell for a franchise fee of $100,000 to $375,000 or more, include an equipment sale, and may have substantial costs of sales associated with both the franchise and the equipment. The timing of sales of franchises is affected by the timing of new restaurant openings, number of restaurants in our inventory of restaurants that are available for refranchising and the level of interest among potential franchisees.

Company operations revenues are retail sales at IHOP-operated restaurants.

We report separately those expenses that are attributable to franchise operations, the cost of sales of franchises and equipment and Company operations. Expenses are reported under field, corporate and administrative, depreciation and amortization, and interest related to franchise operations, sales of franchises and equipment, and Company operations.

Other (income) expense, net consists of revenues and expenses not related to IHOP's core business operations. These include gains and losses realized from closing and selling restaurants and are unpredictable in timing and amount.

Our results of operations are impacted by the timing of additions of new restaurants, and by the timing of the franchising of those restaurants. When a Company-operated restaurant is franchised, we no longer include in our revenues the retail sales from such restaurant, but recognize a one-time franchise and development fee, periodic interest income on the portion of such fee financed by us, and recurring payments from franchisees as described above and recorded under franchise operations revenues.

Results of Operations

The following table sets forth certain operating data for IHOP restaurants.

	Year Ended December 31,		
	2002	2001	2000

	(Dollars in Thousands)		
Restaurant Data			
Effective restaurants(a)(d)			
Franchise	843	767	696
Company	76	72	76
Area license	123	131	150
Total	1,042	970	922
System-wide			
Sales(b)(d)	$ 1,478,567	$ 1,345,757	$ 1,246,177
Percent increase	9.9%	8.0%	10.6%
Average sales per effective restaurant(d)	$ 1,419	$ 1,387	$ 1,352
Percent increase	2.3%	2.6%	3.0%
Comparable average sales percent increase(c)	0.7%	0.8%	0.8%
Franchise			
Sales	$ 1,278,103	$ 1,146,124	$ 1,026,783
Percent increase	11.5%	11.6%	11.5%
Average sales per effective restaurant	$ 1,516	$ 1,494	$ 1,475
Percent increase	1.5%	1.3%	2.1%
Comparable average sales percent increase(c)	0.7%	0.9%	1.1%
Company			
Sales	$ 74,433	$ 68,810	$ 72,818
Percent increase (decrease)	8.2%	(5.5%)	3.7%
Average sales per effective restaurant	$ 979	$ 956	$ 958
Percent increase (decrease)	2.4%	(0.2%)	0.9%
Area License			
Sales(d)	$ 126,031	$ 130,823	$ 146,576
Percent increase (decrease)	(3.7%)	(10.7%)	8.2%
Average sales per effective restaurant(d)	$ 1,025	$ 999	$ 977
Percent increase	2.6%	2.3%	6.0%

(a) "Effective restaurants" are the number of restaurants in a given fiscal period adjusted to account for restaurants open for only a portion of the period.

(b) "System-wide sales" are retail sales of franchisees and area licensees, as reported to IHOP, and sales by Company-operated restaurants.

(c) "Comparable average sales" reflect sales for restaurants that are operated for the entire fiscal period in which they are being compared. Because of new unit openings and store closures, the restaurants opened for an entire fiscal period being compared will be different from period to period. Comparable average sales do not include data on restaurants located in Florida and Japan.

(d) During 2001, the Company's area licensee in Japan negotiated an early termination of its area license agreement. As part of this early termination, the area licensee discontinued operations of its 32 IHOP restaurants. Sales in 2001 include sales in Japan until the closing of the restaurants. Excluding the units in Japan, in 2002 system-wide sales increased 10.6%; effective restaurants grew by 8.5%; and average sales per effective restaurant increased by 1.9%, in each case over the same

period in 2001. In 2001, excluding the units in Japan, system-wide sales increased 10.1%; effective restaurants grew by 8.0%; and average sales per effective restaurant increased by 2.0%, in each case over the same period in 2000.

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

	Year Ended December 31,				
	2002	2001	2000	1999	1998
Restaurant Development Activity					
IHOP—beginning of year	1,017	968	903	835	787
New openings					

IHOP-developed	86	76	70	65	56
Franchisee-developed	10	12	10	7	13
Area license	5	5	4	4	4
Total new openings	101	93	84	76	73
Closings					
Company and franchise	(13)	(11)	(16)	(8)	(21)
Area license	(2)	(33)	(3)	—	(4)
IHOP—end of year	1,103	1,017	968	903	835
Summary—end of year					
Franchise	902	823	747	678	624
Company	76	72	71	76	66
Area license	125	122	150	149	145
Total IHOP	1,103	1,017	968	903	835
Restaurant Franchising Activity					
IHOP-developed	80	74	70	61	60
Franchisee-developed	10	12	10	7	13
Rehabilitated and refranchised	10	9	15	6	10
Total restaurants franchised	100	95	95	74	83
Reacquired by IHOP	(10)	(12)	(19)	(14)	(17)
Closed	(11)	(7)	(7)	(6)	(13)
Net addition	79	76	69	54	53

Comparison of Year Ended December 31, 2002 to Year Ended December 31, 2001

The fiscal years ended December 31, 2002 and 2001 were comprised of 52 weeks (364 days).

System-Wide Retail Sales

System-wide retail sales include the sales from all IHOP restaurants as reported to IHOP by its franchisees, area licensees, and Company-operated restaurants. System-wide retail sales grew by 9.9% to $1.48 billion in 2002 over the same period in 2001. Growth in the number of effective restaurants from 970 to 1,042 and increases in average sales per effective restaurant from $1,387,000 to $1,419,000 primarily caused the growth in system-wide retail sales. "Effective restaurants" are the number of restaurants in operation in a given fiscal period, adjusted to account for restaurants in operation for only a portion of the fiscal period. Effective restaurants grew by 7.4% in 2002 over the same period in 2001 due to new restaurant development. Average sales per effective restaurant increased by 2.3% in 2002 over the prior year period. Newly developed restaurants generally have seating capacities and sales greater than the system-wide averages. Management continues to pursue growth in sales through new

restaurant development, marketing efforts, new products, improvements in operations, and remodeling of existing restaurants.

Franchise Operations

Franchise operations revenues are the revenues received by IHOP from its franchisees and include rent, royalties, sales of proprietary products, advertising fees and interest income. Franchise operations revenues grew by 14.3% to $238.4 million in 2002 over the same period in 2001. Franchise operations revenues grew primarily due to an increase in retail sales in franchise restaurants of 11.5% in 2002 over the same period in 2001. Retail sales in franchised restaurants grew primarily due to a 9.9% increase from 767 to 843 in the number of effective franchise restaurants and a 1.5% increase from $1,494,000 to $1,516,000 in average sales per effective restaurant in 2002 over the same period in 2001, respectively.

Franchise operations costs and expenses include facility rent, advertising, the cost of proprietary products, and other direct costs associated with franchise operations. Franchise operations costs and expenses increased by 22.7% to $105.7 million in 2002 from $86.1 million in 2001. The increase in franchise operating costs was primarily a result of the increases in rent expense, due to the increase in the number of effective restaurants.

Sublease transactions with franchisees are structured with little or no margin at inception of the sublease, but with margin improvement anticipated over the life of the lease as retail sales increase (primarily because excess rent provisions in the subleases are tied to retail sales). New unit development will therefore have a negative effect on rent margin percentages. Rent margin percentages decreased from 42.4% in 2001 to 38.3% in 2002.

Franchise operations margin was $132.7 million or 55.7% of franchise operations revenues in 2002, compared with $122.5 million or 58.7% in 2001. The decrease in the margin percentage was primarily due to the increased rent expense mentioned above.

Sales of Franchises and Equipment

Sales of franchises and equipment increased by 12.8% to $53.0 million in 2002 from $47.0 million in 2001. The increase in sales was primarily due to an 8.1% increase in the sale of IHOP-developed restaurants from 74 in 2001 to 80 in 2002.

Cost of sales of franchises and equipment increased by 13.5% to $35.3 million in 2002 from $31.1 million in 2001. The increase in cost of sales of franchises and equipment was primarily due to changes in the number of restaurants franchised in 2002, compared to the same period in 2001. IHOP franchised 100 restaurants in 2002 as compared to 95 in 2001.

Margin on sales of franchises and equipment was $17.7 million or 33.4% of revenues from sales of franchises and equipment in 2002, compared with $15.9 million or 33.9% in 2001, respectively. The decrease in margin percentage primarily resulted from the mix of units franchised as well as higher preopening costs.

Company Operations

Company operations revenues are retail sales to customers at restaurants operated by IHOP. Company operations revenues increased by 8.2% to $74.4 million in 2002 from $68.8 million in the prior year. Increases in the number of effective IHOP-operated restaurants coupled with the increase in the average sales per IHOP-operated restaurant caused the revenue increase. Effective IHOP-operated restaurants increased from 72 to 76 or 5.6% in 2002 from 2001. Average sales per effective IHOP-operated restaurant increased from approximately $.96 million in 2001 to $.98 million in 2002 or 2.4%.

Company operations costs and expenses include food, labor and benefits, utilities, rent and other real estate related costs. Company operations costs increased by 9.0% to $72.3 million in 2002 from $66.3 million in 2001. Company operations costs increased primarily as a result of the above changes in revenues. However, Company operations costs and expenses were also impacted by higher labor costs primarily due to the hiring of Assistant General Managers in our Company-operated restaurants in 2002.

Company operations margin is Company operations revenues less Company operations costs and expenses. Company operations margin was $2.2 million in 2002, compared to $2.5 million in 2001. Company operations margin percentage was 2.9% of Company operations revenues in 2002, compared with 3.6% in the same period in 2001. Company operations margin was lower in 2002 compared to the same period of 2001 primarily due to higher labor costs.

In assessing the performance of its Company operations, management considers various other costs and expenses not included in Company operations margin. IHOP owns some of the real property of the Company-operated restaurants and internally charges those restaurants market rents. These rent expenses are eliminated in consolidation. The buildings, leasehold improvements and equipment employed in these restaurants are depreciated or amortized in accordance with our policies, and this expense is reflected in the statement of operations as depreciation and amortization. Interest expense related to capital leases on real property of certain Company-operated restaurant leases is also viewed by management as expense related to the Company-operated restaurants, but is included as interest expense in the statement of operations. In addition, employee benefit expenses related to IHOP's employee stock ownership plan are included in Company operations margin, but are excluded from management's assessment of the performance of Company-operated restaurants.

Intercompany real estate charges were $1.5 million in 2002 and $0.9 million in 2001. Depreciation and amortization expense was $4.5 million in 2002 and $4.2 million in 2001. Interest expense was $2.1 million in 2002 and $2.4 million in 2001. ESOP related costs were $0.5 million in 2002 and $0.5 million in 2001. After reflecting these other costs and expenses (i.e. rent, depreciation and interest) as part of Company operations and excluding ESOP related costs, the loss before income taxes from Company operations was $5.0 million in 2002 compared to $4.4 million in 2001.

Other Costs and Expenses

Field, corporate and administrative costs and expenses increased by 18.8% to $48.3 million in 2002 from $40.6 million in 2001. The rise in expenses was primarily due to higher consulting, consumer research and compensation expenses. Field, corporate and administrative expenses were 3.3% of system-wide sales in 2002, compared to 3.0% in 2001.

During 2002, the Company engaged consulting firms to assist in evaluating its current business, conducting consumer research, and developing a new long-term strategy. Approximately $2.4 million of costs related to this project were incurred in 2002. Excluding these costs, field, corporate and administrative expenses were 3.1% of system-wide sales in 2002.

IHOP believes that field, corporate and administrative costs and expenses will continue to grow at a rate which exceeds the rate of growth in revenues for at least the next 12 months. The growth in costs and expenses will be aimed at enhancing future earnings and same-

store sales growth. After 2003, we expect that the rate of growth in field, corporate and administrative costs and expenses will be less than the growth in revenue.

Depreciation and amortization expense increased by 7.8% to $16.0 million in 2002 from $14.8 million in 2001. The increases were caused primarily by the addition of new restaurants to the IHOP chain from our restaurant development program.

Income Tax Provision

The Company's effective tax rate was 37.5% for both 2002 and 2001.

Balance Sheet Accounts

The balance of cash and cash equivalents at December 31, 2002 increased to $98.7 million from $6.3 million at December 31, 2001, primarily due to the funds provided by our $100 million private placement in November 2002.

The balance of property and equipment, net at December 31, 2002, increased 20.2% to $286.2 million from $238.0 million at December 31, 2001, primarily due to new restaurant development.

The balance of long-term receivables at December 31, 2002 increased 8.1% to $332.8 million from $307.9 million in 2001 primarily due to IHOP's financing activities associated with the sales of franchises and equipment. Given our new operating model, we expect our long-term receivables to increase at a lower rate in 2003, and begin to decline in 2004 and thereafter.

The balance of long-term debt increased by 190.3% in 2002 primarily due to the $100 million private placement in November 2002.

Comparison of Year Ended December 31, 2001 to Year Ended December 31, 2000

The fiscal years ended December 31, 2001 and 2000 were comprised of 52 weeks (364 days).

System-Wide Retail Sales

System-wide retail sales include the sales of all IHOP restaurants as reported to IHOP by its franchisees, area licensees, and Company-operated restaurants. System-wide retail sales grew by $99.6 million or 8.0% in 2001 over 2000. Growth in the number of effective restaurants from 922 to 970 and increases in average sales per effective restaurant from $1,352,000 to $1,387,000 caused the growth in system-wide sales. "Effective restaurants" are the number of restaurants in operation in a given fiscal period, adjusted to account for restaurants in operation for only a portion of the fiscal period. Effective restaurants grew by 5.2% in 2001 due to new restaurant development. Average sales per effective restaurant increased by 2.6% in 2001 over 2000. Newly developed restaurants generally have seating capacity and sales greater than the system-wide averages. System-wide comparable average sales per restaurant (exclusive of area license restaurants in Florida and Japan) grew 0.8% in 2001 over 2000. Management continued to pursue growth in sales through new restaurant development, advertising and marketing efforts, new products, improvements in customer service and operations, and remodeling of existing restaurants.

During the second quarter of 2001, the Company's area licensee in Japan negotiated an early termination of its area license agreement. IHOP received a fee of approximately $250,000 for this early termination and the area licensee discontinued operations of its 32 IHOP restaurants. Excluding these units in Japan, system-wide sales increased 10.1% for the year ended December 31, 2001 compared to 2000; effective restaurants grew by 8.0% for the year ended December 31, 2001 compared to 2000; and average sales per effective restaurants increased 2.0% for the year ended December 31, 2001 over 2000.

Franchise Operations

Franchise operations revenues are the revenues received by IHOP from its franchisees and include rent, royalties, sales of proprietary products, advertising fees and interest income. Franchise operations revenues grew by 13.8% to $208.6 million in 2001 compared to $183.4 million in 2000. Franchise operations revenues grew primarily due to an increase in retail sales for franchise restaurants of 11.6% from $1.03 billion in 2000 to $1.15 billion in 2001. Retail sales for franchised restaurants grew primarily due to a 10.2% increase in effective franchise restaurants from 696 to 767 and a 1.3% increase in average sales from $1.48 million to $1.49 million per effective franchise restaurant in 2001 over 2000, respectively.

Franchise operations costs and expenses include facility rent, advertising, the cost of proprietary products, and other direct costs associated with franchise operations. Franchise operations costs and expenses increased by 19.0% to $86.1 million in 2001 from $72.4 million in 2000. Increases in franchise operations costs and expenses were greater than the growth in franchise operations revenue primarily due to higher rent expense.

Rent expense has been primarily affected by our new unit development program. New unit development will initially have a negative effect on rent margin percentages. Actual profit margin on rent transactions increased $4.5 million to $27.9 million in 2001, a 19.1%

improvement over the $23.4 million rent margin in 2000.

Franchise operations margin as a percent of revenues was 58.7% in 2001 compared with 60.5% in 2000. The decrease in the margin percentage was primarily due to an increase in rent expense.

Sales of Franchises and Equipment

Sales of franchises and equipment decreased by 0.1% in 2001 to $47.0 million from $47.1 million in 2000. IHOP franchised 95 restaurants in both 2001 and 2000; however, the units franchised in 2001 had a lower average franchise sales price than those in 2000.

Cost of sales of franchises and equipment increased 0.5% in 2001 to $31.1 million from $30.9 million in 2000. The increase was primarily due to preopening costs and site related costs that are not directly linked to the number of units franchised.

Margin on sales of franchises and equipment was 33.9% in 2001 compared with 34.3% in 2000. The decrease in margin primarily resulted from the mix of units franchised with lower average franchise sale prices, and an increase in preopening and site related costs.

Company Operations

Company operations revenues are retail sales to customers at restaurants operated by IHOP. Company operation revenues decreased 5.5% in 2001 to $68.8 from $72.8 million in 2000. A decrease in the number of effective IHOP-operated restaurants from 76 to 72 coupled with a decrease in the average sales per IHOP-operated restaurant from $958,000 to $956,000 caused the revenue decrease. Effective IHOP-operated restaurants decreased by 5.3% in 2001. Average sales per effective IHOP-operated restaurant decreased by 0.2% in 2001.

Company operations costs and expenses include food, labor and benefits, utilities and occupancy costs. Company operations costs decreased 5.4% in 2001 to $66.3 million from $70.1 million in 2000. Company operations costs were primarily affected by a decrease in the number of effective restaurants.

Company operations gross profit margin as a percent of Company operations revenues was 3.6% and 3.8% of Company operations revenues in 2001 and 2000, respectively.

Other Costs and Expenses

Field, corporate and administrative costs and expenses increased by 11.3% in 2001 to $40.6 million from $36.5 million in 2000. The rise in expenses was primarily due to higher compensation and rent expenses. The primary cause of the increase in rent expense was the initiation of a new 10-year lease for the Company's corporate headquarters in late 2000, and the opening of a new regional office in the Rocky Mountain area in early 2001. Field, corporate and administrative expenses were 3.0% of system-wide sales in 2001, compared to 2.9% in 2000.

Depreciation and amortization expense in 2001 increased 9.3% to $14.8 million from $13.6 million in 2000. The increases were caused primarily by the addition of new restaurants to the IHOP chain from our restaurant development program.

Interest expense decreased by 3.0% in 2001 to $21.1 million from $21.8 million in 2000. Although the Company's long term debt increased by approximately $14 million since December 31, 2000, it has benefited from lower interest rates in 2001 compared to 2000.

Income Tax Provision

The Company's effective tax rate was 37.5% for 2001 and 38.5% for 2000. The decrease in the effective tax rate for 2001 was due to lower state taxes.

Balance Sheet Accounts

The balance of property and equipment, net at December 31, 2001, increased 22.9% to $238.0 million from $193.6 million at December 31, 2000, primarily due to new restaurant development.

The balance of long-term receivables at December 31, 2001, increased 7.1% from the prior year primarily due to IHOP's financing activities associated with the sales of franchises and equipment.

The balance of long-term debt increased by 38.1% in 2001 primarily due to the $11.6 million leasehold mortgage term loan the Company entered into in 2001 and an increase in the balance of our revolving line of credit. These additions were partially offset by an $8.5 million repayment of our senior notes.

Liquidity and Capital Resources

In 2003, the Company will still invest in the development of additional restaurants and, to a lesser extent, in the remodeling of older Company-operated restaurants. 2003 will be a transition year to the Company's new business model with a reduced level of development-related investments in 2003 and little or no investment in development thereafter.

In 2002, IHOP and its franchisees and area licensees developed and opened 101 IHOP restaurants. Of these, the Company developed and opened 86 restaurants, and franchisees and area licensees developed and opened 15 restaurants. Capital expenditures in 2002, which included our portion of the above development program, were $141.7 million. Funds for investment were primarily sourced from cash generated from operations of $78.1 million, a private placement of $100.0 million of non-collateralized senior notes, and proceeds from sale and leaseback arrangements of restaurant land and buildings of $58.5 million. IHOP also executed a term loan of $17.2 million.

In 2003, IHOP and its franchisees and area licensees plan to develop and open approximately 75 to 85 restaurants. Included in that number is the development of 55 to 60 new restaurants by the Company and the development of 20 to 25 restaurants by our franchisees and area licensees. Capital expenditure projections for 2003, which include our portion of the above development program, are estimated to be approximately $95 million to $100 million. In November 2003, the fourth installment of $3.9 million in principal is due on our senior notes due 2008. We expect that funds from operations

and proceeds from the recent private placement of senior notes, proceeds from leasehold mortgage term debt, proceeds from sale and leaseback arrangements, and our $25 million revolving line of credit will be sufficient to cover our operating requirements, our budgeted capital expenditures, our principal repayments on our senior notes and dividend payments through 2003. At December 2002, the Company had cash and cash equivalents of $98.7 million, and $25 million was available to be borrowed under our noncollateralized bank revolving line of credit agreement.

The Company began repurchasing shares of its common stock in 2000. As of December 31, 2002, the Company had cumulatively repurchased 389,168 shares of its common stock, of which 241,381 were contributed to the Employee Stock Ownership Plan.

The following are significant contractual obligations and payments as of December 31, 2002 (in thousands):

	Less than 1 Year	1-3 Years	4-5 Years	Thereafter	Total
Debt excluding capital leases	$ 5,949	$ 11,962	$ 39,273	$ 94,533	$ 151,717
Operating leases	55,866	110,153	109,130	864,220	1,139,369
Capital leases	21,372	43,738	44,205	299,182	408,497
Contractual obligations	$ 83,187	$ 165,853	$ 192,608	$ 1,257,935	$ 1,699,583

Outlook

In January 2003, the Company adopted a new operating model, moving from company-developed and financed restaurant growth to franchisee-financed development. 2003 will be characterized by the continued execution of our old operating model at a lower level than in 2002 with a migration to the new model.

Discussion of IHOP Corp.'s old and new business model is contained in Item 1, Business, of this Annual Report on Form 10-K.

The Company believes that in 2003 the continuation of the old business model will result in the development and financing of approximately 55-60 new restaurants. We expect all other revenue factors to be consistent with past practice. We believe that franchise royalties will continue to be 4.5% of franchise restaurant sales, and there will continue to be margin on the sale of proprietary products. We will also continue to charge our franchisees for national and cooperative advertising at a combined rate of 3% of restaurant sales. In addition, interest charges related to the financing of franchise and equipment notes will also be the same as past practices.

We project our 2003 results will be as follows:

- Diluted net income per share in a range of $1.55 to $1.70;
- Development related capital expenditures in a range of $80 million to $95 million;
- Free cash flow (cash provided by operating activities minus capital expenditures), in a range of negative $25 million to negative $35 million.

As we move to 2004 and beyond, we expect to internally finance very few or no new IHOP restaurants and we expect the number of franchisee-developed restaurants to increase from historical levels. We do not expect to reach our ongoing franchisee development level until 2005. In 2005 and beyond, we expect that our franchisees will develop 65 to 85 restaurants per year.

In 2004 and thereafter, other economic terms should remain consistent with past practices. However, we will no longer receive new or additional streams of revenue from leasing and financing

activities. We will continue to receive revenues from pre-existing leases and notes entered into in 2003 and earlier.

We expect to return to positive net income per share growth in 2004; and beginning in 2005 to generate $46 to $60 million in free cash flow. The increases in cash flow will be primarily due to the significant reduction of development related capital expenditures coupled with increases in the number of franchisee-developed IHOP restaurants.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On an ongoing basis, the Company evaluates its estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Leasing

IHOP leases equipment (consisting of restaurant equipment, furniture and fixtures) to our franchisees and retains title to the leased equipment. These equipment contracts are accounted for as sales-type leases upon acceptance of the equipment by the franchisee. Leases of restaurant facilities that meet the criteria are recorded as direct financing leases or are treated as operating leases.

Accounting for Long-Lived Assets

The Company adopted the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective January 1, 2002. SFAS No. 144 provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of. The statement also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. The adoption of this Statement did not have a material impact on the Company's consolidated financial statements.

The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted future cash flows of the individual stores and consolidated undiscounted future cash flows for long-lived assets not identifiable to individual stores compared to the related carrying value. If the sum of the undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized which is measured as the difference between the carrying amount and fair value of the related asset.

New Accounting Pronouncements

In May 2002, the Financial Accounting Standards Board issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." Among other things, SFAS No. 145 rescinds various pronouncements regarding early extinguishment of debt and allows extraordinary accounting treatment for early extinguishment only when the provisions of APB Opinion No. 30 are met. This Statement also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 provisions are generally effective for fiscal years beginning after May 15, 2002. Management is currently evaluating the impact the adoption of this Statement will have on its consolidated financial statements.

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). This statement addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit or disposal activities, and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Costs addressed by SFAS No. 146 include costs to terminate a contract that is not a capital lease, costs of involuntary employee termination benefits pursuant to a one-time benefit arrangement, costs to consolidate facilities, and costs to relocate employees. This statement will be effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS No. 146 to have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123. This statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The amendments to Statement 123 regarding disclosure are effective for financial statements for fiscal years ending after December 15, 2002. The Company has adopted the annual disclosure provisions of SFAS No. 148 in its financial statements for the year ended December 31, 2002 and will adopt the interim disclosure provisions for its financial statements for the quarter ended March 31,

2003. As the adoption of this standard involves the disclosures only requirements, the Company does not expect a material impact on its results of operations, financial position or cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that has issued and requires that they be recorded at fair value. The initial recognition and measurement provisions of this interpretation are to be applied only on a prospective basis to guarantees issued or modified after December 31, 2002, which is the fiscal year beginning January 1, 2003 for IHOP. The disclosure requirements of this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

IHOP is exposed to market risk from changes in interest rates on debt and changes in commodity prices. IHOP's exposure to interest rate risk relates to its $25 million revolving line of credit agreement and its $12 million mortgage term loan with its banks. Borrowings under the revolving line of credit agreement bear interest at the bank's reference rate (prime) or, at IHOP's option, at the bank's quoted rate or at a Eurodollar rate. There was no balance outstanding under this agreement at December 31, 2002 and the largest amount outstanding under the agreement during 2002 was $12.8 million. Borrowings under the mortgage term loan agreement bear interest at the London Interbank Offered Rate ("LIBOR") plus the applicable margin. The applicable margin will be a function of the funded debt to EBITDA ratio as defined under the loan agreement. The impact on our results of operations due to a hypothetical 1% interest rate change would be immaterial.

Many of the food products purchased by IHOP and its franchisees and area licensees are affected by commodity pricing and are, therefore, subject to unpredictable price volatility. We attempt to

mitigate price fluctuations by entering into forward purchase agreements on all our major products, such as coffee, pancake mixes, pork products, soft drinks and orange juice. None of these food product contracts or agreements are derivative instruments. Extreme changes in commodity prices and/or long-term changes could affect IHOP's franchisees, area licensees and company-operated restaurants adversely. We expect that in most cases the IHOP system would be able to pass increased commodity prices through to its consumers via increases in menu prices. From time to time, competitive circumstances could limit short-term menu price flexibility, and in those cases margins would be negatively impacted by increased commodity prices. This would be mitigated by the fact that the majority of IHOP restaurants are franchised and IHOP's revenue stream from franchisees is based on the gross sales of the restaurants. We believe that any changes in commodity pricing that cannot be adjusted for by changes in menu pricing or other strategies would not be material to either IHOP's financial condition, results of operations or cash flows.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

IHOP Corp. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share amounts)

	December 31,

	2002	2001
Assets		
Current assets		
Cash and cash equivalents	$ 98,739	$ 6,252
Receivables, net	54,714	47,451
Reacquired franchises and equipment held for sale, net	2,619	3,234
Inventories	889	837
Prepaid expenses	2,140	1,386
Total current assets	159,101	59,160
Long-term receivables	332,792	307,859
Property and equipment, net	286,226	238,026
Reacquired franchises and equipment held for sale, net	14,842	18,327
Excess of costs over net assets acquired	10,767	10,767
Other assets	16,072	7,290
Total assets	$ 819,800	$ 641,429
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 5,949	$ 9,711
Accounts payable	24,079	16,666
Accrued employee compensation and benefits	7,625	7,621
Other accrued expenses	11,936	7,238
Deferred income taxes	1,370	1,129
Capital lease obligations	2,605	2,164
Total current liabilities	53,564	44,529
Long-term debt	145,768	50,209
Deferred income taxes	69,606	59,084
Capital lease obligations	171,170	168,105
Other liabilities	15,303	7,072
Commitments and contingencies (Notes 6 and 11)		
Stockholders' equity		
Preferred stock, $1 par value, 10,000,000 shares authorized; no shares issued and Outstanding	—	—
Common stock, $.01 par value, 40,000,000 shares authorized; 2002: 21,427,287 shares issued and 21,279,500 shares outstanding; 2001: 20,918,283 shares issued and 20,711,201 shares outstanding	214	209
Additional paid-in-capital	90,770	79,837
Retained earnings	274,768	233,920
Deferred compensation	(434)	—
Accumulated other comprehensive loss	(680)	—
Treasury stock, at cost (2002: 147,787 shares; 2001: 207,082 shares)	(2,247)	(3,386)
Contribution to ESOP	1,998	1,850
Total stockholders' equity	364,389	312,430
Total liabilities and stockholders' equity	$ 819,800	$ 641,429

See the accompanying notes to the consolidated financial statements.

IHOP Corp. and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share amounts)

	Year Ended December 31,		
	2002	2001	2000
Revenues			
Franchise operations			
Rent	$ 82,007	$ 65,780	$ 51,135
Service fees and other	156,415	142,850	132,226
	238,422	208,630	183,361
Sales of franchises and equipment	53,019	46,996	47,065
Company operations	74,433	68,810	72,818
Total revenues	365,874	324,436	303,244
Costs and Expenses			
Franchise operations			
Rent	50,562	37,867	27,695
Other direct costs	55,139	48,269	44,699
	105,701	86,136	72,394
Cost of sales of franchises and equipment	35,294	31,086	30,944
Company operations	72,275	66,330	70,085
Field, corporate and administrative	48,253	40,621	36,481
Depreciation and amortization	15,967	14,818	13,562
Interest	21,575	21,107	21,751
Other (income) expense, net	1,452	(123)	567
Total costs and expenses	300,517	259,975	245,784
Income before income taxes	65,357	64,461	57,460
Provision for income taxes	24,509	24,173	22,122
Net Income	$ 40,848	$ 40,288	$ 35,338
Net Income Per Share			
Basic	$ 1.95	$ 1.98	$ 1.77
Diluted	$ 1.92	$ 1.94	$ 1.74
Weighted Average Shares Outstanding			
Basic	20,946	20,398	20,017
Diluted	21,269	20,762	20,263

See the accompanying notes to the consolidated financial statements.

IHOP Corp. and Subsidiaries

Consolidated Statements of Shareholders' Equity

(In thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Contribution To ESOP	Total
	Shares	Amount							
Balance, December 31, 1999	20,117,314	$ 201	$ 66,485	$ 158,294	$ —	$ —	$ —	$ 1,500	$ 226,480
Net income	—	—	—	35,338	—	—	—	—	35,338
Repurchase of treasury shares	—	—	—	—	—	—	(6,631)	—	(6,631)
Reissuance of treasury shares to ESOP	—	—	39	—	—	—	1,461	(1,500)	—
Issuance of shares pursuant to stock plans	181,777	2	2,576	—	—	—	—	—	2,578
Tax benefit from stock options exercised	—	—	536	—	—	—	—	—	536
Unearned compensation —restricted stock	—	—	19	—	—	—	—	—	19
Contribution to ESOP	—	—	—	—	—	—	—	1,675	1,675
Balance, December 31, 2000	20,299,091	203	69,655	193,632	—	—	(5,170)	1,675	259,995
Net income	—	—	—	40,288	—	—	—	—	40,288
Repurchase of treasury shares	—	—	—	—	—	—	(23)	—	(23)
Reissuance of treasury shares to ESOP	—	—	(132)	—	—	—	1,807	(1,675)	—
Issuance of shares pursuant to stock plans	619,192	6	7,123	—	—	—	—	—	7,129
Tax benefit from stock options exercised	—	—	3,191	—	—	—	—	—	3,191
Contribution to ESOP	—	—	—	—	—	—	—	1,850	1,850
Balance, December 31, 2001	20,918,283	209	79,837	233,920	—	—	(3,386)	1,850	312,430
Comprehensive income:									
Net income	—	—	—	40,848	—	—	—	—	40,848
Other comprehensive loss	—	—	—	—	—	(680)	—	—	(680)
Comprehensive income									40,168
Reissuance of treasury shares to ESOP	—	—	711	—	—	—	1,139	(1,850)	—
Issuance of shares pursuant to stock plans	509,004	5	7,556	—	—	—	—	—	7,561
Tax benefit from stock options									

exercised	—	—	2,000	—	—	—	—	—	2,000
Deferred compensation resulting from grant of options	—	—	666	—	(666)	—	—	—	—
Amortization of deferred compensation	—	—	—	—	232	—	—	—	232
Contribution to ESOP	—	—	—	—	—	—	—	1,998	1,998
Balance, December 31, 2002	21,427,287	$ 214	$ 90,770	$ 274,768	$ (434)	$ (680)	$ (2,247)	$ 1,998	$ 364,389

See the accompanying notes to the consolidated financial statements.

IHOP Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2002	2001	2000
Cash flows from operating activities			
Net income	$ 40,848	$ 40,288	$ 35,338
Adjustments to reconcile net income to cash flows provided by operating activities			
Depreciation and amortization	15,967	14,818	13,562
Deferred income taxes	10,763	9,671	6,941
Contribution to ESOP	1,998	1,850	1,675
Tax benefit from stock options exercised	2,000	3,191	536
Changes in operating assets and liabilities			
Accounts receivable	(5,486)	(7,852)	(2,200)
Inventories	(52)	(146)	532
Prepaid expenses	(754)	(955)	3,878
Accounts payable	7,413	(3,922)	2,572
Accrued employee compensation and benefits	4	845	(1,028)
Other accrued expenses	4,698	(597)	1,939
Other, net	713	(1,488)	4,310
Cash flows provided by operating activities	78,112	55,703	68,055
Cash flows from investing activities			
Additions to property and equipment	(141,740)	(119,797)	(99,378)
Additions to notes	(16,533)	(14,993)	(13,916)
Principal receipts from notes and equipment contracts receivable	17,344	14,668	12,594
Additions to reacquired franchises held for sale	(641)	(2,320)	(2,570)
Cash flows used in investing activities	(141,570)	(122,442)	(103,270)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	117,203	26,532	12,703
Proceeds from sale and leaseback arrangements	58,542	45,652	48,274

Repayment of long-term debt	(25,406)	(11,915)	(17,575)
Principal payments on capital lease obligations	(1,955)	(1,592)	(1,121)
Treasury stock transactions	—	(23)	(6,631)
Proceeds from stock options exercised	7,561	7,129	2,597
Cash flows provided by financing activities	155,945	65,783	38,247
Net change in cash and cash equivalents	92,487	(956)	3,032
Cash and cash equivalents at beginning of period	6,252	7,208	4,176
Cash and cash equivalents at end of period	$ 98,739	$ 6,252	$ 7,208
Supplemental disclosures			
Interest paid, net of amounts capitalized	$ 20,196	$ 21,238	$ 21,752
Income taxes paid	14,286	15,257	15,974
Capital lease obligations incurred	5,534	2,388	4,153

See the accompanying notes to the consolidated financial statements.

IHOP Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Operations

IHOP Corp. and its subsidiaries ("IHOP" or the "Company") engage exclusively in the food-service industry, primarily in the United States, wherein we franchise and operate restaurants. IHOP grants credit to our franchisees and licensees, all of whom are in the restaurant business. In the majority of our franchised operations, we have developed restaurants on sites that we either own or control through leases. We then lease or sublease the restaurants to our franchisees. Additionally, we finance approximately 80% of the initial franchise fee, lease restaurant equipment and fixtures to our franchisees, sell proprietary products to our franchisees and licensees, and provide marketing and promotional services to our franchisees and area licensees.

Basis of Presentation

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

Fiscal Periods

IHOP's fiscal year ends on the Sunday nearest to December 31 of each year. For convenience, we report all fiscal years as ending on December 31 and fiscal quarters as ending on March 31, June 30 and September 30.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires IHOP management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

IHOP at times purchases highly liquid, investment-grade securities with an original maturity of three months or less. These cash equivalents are stated at cost which approximates market value. We do not believe that we are exposed to any significant credit risk on cash and cash equivalents. At times, cash and cash equivalent balances may be in excess of FDIC insurance limits.

Inventories

Inventories consisting of merchandise and supplies are stated at the lower of cost (on a first-in, first-out basis) or market.

Property and Equipment

Property and equipment are stated at cost and depreciated on the straight-line method over the estimated useful lives as follows:

Category	Depreciable Life
Buildings and improvements	Shorter of lease term or 40 years
Leaseholds and improvements	3—25 years
Equipment and fixtures	3—10 years
Properties under capital lease	Primary lease term

Leaseholds and improvements are amortized over a period not exceeding the primary term of the lease.

Effective January 1, 2000, IHOP changed the estimated useful life for new buildings from 25 years to 40 years to better reflect their proven economic lives. This change is applied to new buildings completed in 2000 and later, and does not change the estimated useful lives of previously constructed restaurants. Because most buildings are leased or located on leased land, the effective depreciation period is limited to the term of the underlying lease. Therefore, the effect of this change in estimated useful lives was insignificant to either depreciation expense, net income, or earnings per share for the years ended December 31, 2002, 2001 and 2000.

Accounting for Long-Lived Assets

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective January 1, 2002. SFAS No. 144 provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of. The statement also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. The adoption of this Statement did not have a material impact on the Company's consolidated financial statements.

The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted future cash flows of the individual stores and consolidated undiscounted future cash flows for long-lived assets not identifiable to individual stores compared to the related carrying value. If the sum of the undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized which is measured as the difference between the carrying amount and fair value of the related asset.

Excess of Costs Over Net Assets Acquired

In June 2001, SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," were issued and are effective for fiscal years beginning after December 15, 2001. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. As a result, the Company's amortization of

goodwill in the amount of $107,000 ($67,000 net of income taxes) per quarter ceased effective January 1, 2002. Upon adoption of SFAS No. 142, the Company was required to reassess the useful lives of its other intangible assets as well as perform a transitional impairment test of indefinite-lived intangible assets. Since the Company does not have any intangible assets other than goodwill, the adoption of the provisions of the statement affecting other intangible assets had no impact on the Company's financial position, results of operations or cash flows.

Also, in connection with the adoption of SFAS No. 142, the Company is required to carry out a transitional goodwill impairment evaluation, which requires an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. Initially, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities (excluding goodwill) to those reporting units as of the date of adoption. All existing goodwill at the date that SFAS No. 142 is adopted is assigned to one or more reporting units in a reasonable and supportable manner as prescribed by the standard.

During the second quarter of 2002, the Company completed its transitional goodwill impairment evaluation, and determined that none of the recorded goodwill was impaired. In accordance with SFAS No. 142, goodwill will be tested for impairment at least annually and more frequently if circumstances indicate that it may be impaired.

Franchise Revenues

Revenues from the sales of franchises are recognized as income when IHOP has substantially performed all of its material obligations under the franchise agreement, and the franchisee has commenced operations. Continuing service fees, which are a percentage of the net sales of franchised operations, are accrued as income when earned.

Preopening Expenses

Expenditures related to the opening of new restaurants, other than those for capital assets, are charged to expense when incurred.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2002, 2001 and 2000 were $41,354,000, $36,617,000 and $32,678,000, respectively.

Income Taxes

Deferred income taxes are determined using the liability method. A deferred tax asset or liability is determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates that are expected to be in effect when these differences reverse. Deferred tax expense is the result of changes in the deferred tax asset or liability. If necessary, valuation allowances are established to reduce deferred tax assets to their expected realizable values.

Net Income Per Share

Basic net income per share is computed by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted

net income per share is computed by dividing the net income attributable to common stockholders by the weighted average number of common and common equivalent shares outstanding during the period. Common share equivalents included in the diluted computation represent shares issuable upon assumed exercises of outstanding stock options using the treasury stock method.

Comprehensive Income

Comprehensive income includes net income and other comprehensive income components which, under GAAP, bypass the income statement and are reported in the balance sheet as a separate component of stockholders' equity. In 2002, the Company had other comprehensive losses of $680,000 due to an interest rate swap that the Company entered into during 2002. For each of the two years in the period ended December 31, 2001, IHOP had no other comprehensive income components, as defined by GAAP. As a result, net income is the same as comprehensive income for the years ended December 31, 2001 and 2000.

Stock Options

IHOP has a Stock Incentive Plan, which is described more fully in Note 7. IHOP has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company continues to use the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost is recognized for options granted at fair value at the date of grant. During 2002, the Company granted 234,000 shares with an exercise price below fair market value. Such difference will be recognized as additional compensation expense on a straight-line basis over the vesting period of the underlying options.

Had compensation cost for IHOP's stock option plans been determined based on the fair value at the grant date for awards during each of the three years in the period ended December 31, 2002, consistent with the provisions of SFAS No. 123, IHOP's net income and diluted net income per share would have been reduced to the pro forma amounts indicated below:

	2002	2001	2000
		(In thousands, except per share amounts)	
Net income, as reported	$ 40,848	$ 40,288	$ 35,338
Add stock-based compensation expense included in reported net income, net of tax	144	—	—
Less stock-based compensation expense determined under the the fair-value accounting method, net of tax	(1,532)	(960)	(996)
Net income, pro forma	$ 39,460	$ 39,328	$ 34,342
Net income per share—diluted, as reported	$ 1.92	$ 1.94	$ 1.74
Net income per share—diluted, pro forma	$ 1.86	$ 1.89	$ 1.69

Derivative and Financial Instruments

On January 1, 2001, IHOP adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts. During 2001, IHOP purchased natural gas contracts equal to 25% of estimated requirements through December 2002 to limit exposure to market increases in natural gas prices for IHOP-operated restaurants. These derivative instruments do not qualify under SFAS No. 133 as either a fair value or cash flow hedge. They are valued at fair value with the resultant gain or loss recognized in current earnings. The adoption of SFAS No. 133 had no material impact on IHOP's results of operations, financial position or cash flows.

IHOP does not hold or issue financial instruments for trading purposes. The estimated fair values of all cash and cash equivalents, notes receivable and equipment contracts receivable as of December 31, 2002 and 2001, approximated their carrying amounts in the Consolidated Balance Sheets as of those dates. The estimated fair values of notes receivable and equipment contracts receivable are based on current interest rates offered for similar loans in our present lending activities.

The estimated fair values of long-term debt are based on current rates available to IHOP for similar debt of the same remaining maturities. The carrying values of long-term debt at December 31, 2002 and 2001 were $145,768,000 and $50,209,000, respectively, and the fair values at those dates were $154,162,000 and $52,957,000, respectively.

Reclassification

Certain reclassifications have been made to prior year information to conform to the current year presentation .

New Accounting Pronouncements

In May 2002, the Financial Accounting Standards Board issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." Among other things, SFAS No. 145 rescinds various pronouncements regarding early extinguishment of debt and allows extraordinary accounting treatment for early extinguishment only when the provisions of APB Opinion No. 30 are met. This Statement also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 provisions are generally effective for fiscal years beginning after May 15, 2002. Management is currently evaluating the impact the adoption of this Statement will have on its consolidated financial statements.

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disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS No. 146 to have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123. This statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The amendments to Statement 123 regarding disclosure are effective for financial statements for fiscal years ending after December 15, 2002. The Company has adopted the annual disclosure provisions of SFAS No. 148 in its financial statements for the year ended December 31, 2002 and will adopt the interim disclosure provisions for its financial statements for the quarter ended March 31, 2003. As the adoption of this standard involves the disclosures only requirements, the Company does not expect a material impact on its results of operations, financial position or cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45—"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued and requires that they be recorded at fair value. The initial recognition and measurement provisions of this interpretation are to be applied only on a prospective basis to guarantees issued or modified after December 31, 2002, which is the fiscal year beginning January 1, 2003 for IHOP. The disclosure requirements of this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002.

2. Receivables

	2002	2001
	(In thousands)	
Accounts receivable	$ 39,630	$ 34,005
Notes receivable	57,522	52,901
Equipment contracts receivable	158,221	134,851
Direct financing leases receivable	133,804	135,085
	389,177	356,842
Less allowance for doubtful accounts	(1,671)	(1,532)
	387,506	355,310
Less current portion	(54,714)	(47,451)
Long-term receivables	$ 332,792	$ 307,859

Notes receivable include franchise fee notes due in five to eight years in the amount of $55,571,000 and $50,158,000 at December 31, 2002 and 2001, respectively. Franchise fee notes are due in equal weekly installments, primarily bear interest at 12.0% per annum, and are collateralized by the franchise. The term of an equipment contract coincides with the term of the corresponding restaurant building lease. Equipment contracts are due in equal weekly installments, primarily bear interest at 11.0%, and are collateralized by the equipment. Where applicable, franchise fee notes, equipment contracts and building leases contain cross-default provisions wherein a default under one constitutes a default under all. There is not a disproportionate concentration of credit risk in any geographic area.

3. Property and Equipment, at Cost

	2002	2001
	(In thousands)	
Land	$ 25,857	$ 25,283
Buildings and improvements	46,225	42,760
Leaseholds and improvements	189,870	159,536
Equipment and fixtures	18,506	14,668
Construction in progress	29,983	14,693
Properties under capital lease obligations	43,784	37,516
	354,225	294,456
Less accumulated depreciation and amortization	(67,999)	(56,430)
Property and equipment, net	$ 286,226	$ 238,026

Accumulated depreciation and amortization includes accumulated amortization for properties under capital lease obligations in the amount of $7,837,000 and $5,982,000 at December 31, 2002 and 2001, respectively.

4. Reacquired Franchises and Equipment Held for Sale

Reacquired franchises and equipment held for sale are accounted for on the specific identification basis. At the date of reacquisition, the franchise and equipment are recorded at the lower of (1) the sum of the franchise receivables and costs of reacquisition, or (2) the estimated net realizable value. Pending the sale of such franchise, the carrying value is amortized ratably over the remaining life of the asset or lease and the estimated net realizable value is evaluated each year.

	2002	2001
	(In thousands)	
Franchises	$ 11,370	$ 12,960

Equipment	14,272	15,485
	25,642	28,445
Less amortization	(8,181)	(6,884)
	17,461	21,561
Less current portion	(2,619)	(3,234)
Long-term reacquired franchises and equipment held for sale, net	$ 14,842	$ 18,327

5. Debt

Debt consists of the following components:

	2002	2001
	(In thousands)	
Senior Notes due November 2008, payable in equal annual installments commencing November 2000, at a fixed interest rate of 7.42%	$ 23,333	$ 27,222
Senior Notes due November 2002, payable in equal annual installments commencing November 1996, at a fixed interest rate of 7.79%	—	4,571
Senior Notes Series A due October 2012, at a fixed interest rate of 5.88%	5,000	—
Senior Notes Series B due October 2012, at a fixed interest rate of 5.20%	95,000	—
Leasehold mortgage term loans	27,496	11,609
Revolving line of credit	—	15,000
Other	888	1,518
Total debt	151,717	59,920
Less current maturities	(5,949)	(9,711)
Long-term debt	$ 145,768	$ 50,209

The Senior Notes due November 2002 and 2008 are noncollateralized.

In October 2002, IHOP completed a private placement of $100 million of non-collateralized senior notes in two tranches ($5 million and $95 million, respectively) due October 2012. The notes have an average fixed interest rate of 5.234% with annual principal payments of $13.6 million commencing October 2006. Proceeds from the sale of the senior notes will be used, in part, to fund capital expenditures for new restaurants and for general corporate purposes.

Included in leasehold mortgage term loans is a loan amount totaling $10.9 million and $11.6 million as of December 31, 2002 and 2001, respectively, due May 2013. The loan is collateralized by certain IHOP restaurants. Borrowings under this loan agreement bear interest at the London Interbank Offered Rate ("LIBOR") plus the applicable margin. The applicable margin will be a function of the funded debt to EBITDA as defined under the loan agreement. This rate was 3.17% and 3.68% at December 31, 2002 and 2001, respectively.

On March 13, 2002, IHOP entered into a $17.2 million variable rate term loan also included in leasehold mortgage term loan. This loan, which accrues interest at one-month LIBOR, will amortize over twelve years with a maturity date of April 1, 2014. The outstanding balance as of December 31, 2002, was $16.5 million. The interest rate was 3.13% at December 31, 2002. The lending institution required IHOP to enter into an interest rate swap agreement for 50% or $8.6 million of the loan as a means of reducing IHOP's interest rate exposures. This strategy will effectively use an interest rate swap to convert $8.6 million in variable rate borrowings into fixed rate liabilities. The interest rate swap agreement is considered to be a hedge against changes in the amount of future cash flows associated with interest payments on this variable rate loan. As a result, the interest rate swap agreement is reflected at fair value and the related net loss of $680,000 on this agreement as of December 31, 2002 is deferred in stockholder's equity as a component of comprehensive income (loss).

IHOP has a noncollateralized revolving credit agreement with a bank in the amount of $25 million with a maturity date of May 31, 2004. Borrowings under the agreement bear interest at the bank's reference rate (prime) or, at our option, at the bank's quoted rate or at a Eurodollar rate. A commitment fee of 0.375% per annum is payable on unborrowed funds available under the agreement. The largest

amount outstanding under the agreement during 2002 was $15 million and the balance was zero at December 31, 2002. The outstanding balance at December 31, 2001 was $15 million.

The senior note agreements, the leasehold mortgage term loan and the bank revolving credit agreement contain certain restrictions and conditions, the most restrictive of which limit dividends and investments. At December 31, 2002, approximately $128 million of retained earnings were free of restriction as to distribution as dividends.

The prime rate was 4.25% at December 31, 2002 and 4.75% at December 31, 2001.

IHOP's long-term debt maturities are as follows: 2003—$5,949,000; 2004—$6,023,000; 2005—$5,939,000; 2006—$19,550,000; 2007—$19,723,000 and thereafter—$94,533,000.

6. Leases

The Company leases the majority of its restaurants with the exception of those where a franchisee enters into a lease directly with a landlord and those associated with area license agreements. The restaurants are subleased to franchisees or operated by IHOP. These noncancelable leases and subleases consist primarily of land and buildings and improvements.

The following is the Company's net investment in direct financing lease receivables:

	2002	2001
	(In thousands)	
Total minimum rents receivable	$ 372,893	$ 395,492
Less unearned income	(239,089)	(260,407)
Net investment in direct financing lease receivables	133,804	135,085
Less current portion	(1,202)	(985)
Long-term direct financing lease receivables	$ 132,602	$ 134,100

Contingent rental income for the years ended December 31, 2002, 2001 and 2000 was $23,393,000, $21,899,000 and $21,238,000, respectively.

The following are minimum future lease payments on the Company's noncancelable leases as lessee at December 31, 2002:

	Capital Leases	Operating Leases
	(In thousands)	
2003	$ 21,372	$ 55,866
2004	21,689	55,274
2005	22,049	54,879
2006	22,082	54,355
2007	22,123	54,775
Thereafter	299,182	864,220
Total minimum lease payments	408,497	$ 1,139,369
Less interest	(234,722)	
Capital lease obligations	173,775	
Less current portion	(2,605)	
Long-term capital lease obligations	$ 171,170	

The minimum future lease payments shown above have not been reduced by the following future minimum rents to be received on noncancelable subleases and leases of owned property at December 31, 2002:

	Direct Financing Leases	Operating Leases
	(In thousands)	
2003	$ 18,613	$ 70,124
2004	18,815	70,642
2005	19,037	71,427
2006	19,113	72,052
2007	19,306	73,227
Thereafter	278,009	1,348,271
Total minimum rents receivable	$ 372,893	$ 1,705,743

IHOP has noncancelable leases, expiring at various dates through 2032, that require payment of contingent rents based upon a percentage of sales of the related restaurant as well as property taxes, insurance and other charges. Subleases to franchisees of properties under such leases are generally for the full term of the lease obligation at rents that include IHOP's obligations for property taxes, insurance, contingent rents and other charges. Generally, the noncancelable leases include renewal options. Contingent rent expense for all noncancelable leases for the years ended December 31, 2002, 2001 and 2000 was $2,713,000, $2,902,000 and $3,317,000, respectively. Minimum rent expense for all noncancelable operating leases for the years ended December 31, 2002, 2001 and 2000 was $50,988,000, $40,312,000 and $30,084,000, respectively.

7. Stockholders' Equity

The Stock Incentive Plan (the "Plan") was adopted in 1991 and amended and restated in 1998 to authorize the issuance of up to 3,760,000 shares of common stock pursuant to options, restricted stock, and other long-term stock-based incentives to officers and key employees of IHOP. The 2001 Stock Incentive Plan was adopted in 2001 to authorize the issuance of up to 1,200,000 shares of common stock. Except for substitute stock options which were issued in 1991 pursuant to the cancellation of a stock appreciation rights plan, no option can be granted at an option price of less than the fair market value at the date of grant as defined by the plan. Exercisability of options is determined at, or after, the date of grant by the administrator of the Plan. Substitute stock options issued in 1991 were immediately exercisable. All other options granted under the Plan through December 31, 2002, become exercisable one-third after one year, two-thirds after two years and 100% after three years or immediately upon a change in control of IHOP, as defined by the Plan.

The Stock Option Plan for Non-Employee Directors (the "Directors Plan") was adopted in 1994 and amended and restated in 1999 to authorize the issuance of up to 400,000 shares of common stock pursuant to options to non-employee members of IHOP's Board of Directors. Options are to be granted at an option price equal to 100% of the fair market value of the stock on the date of grant. Options granted pursuant to the Directors Plan vest and become exercisable one-third after one year, two-thirds after two years and 100% after three years. Options for the purchase of shares are granted

to each non-employee Director under the Directors Plan as follows: (1) 15,000 on February 23, 1995, or on the Director's election to the Board of Directors if he or she was not a Director on such date, and (2) 5,000 annually in conjunction with IHOP's Annual Meeting of Stockholders for that year.

During 2000, IHOP initiated a plan to repurchase up to 1,000,000 shares of its common stock. This plan will reduce the dilutive effect of employee stock option exercises and contributions to IHOP's Employee Stock Ownership Plan; however, the repurchase program does not obligate IHOP to acquire any specific number of shares and it may be suspended at any time. As of December 31, 2002, 389,168 shares were repurchased by IHOP under this plan, of which 241,381 shares were contributed to the Employee Stock Ownership Plan.

Information regarding activity for stock options outstanding under IHOP's stock option plans is as follows:

Shares Under Option	Shares	Weighted Average Exercise Price
Outstanding at December 31, 1999	1,861,339	$ 14.56
Granted	261,000	15.10
Exercised	(181,777)	14.18
Terminated	(33,999)	18.80

Outstanding at December 31, 2000	1,906,563	14.59
Granted	323,000	23.64
Exercised	(619,192)	11.53
Terminated	(22,001)	17.37
Outstanding at December 31, 2001	1,588,370	17.58
Granted	354,000	28.66
Exercised	(509,004)	14.93
Terminated	(48,165)	25.31
Outstanding at December 31, 2002	1,385,201	$ 21.12
Exercisable at December 31, 2002	791,056	$ 17.88

Information regarding options outstanding and exercisable at December 31, 2002 is as follows:

Range of Exercise Prices	Number Outstanding as of 12/31/2002	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable as of 12/31/2002	Weighted Average Exercise Price
$13.50 - $14.94	386,399	4.16	$ 14.23	330,901	$ 14.13
$16.37 - $20.16	302,466	6.89	$ 18.83	195,818	$ 18.36
$20.31 - $25.95	299,336	7.11	$ 22.05	214,337	$ 21.01
$27.33 - $35.25	397,000	9.10	$ 28.88	50,000	$ 27.33
$13.50 - $35.25	1,385,201	6.81	$ 21.12	791,056	$ 17.88

The fair value of each option grant issued during each of the three years in the period ended December 31, 2002, reflecting the basis for the proforma disclosure in Note 1, is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2002	2001	2000
Risk free interest rate	3.50%	5.75%	5.875%
Expected volatility	37.0%	37.0%	37.0%
Dividend yield	—	—	—
Weighted average expected life	5 years	5 years	3 years
Weighted average fair value of options granted	$ 30.25	$ 24.18	$ 15.22

8. Income Taxes

The provision for income taxes is as follows:

	Year Ended December 31,		
	2002	2001	2000
	(In thousands)		
Provision for income taxes:			
Current			
Federal	$ 11,714	$ 13,008	$ 13,160
State and foreign	2,032	1,494	2,021
	13,746	14,502	15,181

Deferred			
Federal	9,798	8,224	5,623
State	965	1,447	1,318
	10,763	9,671	6,941
Provision for income taxes	$ 24,509	$ 24,173	$ 22,122

The provision for income taxes differs from the expected federal income tax rates as follows:

	2002	2001	2000
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and other taxes, net of federal tax benefit	2.5	2.5	3.5
Effective tax rate	37.5%	37.5%	38.5%

Deferred tax assets consist of the following components:

	2002	2001
	(In thousands)	
Differences in capitalization and depreciation and amortization of reacquired franchises and equipment	$ 9,137	$ 9,298
Differences in capitalization and depreciation and application of cash receipts and disbursements of direct financing leases and capital lease obligations	15,817	13,922
Other	510	3,670
	$ 25,464	$ 26,890

Deferred tax liabilities consist of the following components:

	2002	2001
	(In thousands)	
Differences between financial and tax accounting in the recognition of franchise and equipment sales	$ 84,597	$ 72,615
Differences between book and tax basis of property and equipment	6,821	10,129
Deferred dividends	5,022	4,359
	$ 96,440	$ 87,103

9. Employee Benefit Plans

In 1987, IHOP adopted a noncontributory Employee Stock Ownership Plan ("ESOP"). The ESOP is a stock bonus plan under Section 401(a) of the Internal Revenue Code. The plan covers IHOP employees who meet the minimum credited service requirements of the plan. Employees whose terms of service are covered by a collective bargaining agreement are not eligible for the ESOP unless the terms of such agreement specifically provide for participation in the ESOP.

The cost of the ESOP is borne by IHOP through contributions determined by the Board of Directors in accordance with the ESOP provisions and Internal Revenue Service regulations. The contributions to the plan for the years ended December 31, 2002, 2001 and 2000 were $1,998,000, $1,850,000 and $1,675,000, respectively. The contribution for the year ended December 31, 2002 will be made in shares of IHOP Corp. common stock.

Shares of stock acquired by the ESOP are allocated to each eligible employee and held by the ESOP. Upon the employee's termination after vesting, or in certain other limited circumstances, the employee's shares are distributed to the employee according to his or her direction.

In 2001, IHOP adopted a defined contribution plan authorized under Section 401(k) of the Internal Revenue Code. The plan covers IHOP employees who meet the minimum credited service requirements of the 401(k) plan. Employees whose terms of service are covered by a collective bargaining agreement are not eligible. Employees may contribute up to 15 percent of their pre-tax covered compensation subject to limitations of the tax code. IHOP Corp. common stock is not an investment option for employees in the 401(k) plan. The administrative cost of the 401(k) plan is borne by IHOP. The Company does not contribute towards the plan.

10. Related Party Transactions

On December 26, 2001, the Company loaned $1.2 million to its President and Chief Executive Officer. A portion of the loan ($600,000) is a personal loan. Pursuant to the employment agreement signed by the President and Chief Executive Officer in December 2001, this loan is interest free and forgiven in annual increments of $100,000. As of December 31, 2002 and 2001 the outstanding balance of this loan was $500,000 and $600,000, respectively. The other portion of the loan ($600,000) was an interest free bridge loan to be used as a portion of the down payment on a new home. In early 2002, $490,000 of this loan was repaid and $110,000, which represents the decline in value of her Kansas City, MO residence, was forgiven by the compensation committee of the Board of Directors. As of December 31, 2002 and 2001, the remaining balance of this loan was zero and $600,000, respectively.

11. Commitments and Contingencies

IHOP is subject to various claims and legal actions that have arisen in the ordinary course of business. We believe such claims and legal actions, individually or in the aggregate, will not have a material adverse effect on our financial condition, results of operations, or cash flows.

12. Segment Reporting

IHOP identifies its operating segments based on the organizational units used by management to monitor performance and make operating decisions. The Franchise Operations segment includes restaurants operated by franchisees and area licensees in the United States and Canada. The Company Operations segment includes Company-operated restaurants in the United States. We measure segment profit as operating income, which is defined as income before field, corporate and administrative

expense, interest expense, and income taxes. Information on segments and a reconciliation to income before income taxes are as follows:

	Franchise Operations	Company Operations	Sales of Franchises and Equipment	Corporate And Other	Adjustments & Eliminations	Consolidated Total
			(In thousands)			
Year Ended December 31, 2002						
Revenues from external customers	$ 238,422	$ 74,433	$ 53,019	$ —	$ —	$ 365,874
Intercompany real estate charges (revenues)	6,043	1,547	—	(7,590)	—	—
Capital lease real estate charges	16,591	2,093	—	—	(18,684)	—
Field, corporate and administrative	—	—	—	48,253	—	48,253
Depreciation & amortization	6,659	4,490	—	4,818	—	15,967
Interest expense	—	—	—	2,891	18,684	21,575
Income (loss) before income taxes	99,541	(5,036)	21,993	(51,141)	—	65,357
Additions to long lived assets	81,206	17,772	641	42,762	—	142,381
Total assets	581,492	41,860	17,461	178,987	—	819,800
Year Ended December 31, 2001						
Revenues from external customers	$ 208,630	$ 68,810	$ 46,996	$ —	$ —	$ 324,436
Intercompany real estate charges (revenues)	6,083	901	—	(6,984)	—	—
Capital lease real estate						

charges	16,311	2,437	—	—	(18,748)	—
Field, corporate and administrative	—	—	—	40,621	—	40,621
Depreciation & amortization	5,703	4,157	—	4,958	—	14,818
Interest expense	—	—	—	2,359	18,748	21,107
Income (loss) before income taxes	91,630	(4,447)	19,271	(41,993)	—	64,461
Additions to long lived assets	62,382	8,188	2,320	49,227	—	122,117
Total assets	484,438	52,143	21,561	83,287	—	641,429
Year Ended December 31, 2000						
Revenues from external customers	$ 183,361	$ 72,818	$ 47,065	$ —	$ —	$ 303,244
Intercompany real estate charges (revenues)	6,376	726	—	(7,102)	—	—
Capital lease real estate charges	16,103	2,594	—	—	(18,697)	—
Field, corporate and administrative	—	—	—	36,481	—	36,481
Depreciation & amortization	4,228	4,221	—	5,113	—	13,562
Interest expense	—	—	—	3,054	18,697	21,751
Income (loss) before income taxes	83,503	(4,450)	18,811	(40,404)	—	57,460
Additions to long lived assets	54,520	12,626	2,570	32,232	—	101,948
Total assets	423,877	49,437	21,145	67,753	—	562,212

Franchise Operations, Company Operations and Sales of Franchises and Equipment are reported on the same basis as used by IHOP's management. Franchise Operations revenues from external customers includes interest income from the financing of sales of franchises and equipment, which totals $20,677,000, $18,165,000 and $15,573,000 for the years ended December 31, 2002, 2001 and 2000, respectively. For management reporting purposes, we treat all restaurant lease revenues and expenses as operating lease revenues and expenses, although most of these leases are direct financing leases (revenues) or capital leases (expenses). The accounting adjustments required to bring lease revenues and expenses into conformance with GAAP are included in the Consolidated Adjustments and Eliminations column. These adjustments include interest income from direct financing leases of restaurant buildings and total $17,588,000, $18,257,000 and $18,779,000 for the years ended

December 31, 2002, 2001 and 2000, respectively. All of IHOP's owned land and restaurant buildings are included in the total assets of the Consolidated Adjustments and Eliminations column and are leased to the Franchise Operations and Company Operations segments.

13. Selected Quarterly Financial Data (Unaudited)

	Revenues	Operating Income	Net Income	Net Income Per Share—Basic(a)	Net Income Per Share—Diluted(a)
	(In thousands, except per share amounts)				
2002					
1st Quarter	$ 81,540	$ 31,273	$ 9,756	$ .47	$ .46
2nd Quarter	84,859	32,512	9,300	.44	.44
3rd Quarter	92,083	33,810	9,838	.47	.46
4th Quarter	107,392	37,590	11,954	.57	.56
2001					
1st Quarter	$ 70,106	$ 27,043	$ 7,474	$ .37	$ .37
2nd Quarter	82,825	32,251	10,168	.50	.49
3rd Quarter	81,096	32,421	11,076	.54	.53
4th Quarter	90,409	34,474	11,570	.56	.55

(a) The quarterly amounts may not add to the full year amount due to rounding.

Report of Independent Accountants

The Stockholders and Board of Directors
IHOP Corp.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of IHOP Corp. and its subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of IHOP Corp.'s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Los Angeles, California
February 14, 2003

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information appearing under the captions "Information Concerning Nominees and Members of the Board of Directors," "Executive Officers of the Company" and "Compliance with Section 16(a) of the Securities Exchange Act" contained in the 2003 Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation.

Information appearing under the captions "Executive Compensation—Summary of Compensation," "Executive Compensation—Stock Options and Stock Appreciation Rights" and "Executive Officers of the Company—Employment Agreements" contained in the 2003 Proxy Statement is incorporated herein by reference.

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

Information appearing under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance under Equity Compensation Plans" contained in the 2003 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Information appearing under the caption "Certain Relationships and Related Transactions" contained in the 2003 Proxy Statement is incorporated herein by reference.

Item 14. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. The President and Chief Executive Officer, and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of a date within 90 days prior to the date of the filing of this Report, that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the President and Chief Executive Officer of the Company, and the Chief Financial Officer of the Company, as appropriate to ensure timely decisions regarding required disclosure.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of such evaluation.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a)(1) **Consolidated Financial Statements**

The following documents are contained in Part II, Item 8 of this Annual Report on Form 10-K:

Consolidated Balance Sheets as of December 31, 2002 and 2001.

Consolidated Statements of Operations for each of the three years in the period ended December 31, 2002.

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2002.

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2002.

Notes to the Consolidated Financial Statements.

Report of Independent Accountants.

(a)(2) **Financial Statement Schedules**

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) **Exhibits**

Exhibits not incorporated by reference are filed herewith. The remainder of the exhibits have heretofore been filed with the Securities and Exchange Commission and are incorporated herein by reference. Management contracts or compensatory plans or arrangements are marked with an asterisk.

3.1	Restated Certificate of Incorporation of IHOP Corp. (originally filed as Exhibit 3.1 to the 1997 Form 10-K) is filed herewith.
3.2	Bylaws of IHOP Corp. (originally filed as Exhibit 3.2 to the 1997 Form 10-K) is filed herewith.
3.3	Amendment to the bylaws of IHOP Corp. dated November 14, 2000 (Exhibit 3.3 to IHOP Corp.'s Form 10-Q for the quarterly period ended March 31, 2001) is incorporated herein by reference.
4.1	Senior Note Purchase Agreement, dated as of November 19, 1992, among IHOP Corp., International House of Pancakes, Inc. ("IHOP, Inc.") and Mutual Life Insurance Company of New York and other purchasers. (previously filed as Exhibit 4.1 to the 1997 Form 10-K) is filed herewith.
4.2	Senior Note Purchase Agreement, dated as of November 1, 1996, among IHOP, Inc., IHOP Corp. and Jackson National Life Insurance Company and other purchasers. (originally filed as Exhibit 4.8 to the 1996 Form 10-K) is filed herewith.
4.3	First Amendment to Senior Note Purchase Agreement, dated as of October 28, 2002, among IHOP Inc., IHOP Corp., and Jackson National Life Insurance Company and other purchasers is filed herewith.
4.4	Revolving line of credit note among International House of Pancakes, Inc., a Delaware Corporation and Wells Fargo Bank, N.A. dated as of June 28, 2001. (Exhibit 4.4 to the 2001 Form 10-K) is hereby incorporated by reference.

4.5	First Amendment to Credit Agreement, dated as of May 31, 2002, among International House of Pancakes, Inc., a Delaware Corporation and Wells Fargo Bank, National Association (Exhibit 4.7 to IHOP Corp.'s Form 10-Q for the quarterly period ended June 30, 2002) is hereby incorporated by reference.
4.6	Loan Agreement dated as of April 27, 2001, among IHOP Properties, Inc., International House of Pancakes, Inc., IHOP Corp., IHOP Realty Corp., and Bank of America, N.A. (Exhibit 4.5 to the 2001 Form 10-K) is hereby incorporated by

	reference.
4.7	First Addendum to loan agreement, dated as of March 13, 2002, among IHOP Properties, Inc., International House of Pancakes, Inc., IHOP Corp., IHOP Realty Corp., and Bank of America, N.A. (Exhibit 4.6 to IHOP Corp.'s Form 10-Q for the quarterly period ended March 31, 2002) is hereby incorporated by reference.
4.8	Second Addendum to loan agreement, dated as of October 28, 2002, among IHOP Properties, Inc., International House of Pancakes, Inc., IHOP Corp., IHOP Realty Corp., and Bank of America, N.A. is filed herewith.
4.9	Note Purchase Agreement, dated as of October 28, 2002, among IHOP Corp., International House of Pancakes, Inc. and AIG Annuity Insurance Company and other purchasers. (Exhibit 4.1 to IHOP Corp.'s Form 10-Q for the quarterly period ended September 30, 2002) is incorporated herein by reference.
4.10	Amended and restated Intercreditor Agreement, dated as of October 28, 2002, among Wells Fargo Bank, N.A., MONY Life Insurance Company and other noteholders, is filed herewith.
*10.1	Employment Agreement between IHOP Corp. and Gregg Nettleton dated July 15, 2002 is filed herewith.
*10.2	Employment Agreement between IHOP Corp. and Anna G. Ulvan. (originally filed as Exhibit 10.12 to the 1996 Form 10-K) is filed herewith.
*10.3	Employment Agreement between IHOP Corp. and Mark D. Weisberger. (originally filed as Exhibit 10.13 to the 1996 Form 10-K) is filed herewith.
*10.4	Employment Agreement between IHOP Corp. and Richard C. Celio. (originally filed as Exhibit 10 to IHOP Corp.'s Form 10-Q for the quarterly period ended March 31, 1997) is filed herewith.
*10.5	Agreement between IHOP Corp. and Tom Conforti dated March 25, 2003 is filed herewith.
*10.6	Employment Agreement between IHOP Corp. and Robin S. Elledge. (Exhibit 10.1 to IHOP Corp.'s Form 10-Q for the quarterly period ended June 30, 2001) is hereby incorporated by reference.
*10.7	Employment Agreement between IHOP Corp. and Julia A. Stewart. (Exhibit 10.10 to the 2001 Form 10-K) is hereby incorporated by reference.
10.8	Area Franchise Agreement, effective as of May 5, 1988, by and between IHOP, Inc. and FMS Management Systems, Inc. (originally filed as Exhibit 10.14 to the 1997 Form 10-K) is filed herewith.
*10.9	International House of Pancakes Employee Stock Ownership Plan as Amended and Restated as of January 1, 2001 ("the ESOP") (originally filed as Exhibit 10.12 to the 2001 Form 10-K) is hereby incorporated by reference.
*10.10	Third Amendment to the International House of Pancakes Employee Stock Ownership Plan, dated as of December 30, 2002 is filed herewith.

*10.11	IHOP Corp. 1994 Stock Option Plan for Non-Employee Directors as Amended and Restated February 23, 2000. (Annex "A" to the IHOP Corp. Proxy Statement for Annual Meeting of Stockholders held on Tuesday, May 11, 2000) is hereby incorporated by reference.
*10.12	IHOP Corp. 2002 Stock Incentive Plan (the "2002 Plan") as Amended and Restated on March 1, 2002. (Appendix "B" to the IHOP Corp. Proxy Statement for the Annual Meeting of Stockholders held on May 15, 2002) is hereby incorporated by reference.
*10.13	International House of Pancakes 401(k) Plan. (Exhibit 10.15 to the 2001 Form 10-K) is hereby incorporated by reference.
*10.14	IHOP Corp. Executive Incentive Plan effective January 1, 2002 and supersedes all previously implemented plans (Exhibit 10.17 to IHOP Corp.'s Form 10-Q for the quarterly period ended March 31, 2002) is hereby incorporated by reference.
11.0	Statement Regarding Computation of Per Share Earnings.
21.0	Subsidiaries of IHOP Corp. is filed herewith.
23.0	Consent of PricewaterhouseCoopers LLP.

99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) **Reports on Form 8-K:**

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on this 28th day of March, 2002.

IHOP CORP.

By: /s/ JULIA A. STEWART

Julia A. Stewart
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant, in the capacities indicated, on this 28th day of March, 2002.

Name	Title
/s/ JULIA A. STEWART Julia A. Stewart	President, Chief Executive Officer and Director
/s/ THOMAS CONFORTI Thomas Conforti	Chief Financial Officer (Principal Financial Officer)
/s/ A. ALLEN ARROYO A. Allen Arroyo	Controller and Assistant Treasurer (Principal Accounting Officer)
/s/ LARRY ALAN KAY Larry Alan Kay	Chairman of the Board
/s/ H. FREDERICK CHRISTIE H. Frederick Christie	Director
/s/ FRANK EDELSTEIN Frank Edelstein	Director
/s/ MICHAEL S. GORDON Michael S. Gordon	Director
/s/ NEVEN C. HULSEY Neven C. Hulsey	Director
/s/ CAROLINE W. NAHAS Caroline W. Nahas	Director

/s/ PATRICK W. ROSE

Patrick W. Rose Director

CERTIFICATIONS

I, Julia A. Stewart, President and Chief Executive Officer of IHOP Corp., certify that:

1. I have reviewed this Annual Report on Form 10-K of IHOP Corp.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Date: March 28, 2003

/s/ JULIA A. STEWART

Julia A. Stewart
President and Chief Executive Officer

CERTIFICATIONS

I, Thomas Conforti, Vice President and Chief Financial Officer of IHOP Corp., certify that:

1. I have reviewed this Annual Report on Form 10-K of IHOP Corp.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Date: March 28, 2003

/s/ THOMAS CONFORTI

Thomas Conforti
Chief Financial Officer

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

IHOP CORP

IHOP CORP., a Delaware corporation organized under that name on May 7, 1976, hereby amends and restates its Certificate of Incorporation to read in its entirety as set forth below:

FIRST: The name of the Corporation is IHOP Corp. (hereinafter the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 32 Loockerman Square, Suite L-1OO, in the City of Dover, County of Kent. The name of its registered agent at that address is The Prentice-Hall Corporation System, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware code (the "DGCL").

FOURTH: The total number of shares which the Corporation shall have authority to issue is 50,000,000 shares, consisting of (a) 40,000,000 shares of common stock, par value $.01 per share (The "Common Stock"), and (b) 10,000,000 shares of preferred stock, par value $1.00 per share (the "Preferred Stock").

The Board of Directors of the Corporation (the "Board of Directors") is expressly authorized, at any time and from time to time, to fix, by resolution or resolutions, the following provisions for shares of any class or classes of Preferred Stock of the Corporation or any series of any class of Preferred Stock:

(a) the designation of such class or series, the number of shares to constitute such class or series and the stated value thereof if different from the par value thereof;

(b) whether the shares of such class or series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may (i) be general or limited, (ii) subject to applicable law or regulation, including without limitation the rules of any securities exchange on which securities of any class of the Corporation may be listed, permit more than one vote per share, or (iii) vary among stockholders of the same class based upon such factors as the Board of Directors may determine including, without limitation, the size of a stockholder's position and/or the length of time with respect to which such position has been held:

(c) the dividends, if any, payable on such class or series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of the same class;

(d) whether the shares of such class or series shall be subject to redemption by the Corporation, and, if so, the times, prices and other conditions of such redemption;

(e) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such class or series in, the voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets, of the Corporation;

(f) whether the shares of such class or series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such class or series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(g) whether the shares of such class or series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of the same class or any other securities (including

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Common Stock) and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any shares of such class or series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of the same class;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such class or series or of any other series of the same class or of any other class;

(j) the ranking (be it *pari passu*, junior or senior) of each class or series vis-a-vis any other class or series of any class of Preferred

Stock as to the payment of dividends, the distribution of assets and all other matters; and

(k) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof, insofar as they are not inconsistent with the provisions of this Restated Certificate of Incorporation, to the full extent permitted in accordance with the laws of the State of Delaware.

The powers, preferences and relative, participating, optional and other special rights of each class or series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to or repeal the By-Laws of the Corporation.

(c) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than three nor more than 13 directors, the exact number of directors to be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors then in office. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire board of directors. Immediately following the adoption by the Corporation of this Restated Certificate of Incorporation, a majority of the Board of Directors shall elect Class I directors for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each annual meeting of stockholders beginning in 1992, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum if present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of

directors in such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation, if any, shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article FIFTH unless expressly provided by such terms.

(d) Directors of the Corporation may be removed by stockholders of the Corporation only for cause.

(e) No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article FIFTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

(f) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Restated Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of the DGCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing seventy-five percent (75%) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any

reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

SEVENTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, if there be one, the President or the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time

any such resolution is presented to the Board of Directors for adoption). Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation or in the By-laws of the Corporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation, provided, however, that subject to the powers and rights provided for herein with respect to Preferred Stock issued by the Corporation, if any, but notwithstanding anything else contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least eighty percent (80%) of the combined voting power of all of the then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, rescind or repeal (i) Article FOURTH, Article FIFTH, Article SIXTH, Article SEVENTH or this Article EIGHTH of this Restated Certificate of Incorporation or to adopt any provision inconsistent therewith or (ii) Section 3 or 8 of Article II, Section 1, 2, 3 or 4 of Article III, Article VIII or Article IX of the By-Laws of the Corporation or to adopt any provision inconsistent therewith.

The foregoing Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Section 245 of the DGCL. The foregoing Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation as heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

IN WITNESS WHEREOF, IHOP Corp. has caused this Restated Certificate of Incorporation to be duly executed in its corporate name this 30th day of July, 1992.

IHOP CORP.

By: /s/ RICHARD K. HERZER

Name: Richard K. Herzer
Title: *President*

ATTEST:

By: /s/ LARRY ALAN KAY

Name: Larry Alan Kay
Title: *Secretary*

QuickLinks

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION OF IHOP CORP

Exhibit 3.2

BYLAWS

OF

IHOP CORP.

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. *Registered Office.* The registered office of the Corporation shall be in the City of Dover, County of Kent, State of Delaware.

Section 2. *Other Offices.* The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. *Place of Meetings.* Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. *Annual Meetings.* The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect, in accordance with Section 1 and Section 2 of Article III of these Bylaws, by a plurality vote those Directors belonging to the class or classes of directors to be elected at such meeting, and transact such other business as may properly be brought before the meeting. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 3. *Special Meetings.* Unless otherwise prescribed by law or by the Restated Certificate of Incorporation, Special Meetings of Stockholders may be called only by the Chairman of the Board, if there be one, the President or the Board of Directors pursuant to a resolution adopted by a majority of the entire board of directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption). Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. Business transacted at all special meetings shall be confined to the purposes stated in the call.

Section 4. *Quorum.* Except as otherwise provided by law or by the Restated Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned

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meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. *Voting.* Unless otherwise required by law, the Restated Certificate of Incorporation or these By-Laws, (i) any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat and (ii) each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. *List of Stockholders Entitled to Vote.* The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 7. *Stock Ledger.* The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 8. *Notice of Business.* No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 8 of this Article II and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 8 of this Article II.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the

business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 8 of this Article II, provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 8 of this Article II shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III

DIRECTORS

Section 1. *Number and Election of Directors.* The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than three nor more than 13 directors, the exact number of directors to be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors then in office. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. Immediately following the adoption by the Corporation of the Restated Certificate of Incorporation, a majority of the Board of Directors shall elect Class I directors for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each annual meeting of stockholders beginning in 1992, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the Corporation, if any, shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Section 1 of this Article III unless expressly provided by such terms.

Section 2. *Nomination of Directors.* Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Restated Certificate of Incorporation of the Corporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the

purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2 of this Article III and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 2 of this Article III.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2 of this Article III. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 3. *Removal of Directors.* Directors of the Corporation may be removed by stockholders of the Corporation only for cause.

Section 4. *Vacancies.* Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors in such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Section 5. *Duties and Powers.* The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Restated

Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 6. *Meetings.* The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President or any two directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, electronic facsimile or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 7. *Quorum.* Except as may be otherwise specifically provided by law, the Restated Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 8. *Actions of Board.* Unless otherwise provided by the Restated Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 9. *Meetings by Means of Conference Telephone.* Unless otherwise provided by the Restated Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 9 of this Article III shall constitute presence in person at such meeting.

Section 10. *Committees.* The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of

the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 11. *Compensation.* The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 12. *Interested Directors.* No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

Section 1. *General.* The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. The President or any Vice-President may

appoint Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Restated Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. *Election.* The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. *Voting Securities Owned by the Corporation.* Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. *Chairman of the Board of Directors.* The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. He shall be the Chief Executive Officer of the Corporation, and except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 5. *President.* The President shall, subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. If there be no Chairman of the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 6. *Vice Presidents.* At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the Executive Vice President or the Executive Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Executive Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Executive Vice President, the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors, no Executive Vice President and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 7. *Secretary.* The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The

Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the

Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. *Treasurer.* The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 9. *Assistant Secretaries.* Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 10. *Assistant Treasurers.* Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 11. *Other Officers.* Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

STOCK

Section 1. *Form of Certificates.* Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. *Signatures.* Where a certificate is countersigned by (i) a transfer agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. *Lost Certificates.* The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. *Transfers.* Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

Section 5. *Record Date.* In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. *Beneficial Owners.* The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI

NOTICES

Section 1. *Notices.* Whenever written notice is required by law, the Restated Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder,

such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by electronic facsimile, telegram, telex or cable.

Section 2. *Waivers of Notice.* Whenever any notice is required by law, the Restated Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

Section 1. *Dividends.* Dividends upon the capital stock of the Corporation, subject to the provisions of the Restated Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. *Disbursements.* All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. *Fiscal Year.* The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. *Corporate Seal.* The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

INDEMNIFICATION

Section 1. *Power to Indemnify in Actions, Suits or Proceedings other Than Those by or in the Right of the Corporation.* Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. *Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation.* Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another

corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Section 3. *Authorization of Indemnification.* Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 4. *Good Faith Defined.* For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 of this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 of this Article VIII shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

Section 5. *Indemnification by a Court.* Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he has met the

applicable standards of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 of this Article VIII shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. *Expenses Payable in Advance.* Expenses incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. *Nonexclusivity of Indemnification and Advancement of Expenses.* The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification or advancement of expenses of any person who is not specified in Section 1 or Section 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify or advance expenses under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 8. *Insurance.* The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

Section 9. *Certain Definitions.* For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the

resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors and officers, so that any person who is or was a director or officer of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director or officer of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be

deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. *Survival of Indemnification and Advancement of Expenses.* The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. *Limitation on Indemnification.* Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. *Indemnification of Employees and Agents.* The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX

AMENDMENTS

Section 1. Except as otherwise provided in the Restated Certificate of Incorporation, these By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such meeting of stockholders or Board of Directors, as the case may be. Except as otherwise provided in the Restated Certificate of Incorporation, all such amendments must be approved by either the holders of at least eighty percent (80%) of the combined voting power of all of the then outstanding capital stock entitled to vote generally in the election of directors, voting together as a single class, or by a majority of the entire Board of Directors then in office.

Section 2. *Entire Board of Directors.* As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

QuickLinks

EXHIBIT 4.1

IHOP CORP.

INTERNATIONAL HOUSE OF PANCAKES, INC.

SENIOR NOTE PURCHASE AGREEMENT

$32,000,000 7.79% SENIOR NOTES DUE 2002

Dated as of November 19, 1992

TABLE OF CONTENTS
(Not Part of Agreement)

Schedules

IHOP CORP.

INTERNATIONAL HOUSE OF PANCAKES, INC.

SENIOR NOTE PURCHASE AGREEMENT

November 19, 1992

To The Purchaser Whose Name
Appears in the Acceptance
Form at the End Hereof

Ladies and Gentlemen:

The undersigned, International House of Pancakes, Inc., a Delaware corporation (the "Borrower"), and IHOP Corp., a Delaware corporation of which the Borrower is a wholly owned Subsidiary ("Holdings"), hereby agree with you as follows:

Section 1. Authorization and Issue of Notes. The Borrower has duly authorized the issue, sale and delivery of its 7.79% Senior Notes Due 2002 in the aggregate principal amount of $32,000,000, to be dated the date of issue thereof, to bear interest on the outstanding principal thereof (computed on the basis of a 360-day year of twelve 30-day months) from such date, payable in arrears in cash semi-annually on the 19th day of May and November in each year (commencing May 19, 1993) and at maturity, at the rate of 7.79% per annum, and to bear interest at a rate equal to the greater of 9.79% or the rate of interest announced publicly from time to time by Citibank, N.A. in New York, New York as its "prime rate" on any overdue principal and prepayment charge and, to the extent permitted by applicable law, on any overdue interest (determined as of the date such principal, payment charge or interest first becomes overdue), until the same shall be paid in full, to mature on November 19, 2002, and to be substantially in the form of Exhibit A hereto attached (all such Notes originally issued pursuant to this Agreement or the Other Agreements, or delivered in substitution or exchange for any thereof, being collectively called the "Notes" and individually a "Note").

You, together with the other purchasers named in Schedule I to this Agreement, are herein sometimes referred to collectively as the "Purchasers" and individually as a "Purchaser".

Section 2. Purchase and Sale of Notes. Subject to the terms and conditions herein set forth, the Borrower hereby agrees to sell to you and you agree to purchase from the Borrower, Notes in the respective aggregate principal amounts set forth opposite your name in Schedule I hereto, at a purchase price of 100% of the principal amount thereof.

The purchase and delivery of the Notes to be purchased by you shall take place at the offices of Sonnenschein Nath & Rosenthal, 900 Third Avenue, New York, New York 10022 at 10:00 a.m., New York time on November 19, 1992 (or such other time and place as the parties shall agree provided however, that in no event shall funding be provided after 3:00 p.m., New York time) (herein called the "Closing Date"). On the Closing Date, the Borrower will deliver to you Notes registered in your name or in the name of your nominee, each such Note to be duly executed and dated the Closing Date, each to be in the respective aggregate principal amounts to be purchased by you as specified above, in such denominations (multiples of $1,000) as you may specify by timely notice to the Borrower (or, in the absence of such notice, one Note registered in your name in a principal amount equal to the aggregate principal amount of Notes to be purchased by you), against your delivery to the Borrower of immediately available funds in the amount of the aggregate purchase price therefor.

Section 3. Payments of Notes.

3.1. Mandatory Payments of Principal. The principal amount of the Notes shall be prepaid by the Borrower in installments, payable on each of the dates set forth below in the respective aggregate amounts set forth opposite such dates:

Payment Date	Principal Amount
November 19, 1996	$ 4,571,428.00
November 19, 1997	4,571,428.00
November 19, 1998	4,571,428.00
November 19, 1999	4,571,428.00
November 19, 2000	4,571,428.00
November 19, 2001	4,571,428.00;

provided, however, that if Notes aggregating less than $32,000,000 in principal amount are issued and sold pursuant to this Agreement and the Other Agreements, each of the prepayment amounts set forth above shall be reduced to an amount which is equal to the product achieved by multiplying each amount set forth above by a fraction, the numerator of which shall be the aggregate principal amount of all Notes issued and sold pursuant to this Agreement and the Other Agreements and the denominator of which shall be $32,000,000.

The entire remaining principal amount of the Notes shall become due and payable on November 19, 2002. Each payment of Notes made pursuant to this Section 3.1 shall be allocated as provided in Section 3.4.

3.2. Optional Prepayments of the Notes. The Borrower, at its option, upon notice given as provided in Section 3.3, may, on any Interest Payment Date, prepay all or any part of the principal amount of outstanding Notes (in the minimum amount of $100,000 and additional increments of integral multiples of $100,000), at a price equal to the sum of (i) the greater of the principal amount of the Notes being so prepaid or the Present Value Amount of the Notes being so prepaid, plus (ii) all accrued but unpaid interest on the outstanding principal amount of the Notes being prepaid through the date of such prepayment.

Each prepayment made pursuant to this Section 3.2 shall be allocated as provided in Section 3.4. All principal amounts prepaid pursuant to this Section 3.2 shall be applied to reduce the amounts of the mandatory payments of principal thereafter due pursuant to Section 3.1 in the inverse order of maturity of those mandatory payments.

3.3. Notice of Prepayment of the Notes. The Borrower shall call Notes for prepayment pursuant to Section 3.2 by giving written notice thereof to each holder of Notes, which notice shall be given not less than 30 nor more than 60 days prior to the date fixed for such prepayment in such notice and shall specify the principal amount so to be prepaid, the accrued interest applicable to such prepayment and the date fixed for such prepayment. Notice of prepayment having been so given, the aggregate amount to be paid as specified in such notice (together with the prepayment charge, if any) shall become due and payable on the specified prepayment date. At least three Business Days prior to the date of any such prepayment, the Borrower shall furnish to each holder of Notes, via telecopy (with delivery of the original by overnight courier on the next Business Day), an Officer's Certificate of the Borrower setting forth computations in reasonable detail showing an estimate of the prepayment charge, if any, required to be paid in connection with such prepayment, and the manner of calculation of the prepayment charge and attaching a copy of the source of market data by reference to which the Treasury Yield was determined in connection with such computations. No later than noon eastern time one Business Day prior to the date of any such prepayment, the Borrower shall furnish to each holder of Notes, via telecopy (with delivery of the original by overnight courier on the next Business Day), a certificate of an Appropriate Officer of the Borrower setting forth computations in reasonable detail showing the manner of

calculation of the actual prepayment charge, if any, required to be paid in connection with such prepayment and attaching a copy of the source of market data by reference to which the Treasury Yield was determined in connection with such computations. Prior to 2:00 p.m. eastern time on the Business Day referred to in the immediately preceeding sentence, the Borrower shall call each Purchaser to confirm receipt of such certificate.

3.4. Allocation of Payments. In the event of any payment or prepayment of less than all of the outstanding Notes pursuant to Section 3.1 or Section 3.2, the Borrower shall allocate the principal amount so to be paid or prepaid by it (but only in units of $1,000) and the interest and prepayment charge, if any, among the Notes in proportion, as nearly as may be practicable, to the respective unpaid principal amounts thereof.

3.5. Surrender of Notes; Notation Thereon. Subject to the provisions of Section 16.1, the Borrower shall not, as a condition of payment of all or any part of the principal of, prepayment charge (if any) and interest on, any Note, require the holder to present such Note for notation of such payment or require the surrender thereof. Upon receipt of payment in full of the principal of, prepayment charge (if any) and interest on, any Note, such Note shall be deemed to be automatically cancelled, without any further action on the part of the Borrower or the Noteholder. However, each Noteholder shall make reasonable efforts to promptly return all cancelled Notes.

3.6. Purchase of Notes. Except as set forth in Sections 3.1, 3.2 or the next following sentence of this Section 3.6, neither the Borrower nor Holdings will, nor will either of them permit any of its Subsidiaries or Affiliates to, acquire directly or indirectly by purchase or prepayment or otherwise any of the outstanding Notes except by way of payment or prepayment in accordance with the provisions of this Agreement. The Borrower may repurchase the Note or Notes of any

holder provided that, prior to any such repurchase, the Borrower offers, in a written notice, to repurchase a Pro Rata Portion of each holder's Notes on the same terms, and, at such time, the Borrower shall have sufficient funds then available to it to repurchase such Notes. Each holder of Notes shall have ten (10) Business Days after receipt of such written notice to accept or reject the Borrower's offer set forth in such notice. Failure of any holder of Notes to respond to any such notice within ten (10) Business Days after its receipt thereof shall be deemed to be a rejection of the offer therein. In the event that the Borrower has purchased less than the entire outstanding principal balance of the Notes, the amount of the principal balance so purchased shall be

multiplied by a fraction, the numerator of which is 1 and the denominator of which is the number of scheduled principal payments pursuant to Section 3.1 (including the payment scheduled to be made on November 19, 2002) which have not yet been made as of the date of the purchase of the Notes and such product shall be deducted from each of the payments otherwise due following the date of the purchase of the Notes. The remaining payments due after giving effect to this deduction shall be allocated in accordance with Section 3.4.

Section 4. Representations and Warranties. The Borrower and Holdings, jointly and severally, represent and warrant to the Purchasers that:

4.1. Corporate Existence and Power. Each of the Borrower, Holdings, and each of their respective Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and is duly qualified to do business in each additional jurisdiction where the failure to so qualify would have a Material Adverse Effect. Each of the Borrower, Holdings and each of their respective Subsidiaries has all requisite corporate power to own its Properties and to carry on its business as now being conducted and as proposed to be conducted, and in the case of the Borrower and Holdings to execute, deliver and perform its obligations under this Agreement and the Other Agreements, in the case of the Borrower to execute, issue, sell, deliver and perform its obligations under the Notes, in the case of IHOP Realty to execute, deliver and perform its obligations under the Subsidiary Guarantee, and in the case of each such Person to engage in the respective transactions contemplated by this Agreement and the Other Agreements.

4.2. Corporate Authority. The execution, delivery and performance (a) by the Borrower of this Agreement, the Other Agreements and the Notes, (b) by Holdings of this Agreement and the Other Agreements, and (c) by IHOP Realty of the Subsidiary Guarantee, are within the respective corporate powers of such Persons and have been duly authorized by all necessary corporate action on the part of the respective Boards of Directors and stockholders of each of them.

4.3. Binding Effect. This Agreement and the Other Agreements are the legal, valid and binding obligations of the Borrower and Holdings, and the Notes when issued and delivered against payment therefor as herein provided will be the legal, valid and binding obligations of the Borrower; and the Subsidiary Guarantee will, when executed and delivered by IHOP Realty on the Closing Date be the legal, valid and binding obligation of IHOP Realty; in each case enforceable against

such respective parties in accordance with their respective terms, except, in each case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws relative to or affecting the enforcement of creditors' rights generally in effect from time to time and by general principles of equity.

4.4. Capital Stock. (a) On the Closing Date, the authorized capital stock of the Borrower will consist of 1,000 shares of common stock, no par value, and all of the capital stock of the Borrower is validly issued, fully paid and non- assessable and owned, of record and beneficially, free and clear of any Liens, by Holdings. On the Closing Date, the Borrower will not have outstanding any securities convertible into or exchangeable for any of its capital stock, nor will it have outstanding any rights to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreements (contingent or otherwise) providing for the issuance of, or any calls, commitments or claims of any character relating to, any of its capital stock or any securities convertible into or exchangeable for any of its capital stock. The Borrower is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its capital stock, or to any obligation (contingent or otherwise) evidencing the right of the holder thereof to purchase any of its capital stock.

(b) On the Closing Date, the authorized capital stock of Holdings will consist of 40,000,000 shares of common stock and 10,000,000 shares of preferred stock. On the Closing Date, Holdings will not have outstanding any securities convertible into or exchangeable for any of its capital stock, nor will it have outstanding any rights to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreements (contingent or otherwise) providing for the issuance of, or any calls, commitments or claims of any character relating to, any of its capital stock or any securities convertible into or exchangeable for any of its capital stock, except for options and other securities issued pursuant to the IHOP Corp. 1991 Stock Incentive Plan. Holdings is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its capital stock, or to any obligation (contingent or otherwise) evidencing the right of the holder thereof to purchase any of its capital stock.

4.5. Business Operations and Other Information; Financial Condition .

(a) The Borrower (or Continental Bank N.A., on behalf of the Borrower) has delivered to you (or, in the case of clause (iv) below, made available and delivered to the extent

requested) true and complete copies of (i) the Confidential Private Placement Memorandum dated September 1992 prepared by the Borrower and Continental

Bank N.A. in connection with the offering of the Notes to be purchased by you hereunder (together with the Exhibits thereto, the "Confidential Memorandum"), (ii) the audited consolidated balance sheets of Holdings and its Subsidiaries as at December 31 for 1989, 1990 and 1991, and the related audited consolidated statements of operations, shareholders' equity and cash flows for the fiscal years ended December 31, 1989, 1990 and 1991, together with the notes thereto and the reports thereon of Coopers & Lybrand (the "Audited Financial Statements"), (iii) (A) the unaudited consolidating balance sheets of Holdings and its Subsidiaries as at December 31, 1991 and the related consolidating statements of operations for the fiscal year then ended and (B) the unaudited consolidated balance sheet of Holdings and its Subsidiaries as at June 30, 1992, and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal quarter then ended (the "Unaudited Financial Statements"; the Audited Financial Statements and the Unaudited Financial Statements are sometimes hereinafter collectively referred to as the "Financial Statements"), (iv) the Financial Projections of Holdings and its Subsidiaries for 1992 through 1995 (the "Projections"), and (v) the SEC Reports. The Confidential Memorandum and the SEC Reports correctly describe in all material respects the businesses, operations and principal Properties of Holdings, the Borrower and their Subsidiaries. The Financial Statements have been prepared in accordance with GAAP (except as noted thereon) consistently applied throughout the periods involved, and fairly present the consolidated and consolidating financial position of Holdings and its Subsidiaries as at each of the dates and for each of the periods covered thereby, subject to, in the case of the Unaudited Financial Statements, year-end audit adjustments and the notes required by GAAP and, with respect to the consolidating statements, the failure to prepare statements of cash flows and stockholders' equity and the failure to include notes thereon as required by GAAP. As of the date of each of the balance sheets included in the Financial Statements, neither Holdings, the Borrower nor any of their Subsidiaries had any material Debt or liability, absolute or contingent, liquidated or unliquidated, except Debt and liabilities reflected or reserved against on the Financial Statements or described in the notes thereto. Neither Holdings nor any of its Subsidiaries has made any filing with the SEC on Form 8-K since December 31, 1991. The Projections were prepared by the Borrower on the basis of assumptions which the Borrower reasonably believes are fair and reasonable in light of the historical financial performance of Holdings and its Subsidiaries and of current and reasonably foreseeable business conditions.

(b) Except as contemplated herein, or as disclosed in the Confidential Memorandum or the SEC Reports or on Schedule 4.5 hereto, or reflected in the Financial Statements, since December 31, 1991, neither Holdings, the Borrower nor any of their Subsidiaries has:

(1) incurred or assumed any Debt (other than draws of revolving Debt pursuant to the Existing Agreement (as defined in Section 6.15) and the documents pursuant to which the Debt owing to HomeFed (as defined in Section 6.16) was incurred which, when reduced by repayment of such Debt, during such period do not increase the total amount of revolving Debt outstanding under each of such facilities as reflected on the financial statements included in the quarterly report on Form l0-Q as filed by Holdings with the SEC for the quarterly period ended September 30, 1992 (the "September 30, 1992 10-Q")), obligations or liabilities which are, individually or in the aggregate, material (absolute, accrued, or contingent and whether due or to become due), except current liabilities incurred in the ordinary course of business, except as set forth in Schedule 4.8 attached hereto and except for Capitalized Leases not required to be disclosed on Schedule 4.8;

(2) paid any Debt (other than reductions of outstanding revolving Debt made during such period pursuant to the Existing Agreement (as defined in Section 6.15) and the documents pursuant to which the Debt owing to HomeFed (as defined in Section 6.16) was incurred), obligations or liabilities which are, individually or in the aggregate, material, other than current liabilities in the ordinary course of business, or discharged any Liens which are, individually or in the aggregate, material, other than Liens securing current liabilities discharged in the ordinary course of business;

(3) declared or paid any dividend or distribution to its shareholders, or purchased or redeemed any of its shares, or incurred or paid any management fee or similar charge, or obligated itself to do so;

(4) subjected any of its Property to any Lien other than Permitted Liens;

(5) sold, disposed, transferred, licensed or released any of its Property except in the ordinary course of business;

(6) suffered any physical damage, destruction, or loss (whether or not covered by insurance) which had or could reasonably be expected to have a Material Adverse Effect;

(7) entered into any material transaction other than in the ordinary course of business;

(8) encountered any strike, work stoppage or other adverse collective labor action or any labor union organizing activities;

(9) issued or sold any shares or other securities or granted any material options or similar rights with respect thereto, except for the issuance or sale of shares or other securities pursuant to the 1991 IHOP Corp. Stock Incentive Plan;

(10) made any change in accounting methods, practices or principles;

(11) waived, released, granted or transferred any rights having, individually or in the aggregate, material value, or modified or changed in any material respect any existing franchise, license, lease, contract or other document, other than in the ordinary course of business; or

(12) agreed to do any of the foregoing.

4.6. Subsidiaries. Holdings has no direct equity interest in any Person other than the Borrower, and no indirect equity interest in any Person other than the Subsidiaries of the Borrower. Set forth on Schedule 4.6 attached hereto is a true and complete list of all Subsidiaries of the Borrower (the "Subsidiaries List"), setting forth as to each such Subsidiary its jurisdiction of incorporation and the percentage of capital stock of each such Subsidiary owned by the Borrower or a Subsidiary of the Borrower. On the Closing Date, (i) except as disclosed in the Financial Statements, the Borrower will have no direct or indirect equity interest in any Person other than the Subsidiaries listed on the Subsidiaries List, the Borrower will have good title to all of the shares it owns of each of its Subsidiaries, free and clear in each case of any Lien, (ii) all such shares of each such Subsidiary will have been duly and validly issued, and will be fully paid and non-assessable and owned of record or beneficially by the Borrower and/or one or more of such Subsidiaries, and (iii) there will be no securities outstanding that are convertible into or exchangeable for any shares of the Borrower's Subsidiaries, nor will there be outstanding any rights to subscribe for or purchase, or any options or warrants for the purchase of, or any agreements (contingent or otherwise) providing for the issuance of, or any calls, commitments or claims of any character relating to, any shares of the Borrower's Subsidiaries or any securities convertible into or exchangeable for any such shares.

4.7. Litigation; No Violation of Governmental Orders or Laws. Except as set forth on Schedule 4.7:

(a) There are no actions, suits or proceedings pending, or, to the knowledge of Holdings or the Borrower after due inquiry, threatened against or affecting Holdings or any of its Subsidiaries or any Properties or rights of any of them which, if adversely determined, individually or in the aggregate would have a Material Adverse Effect.

(b) There are no actions, suits or proceedings pending, or, to the knowledge of Holdings or the Borrower after due inquiry, threatened against or affecting Holdings or any of its Subsidiaries which seek to enjoin, or otherwise prevent the consummation of, the transactions contemplated herein or to recover any damages or obtain any relief as a result of any of the transactions contemplated herein in any court or before any arbitrator of any kind or before or by any Governmental Body.

(c) Neither Holdings nor any of its Subsidiaries is or will be, after or as a result of giving effect to the transactions contemplated herein, in default under or in violation of any Order of any court, arbitrator or Governmental Body or of any statute or law or of any rule or regulation of any Governmental Body, which default or violation has or could reasonably be expected to have a Material Adverse Effect; and none of them is subject to or a party to any Order of any court or Governmental Body arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters.

(d) All cash payments required to be paid pursuant to that certain Settlement Agreement entered into on November 7, 1973, together with all amendments thereto, approved by an order dated November 29, 1973 of the United States District Court for the Western District of Missouri, with respect to In re: IHOP Franchise Litigation, M.D.L. Docket No. 77 have been paid, all litigation regarding such Settlement Agreement has been settled or dismissed and all payments required to be paid pursuant thereto have been paid, and all of the Borrower's current documents evidencing its franchising arrangements with its franchisees are in a form permitted by such Settlement Agreement.

4.8. Outstanding Debt. Schedule 4.8 sets forth a correct and complete list and description of all Debt of Holdings and its Subsidiaries (after giving effect to the use of proceeds from the sale and issuance of the Notes) other than Capitalized Leases which (i) on any consolidated balance sheet of Holdings and its Subsidiaries would have a capitalized value of less

than $2.5 million and (ii) cover Property on which a restaurant unit operated by the Borrower or a franchisee in the ordinary course is located and all Liens on Property of Holdings or its Subsidiaries securing such Debt outstanding or existing on the Closing Date (excluding any Debt evidenced by the Notes or any Guaranty thereof), and there exists no breach or default or event of default in the terms and provisions of any instrument, agreement or contract pertaining to any such Debt.

4.9. Consents, Etc. No consent, approval or authorization of or declaration, registration or filing with any Governmental Body or any nongovernmental Person, including, without limitation, any creditor or shareholder of Holdings or any of its Subsidiaries, is required in connection with the execution or delivery of this Agreement, the Notes or the Subsidiary Guarantee, or the performance by the Borrower, its Subsidiaries and Holdings of their respective obligations hereunder and thereunder, or as a condition to the legality, validity or enforceability of this Agreement or the Notes or the Subsidiary Guarantee, except for any thereof as are set forth on Schedule 4.9, all of which have been made or obtained and are in full force and effect and except for declarations, registrations or filings with Governmental Bodies which, in accordance with law, are to be made following the Closing Date.

4.10. Title to Properties. Holdings and each of its Subsidiaries (after giving effect to the use of proceeds from the sale and issuance of the Notes) have (i) good and marketable fee simple title to their respective real Properties (other than real Properties which are leased from others), subject to no Lien of any kind except Permitted Liens, and (ii) good title to all of their other respective Properties and assets (other than Properties and assets leased from others), subject to no Lien of any kind except Permitted Liens. Holdings and each of its Subsidiaries have possession, not subject to encumbrances which materially affect the rights of the lessee thereunder, under all leases under which they are lessees (subject to the rights of sublessees, in their capacities as sublessees under subleases entered into in the ordinary course of the Borrower's business), whether of realty or personalty, to which they respectively are parties, none of which contains any unusually burdensome provisions, and all such leases are the legal, valid and binding obligations of those of Holdings, the Borrower and their Subsidiaries which are parties thereto and, to the knowledge of Holdings and the Borrower, the other parties thereto and each is subsisting and in full force and effect. Neither Holdings nor any of its Subsidiaries is in material breach or violation of the terms of any such lease, and neither Holdings nor the Borrower knows of

any material breach or violation of any of such lease by any third party.

Each of the leases under which Holdings or any of its Subsidiaries is a lessee is in substantially the form of Exhibit E hereto, if IHOP Realty is the lessor. Each such lease is the legal, valid and binding obligation of Holdings or of the Subsidiary of Holdings which is the lessee thereunder and IHOP Realty. Neither Holdings nor the Borrower is aware of the existence of a material breach or default under any such lease, and each such lease is in full force and effect on the Closing Date.

Each lease or sublease under which Holdings or any of its Subsidiaries is lessor or sublessor is free of unusually burdensome provisions and all such leases and subleases are the legal, valid and binding obligations of those of Holdings, the Borrower and their Subsidiaries which are parties thereto and, to the knowledge of Holdings and the Borrower, the other parties thereto and each is, to the knowledge of Holdings and the Borrower, subsisting and in full force and effect. Neither Holdings nor any of its Subsidiaries is in material breach or violation of the terms of any such lease, and neither Holdings nor the Borrower knows of any breach or violation of any such lease by any third party, which breach or violation could be expected to have, individually or in the aggregate, a Material Adverse Effect.

4.11. Taxes. Holdings and each of its Subsidiaries has filed (or has had filed on its behalf), all federal, state and local tax returns, which are required to have been filed by any of them, and there have been paid all taxes shown to be due and payable on such returns and all other material taxes and assessments payable by any of them, to the extent the same have become due and payable and before they have become delinquent. Except as set forth in Schedule 4.11, no material tax assessment against Holdings or any of its Subsidiaries has been proposed and all of their respective tax liabilities are adequately provided for or reserved against on their respective books and financial statements in accordance with GAAP. Neither Holdings nor any of its Subsidiaries have taken any reporting position for which it does not have a reasonable basis. The tax returns of Holdings and its Subsidiaries are currently being audited as set forth in Schedule 4.11. Schedule 4.11 sets forth consents to the waiver or extension of relevant statutes of limitations.

4.12. No Conflicts with Agreements, Etc. Neither the execution and delivery of this Agreement, the Other Agreements, the Subsidiary Guarantee or the Notes, nor the offering, issuance or sale of the Notes nor the fulfillment of or compliance with the terms and provisions hereof or thereof, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or

result in the creation of any Lien on any Properties or assets of Holdings or any of its Subsidiaries, or cause Holdings or any of its Subsidiaries to be unable to pay any of its Debt when due, or result in any violation of, or require for its validity any authorization, consent, approval, exemption or other action by, or notice to any Governmental Body or any of the stockholders of Holdings or any of its Subsidiaries, pursuant to the charter or by-laws of any of them, or pursuant to any award of any arbitrator, or pursuant to any material contract, agreement, mortgage, indenture, lease, instrument, Order, statute, law, rule or regulation to which any of them or any of their respective assets is subject. Neither Holdings nor any of its Subsidiaries is in violation of, or in default under, any (i) Order, law or administrative regulation binding upon it or any of its Properties, or (ii) contract, mortgage, indenture, lease, instrument or agreement binding upon it or any of its Properties, which breach, conflict, violation or default could reasonably be expected to have a Material Adverse Effect.

4.13. Disclosure. Neither this Agreement, the Subsidiary Guarantee nor any other document, certificate or statement furnished to any Purchaser by or on behalf of the Borrower, Holdings or any of their Subsidiaries in connection herewith, including the Confidential Memorandum and the SEC Reports, contained (when taken together, to the extent that any later document supersedes or supplements an earlier document), as of its respective date, or now contains, any untrue statement of a material fact or as of any such date omitted, or now omits, to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to the Borrower or Holdings which now has or in the future could reasonably be expected to have (so far as the Borrower or Holdings can reasonably foresee) a Material Adverse Effect other than (i) facts with respect to economic conditions, generally and (ii) facts that have been disclosed to the Purchasers in writing in connection with this transaction.

4.14. Offering of Securities. None of Holdings, the Borrower, any of their Subsidiaries or any of their representatives has, directly or indirectly, offered any of the Notes or any security similar to any of them for sale to, or solicited any offers to buy any of the Notes, the Subsidiary Guarantee or any security similar to any of them from, or otherwise approached or negotiated with respect thereto with, more than 44 Persons including you, and none of Holdings, the Borrower, any of their Subsidiaries or any such representative has taken or will take any action which would subject the issuance or sale of any of the Notes to the registration requirements of Section 5 of the Securities Act or violate the

provisions of any securities or Blue Sky laws of any applicable jurisdiction.

4.15. Broker's or Finder's Commissions. Neither the Borrower, Holdings nor any of their Subsidiaries has engaged any broker or finder other than Continental Bank N.A. with respect to the issuance and sale of the Notes. The Borrower and Holdings agree, jointly and severally, to indemnify you and hold you harmless against any loss, cost, claim or liability (including, without limitation, reasonable attorneys' fees and disbursements for the investigation and defense of claims) arising out of or relating to any claim for a fee or commission by any such actual or alleged broker or finder.

4.16. Labor Matters. Except as set forth in the Confidential Memorandum, during the past five years there has been no strike, work stoppage, slowdown or

other labor dispute or grievance involving Holdings or any of its Subsidiaries, or employees of any of such Persons, which has had or could reasonably be expected to have a Material Adverse Effect, nor to the knowledge of Holdings or the Borrower after due inquiry is any such action, dispute or grievance currently pending or threatened against Holdings or its Subsidiaries. Except as set forth in the Confidential Memorandum or on Schedule 4.16, none of Holdings or any of its Subsidiaries is a party to any collective bargaining agreement and none of them has any knowledge after due inquiry of any pending or threatened effort to organize any employees of Holdings or any of its Subsidiaries. Except as set forth in the Confidential Memorandum, there are currently no pending retaliatory or wrongful discharge claims or federal, state or local employment discrimination charges or complaints or administrative or judicial complaints arising therefrom pending against Holdings or any of its Subsidiaries, or any employees of any of such Persons, which has had or could reasonably be expected to have a Material Adverse Effect, nor to the knowledge of the Borrower or Holdings after due inquiry are any such charges or complaints threatened against Holdings or any of its Subsidiaries. The Borrower and its Subsidiaries are in compliance with all applicable federal, state and local statutes, laws, rules, ordinances, regulations, codes, licenses and orders relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, bonuses, collective bargaining agreements, equal pay, occupational safety and health, equal employment opportunity and wrongful or retaliatory termination of employment, except where non-compliance could not reasonably be expected to have a Material Adverse Effect.

4.17. Environmental Matters. Except as disclosed in the SEC Reports or on Schedule 4.17,

(a) there is no Environmental Matter relating to Holdings or any of its Subsidiaries or any Properties of any of such Persons, which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and Holdings and the Borrower are aware of no facts that could reasonably be expected to result in any such Environmental Matter. Neither Holdings nor any of its Subsidiaries has agreed to assume by contract with any Person or consent order or other written agreement with a Governmental Body any liability of any other Person for cleanup, compliance, or required capital expenditures in connection with any Environmental Matter arising prior to the date hereof and, to the best knowledge of Holdings and the Borrower, no such liability has arisen by operation of law;

(b) the Properties presently and, to the best knowledge of Holdings and the Borrower, previously used, owned, leased, operated, managed or controlled by Holdings or any of its Subsidiaries are free of contamination from Hazardous Materials, including, without limitation, any contamination of the associated air, soil, groundwater or surface waters, except for such instances of contamination as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(c) Holdings and its Subsidiaries are currently in compliance in all material respects with all applicable Environmental Laws, are not currently in receipt of any notice of violation, are not currently in receipt of any notice of any potential liability for cleanup of Hazardous Materials and are not now subject to any investigation known to Holdings or the Borrower, or information request by a Governmental Body concerning Hazardous Materials or any Environmental Laws. Holdings and its Subsidiaries hold and are in compliance in all material respects with all governmental permits, licenses, and authorizations necessary to operate their businesses that relate to siting, wetlands, coastal zone management, air emissions, discharges to surface or ground water, discharges to any sewer or septic system, noise emissions, solid waste disposal or the generation, use, transportation or other management of Hazardous Materials. Neither Holdings nor any of its Subsidiaries has generated, manufactured, refined, recycled, discharged, emitted, released, buried, processed, produced, reclaimed, stored, treated, transported, or disposed of any Hazardous Materials except in compliance with all applicable laws and regulations, including permit requirements (except for such instances of non-compliance as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect);

(d) no Properties of Holdings or any of its Subsidiaries are subject to any material Lien or claim for material Lien in favor of any Person as a result of any Environmental Matter or response thereto;

(e) no Hazardous Materials, including leachate and effluents, generated, disposed of, transported, managed or released by Holdings or any of its Subsidiaries have caused or are reasonably likely to cause in whole or in part any contamination or injury to any Person, Property or the environment, except for such contamination or injury as could not reasonably be expected to have, individually, or in the aggregate, a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries has handled, transported, disposed of or managed any Hazardous Material in any manner that may reasonably be expected to form the basis for any present or future claim, demand or action seeking cleanup of any site, location, or body of water, surface or subsurface, except for such claims, demands or actions as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and none of them has any material liabilities, absolute or contingent, on the date hereof with respect thereto; and

(f) to the best knowledge of Holdings and the Borrower, all facilities where any Person has treated, stored, disposed of, reclaimed, or recycled any Hazardous Material on behalf of Holdings or any of its Subsidiaries are in compliance in all material respects with all applicable Environmental Laws.

4.18. Margin Regulations. None of Holdings or any of its Subsidiaries owns or now intends to acquire any “margin stock” as defined in Regulation G of the Board of Governors of the Federal Reserve System of the United States (12 CFR 207). No part of the proceeds from the sale of the Notes will be used, and no part of the proceeds of any loans repaid with the proceeds from the sale of the Notes was used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System of the United States (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve any of Holdings or any Subsidiary in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Neither Holdings, any of its Subsidiaries nor any agent acting on behalf of Holdings or any such Subsidiary has taken or will take any action which might cause this Agreement or the Notes to violate Regulation G, Regulation X, Regulation T or any other regulation of the Board of Governors of the Federal Reserve System or to violate the

Exchange Act.

in each case as in effect now or as the same may hereafter be in effect. As used in this Section, the term "purpose of buying or carrying" has the meaning assigned thereto in the aforesaid Regulation G.

4.19. Compliance with ERISA.

(a) No Pension Plan which is subject to Part 3 of Subtitle B of Title 1 of ERISA or Section 412 of the Code had an accumulated funding deficiency (as such term is defined in Section 302 of ERISA or Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of such Pension Plan heretofore ended;

(b) no liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred and is outstanding with respect to any Pension Plan, and there has not been any Reportable Event, or any other event or condition, which presents a material risk of involuntary termination of any Pension Plan by the PBGC;

(c) neither any Multiemployer Plan or Plan nor any trust created thereunder, nor any trustee or administrator thereof, has, to the knowledge of Holdings or the Borrower, engaged in a prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) that could subject Holdings or any of its Subsidiaries or ERISA Affiliates to any material tax or penalty on prohibited transactions imposed under said Section 4975;

(d) no material liability has been incurred and is outstanding with respect to any Multiemployer Plan as a result of the complete or partial withdrawal by Holdings or any of its Subsidiaries or ERISA Affiliates from such Multiemployer Plan under Title IV of ERISA, nor has Holdings or any of its Subsidiaries or ERISA Affiliates been notified by any Multiemployer Plan that such Multiemployer Plan is currently in reorganization or insolvency under and within the meaning of Section 4241 or 4245 of ERISA or that such Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA;

(e) Holdings and its Subsidiaries and ERISA Affiliates are in compliance in all material respects with all applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder with respect to all Plans and Multiemployer Plans;

(f) as of the Closing Date, the actuarial present value of all benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under all Pension Plans that are subject

to Title IV of ERISA did not exceed the fair market value of the assets allocable to such liabilities, determined as if all such Plans were terminated as of the Closing Date, and by using the Plan's actuarial assumptions as set forth in the most recent actuarial report pertaining to each Plan;

(g) as of the Closing Date, none of Holdings, the Borrower or any of their Subsidiaries or ERISA Affiliates is a party to a "multiple employer plan" (as defined in 29 CFR 2530.210(c)(3)) or, except as set forth on Schedule 4.19, a Multiemployer Plan. With respect to the Multiemployer Plan listed on Schedule 4.19, as of the Closing Date, such Multiemployer Plan has no unfunded vested benefits within the meaning of Section 4213(c) of ERISA for which Holdings, the Borrower or any of their Subsidiaries or ERISA Affiliates is or could become liable;

(h) no event has occurred with respect to any Plan or with respect to any other employee benefit pension plan (as defined in Section 3(2) of ERISA) established or maintained at any time during the five-year period immediately preceding the Closing Date for the benefit of employees of Holdings or any of its Subsidiaries or ERISA Affiliates which presents a risk of material liability of Holdings or any of its Subsidiaries or ERISA Affiliates under Section 4069 of ERISA;

(i) there are no material liabilities under the Plans that are employee welfare benefit plans (as defined in Section 3(1) of ERISA) providing for medical, health, life or other welfare benefits that are not insured by fully paid non-assessable insurance policies, and no such Plan provides for continued medical, health, life or other welfare benefits for employees after they leave the employment of Holdings or any of its Subsidiaries or ERISA Affiliates (other than any such welfare benefits required to be provided under the Consolidated Omnibus Budget Reconciliation Act or other similar law); and

(j) Schedule 4.19 contains a complete and accurate list of each of the employee benefit plans (as defined in Section 3(3) of ERISA) with respect to which the Borrower or Holdings or any of their respective Subsidiaries or ERISA Affiliates is a "party in interest" as defined in Section 3 of ERISA or a "disqualified person" as defined in Section 4975 of the Code.

4.20. Material Contracts. Each of the Material Contracts is valid, subsisting and in full force and effect, and neither Holdings nor any of its Subsidiaries is in breach or violation of the terms, conditions or provisions of any of the Material Contracts to which it is a party which is reasonably likely to

have a Material Adverse Effect. On the Closing Date, neither Holdings nor any of its Subsidiaries will be a party to any Material Contract or be subject to any

restriction contained in the charter or by-laws of any of them which has or is reasonably likely to have a Material Adverse Effect.

4.21. Insurance. All policies of workers compensation, general liability, fire, property, casualty, marine, business interruption, errors and omissions, flood and other insurance carried by Holdings and its Subsidiaries are in full force and effect on the date hereof, and neither Holdings nor any of its Subsidiaries has received notice of cancellation with respect to any such policy.

4.22. Status under Certain Laws. None of Holdings or any Subsidiary of Holdings is an "investment company" or a "person directly or indirectly controlled by or acting on behalf of an investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

4.23. Legality. The Borrower, upon giving effect to the issuance of the Notes will be, a "solvent institution", as such term is used in Section 1405(c) of the New York Insurance Law, whose "obligations are not in default as to principal or interest", as such terms are used in Section 1405(c).

4.24. Possession of Franchises, Licenses, Etc. Holdings and its Subsidiaries possess all franchises, certificates, licenses, permits, registrations, and other authorizations from national, state and local governmental or regulatory authorities, free from unusually burdensome restrictions, that are necessary for the ownership, maintenance and operation of their respective Properties and assets, and for the conduct of their respective businesses as now conducted and as described in the Confidential Memorandum, and none of Holdings or any of its Subsidiaries is in violation of any thereof in any material respect.

4.25. Franchises. Except as set forth on Schedule 4.25, each of the Borrower's franchisees has entered into documents evidencing its franchising arrangement with the Borrower (including the sublease, if any, from the Borrower of the franchised premises) which, with respect to such arrangements initially entered into prior to 1979 (or renewed, on substantially similar terms and conditions since that date) were entered into (or renewed, as the case may be) in accordance with all then applicable laws and regulations

including, without limitation, all applicable disclosure periods and waiting requirements and, with respect to such arrangements entered into since 1979, are substantially in the forms of the exhibits to the Franchise Offering Circular for Prospective Franchisees Required by the Federal Trade Commission as in effect on the date such arrangements were entered into (the "Offering Circular") and such documents have been entered into in accordance with all applicable laws and regulations, including, without limitation, all applicable disclosure requirements and waiting periods. All such franchising documents are in full force and effect and neither Holdings nor the Borrower is aware of any breaches of any such documents by the franchisees thereunder which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

4.26. Use of Proceeds. The proceeds from the sale and issuance of the Notes will be used (i) to repay substantially all of the existing Debt of the Borrower's Subsidiary, IHOP Realty Corp., a Delaware corporation, (ii) to refinance existing Debt of the Borrower, and (iii) for general corporate purposes.

4.27. Patents and Trademarks. Holdings and each Subsidiary own or possess all the patents, trademarks, trade names, service marks, copyright, licenses and rights with respect to the foregoing necessary for the present and planned future conduct of their respective businesses, without any known conflict with the rights of others.

4.28. Compliance with Laws. Neither Holdings nor any of its Subsidiaries is in violation of any federal, state or local law, statute, regulation, ordinance or rule which violation could reasonably be expected to have a Material Adverse Effect.

4.29. Franchisees. Except as disclosed in the SEC Reports, during the fiscal year ended December 31, 1991, no franchisee accounted for more than 10% of Holdings' consolidated revenues from sales of products or services.

4.30. Other Agreements. Simultaneously with the execution and delivery of this Agreement, the Borrower and Holdings are entering into the Other Agreements, which are identical in all respects with this Agreement (except for the respective principal amounts of Notes to be purchased) with the other Purchasers named in Schedule I hereto. The purchases by you and said other Purchasers are to be separate and several transactions.

4.31. Solvency. On the Closing Date, and after the payment of all estimated legal, investment banking, accounting

and other fees related hereto, Holdings and each of its Subsidiaries will be Solvent.

4.32. Foreign Assets Control Regulations. Neither the sale of the Notes by the Borrower hereunder nor the use of the proceeds thereof as contemplated hereby will violate the Foreign Assets Control Regulations, the Transaction Control Regulations, the Cuban Assets Control Regulations, the Iranian Transactions Regulations, the Iranian Assets Control Regulations, the Libyan Sanctions Regulations, the Iraqi Sanctions Regulations, or the Haitian Transaction Regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), or the restrictions on transactions with Yugoslavia contained in Executive Orders 12808 and 12810, dated May 30, 1992 and June 5, 1992, respectively.

Section 5. Representations of Purchasers. You represent, and in making this sale to you it is specifically understood and agreed, that:

5.1. Authority. You are authorized to enter into this Agreement and to perform your obligations hereunder and to consummate the transactions contemplated hereby.

5.2. Investment Intent. You are purchasing the Notes being purchased hereunder for your own account and with no intention of distributing or reselling such Notes or any part thereof in any transaction which would be in violation of the securities laws of the United States of America or any state thereof, without prejudice, however, to your rights at all times to sell or otherwise dispose of all or any part of said Notes pursuant to an effective registration statement under the Securities Act and other applicable state securities laws, or under an exemption therefrom, and subject, nevertheless, to the disposition of your property being at all times within your control.

Upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the Notes shall bear a legend in substantially the following form:

**THIS NOTE HAS NOT BEEN REGISTERED
UNDER THE SECURITIES ACT OF 1933, AS AMENDED,
AND MAY NOT BE SOLD OR OTHERWISE
TRANSFERRED IN THE ABSENCE OF SUCH
REGISTRATION OR AN EXEMPTION THEREFROM.**

5.3. Source of Funds. No part of the funds to be used to purchase the Notes being purchased by you hereunder constitutes assets of any employee benefit plan such that the use of such

assets constitutes a non-exempt prohibited transaction under ERISA. This representation is made in reliance upon Schedule 4.19 and is based upon your determination that a statutory or administrative exemption is applicable or that the Borrower or Holdings are not parties in interest or disqualified persons with respect to such employee benefit plan. As used in this paragraph, the terms "employee benefit plan" and "party in interest" shall have the meanings assigned to such terms in Section 3 of ERISA, and the term "disqualified person" shall have the meaning assigned to such term in Section 4975 of the Code.

5.4. Investor Status. You are an "accredited investor" within the meaning of Rule 501 under the Securities Act.

Section 6. Conditions to Obligations of the Purchasers. Your obligation to purchase and pay for the Notes to be purchased by you hereunder on the Closing Date shall be subject to the satisfaction, on or before the Closing Date, of the following conditions:

6.1. Proceedings Satisfactory. All corporate and other proceedings taken or to be taken by Holdings and its Subsidiaries in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

6.2. Opinion of Purchasers' Special Counsel. You shall have received from Sonnenschein Nath & Rosenthal, who are acting as special counsel for you in connection with this transaction, an opinion addressed to you and dated the Closing Date, substantially in the form of Exhibit B. Such opinion shall also cover such other matters incident to the matters herein contemplated as you may reasonably request.

6.3. Opinion of Counsel to the Borrower and Holdings. You shall have received from Skadden, Arps, Slate, Meagher & Flom, special counsel to the Borrower and Holdings, and Larry Alan Kay, general counsel to the Borrower and Holdings, legal opinions addressed to you and dated the Closing Date. Such opinions shall cover the matters set forth in the form of legal opinion attached hereto as Exhibit C, and shall also cover such other matters incident to the matters herein contemplated as you may reasonably request.

6.4. Representations and Warranties True, Etc.; Certificates. The representations and warranties contained in Section 4 of this Agreement shall be true on and as of the

Closing Date with the same effect as if such representations and warranties had been made on and as of the Closing Date. The Borrower shall have performed all agreements on its part required to be performed under this Agreement prior to the Closing Date; there shall exist on the Closing Date no Default or Event of Default; the Borrower and Holdings shall have delivered to you an Officer's Certificate, dated the Closing Date, to the effect of the foregoing clauses of this Section 6.4, and Sections 6.5, 6.6 and 6.7, and certifying that, on the Closing Date, giving effect to the transactions contemplated by this Agreement and the Other Agreements, the Borrower and its Subsidiaries could incur $1.00 of additional Debt pursuant to Section 11.2(c); and you shall have received such certificates or other evidence as you may request to establish that the proceeds of the sale of the Notes on the Closing Date will be applied as contemplated by Section 4.26.

6.5. Absence of Material Adverse Change, Etc. Since December 31, 1991, no change or changes shall have occurred to the business, operations, Properties, assets, income, prospects or condition, financial or otherwise, of Holdings and its Subsidiaries, taken as a whole, which you reasonably believe in good faith to constitute a Material Adverse Effect.

6.6. Consents and Approvals. All necessary consents, approvals and authorizations of, and declarations, registrations and filings with, Governmental Bodies

and nongovernmental Persons required in order to consummate the transactions contemplated herein shall have been obtained or made and shall be in full force and effect except for declarations, registrations or filings with Governmental Bodies which, in accordance with law, are to be made following the Closing Date.

6.7. Absence of Litigation, Orders, Etc. Except as disclosed on Schedule

4.7 attached hereto, there shall not be pending or, to the knowledge of Holdings or the Borrower after due inquiry, threatened, any action, suit, proceeding, governmental investigation or arbitration against or affecting any of Holdings or its Subsidiaries or their respective assets or Property (and, as to any action, suit, proceeding, governmental investigation or arbitration so disclosed, there shall not have occurred since the date of this Agreement any development) which seeks to enjoin or restrain any of the transactions contemplated herein or which you reasonably believe in good faith could have a Material Adverse Effect. No Order of any court, arbitrator or Governmental Body shall be effect which purports to enjoin or restrain any of the transactions contemplated herein or which you reasonably believe in good faith to constitute a Material Adverse Effect.

6.8. Other Purchasers. The other Purchasers referred to in Section 1 shall have purchased and made payment for the Notes to be purchased by them pursuant to the Other Agreements referred to in said Section.

6.9. Legal Investment. Your purchase of and payment for the Notes to be purchased by you hereunder on the Closing Date shall be permitted by the laws and regulations of the jurisdictions to which you are subject, including without limitation all applicable laws and regulations regulating investments for life insurance companies (without reference to any "basket" or "leeway" provision which permits the making of an investment without restriction as to the character of the particular investment being made); and you shall have received such certificates or other evidence as you may request to establish compliance with this condition.

6.10. Rating. The investment represented by the Notes shall have received a preliminary designation of "2" or better from the National Association of Insurance Commissioners and neither Holdings nor the Borrower has received an indication from the National Association of Insurance Commissioners that such designation has been, or is expected to be, rescinded.

6.11. Fees. The fees and out-of-pocket expenses and disbursements incurred by Sonnenschein Nath & Rosenthal in connection with the preparation of this Agreement and the transactions contemplated hereby shall be paid in full on the Closing Date.

6.12. PPN Number. You shall have been supplied with a private placement number for the Notes from Standard and Poor's Corporation.

6.13. Subsidiary Guarantee. IHOP Realty shall have executed and delivered the Subsidiary Guarantee.

6.14. Corporate Status and Documentation.

(a) CERTIFICATES OF INCORPORATION. You shall have received true and correct copies of the Certificates of Incorporation of Holdings, the Borrower and IHOP Realty, together with all amendments thereto, certified as of a recent date by the Secretary of State of the jurisdiction of incorporation of each such Person.

(b) SECRETARY'S CERTIFICATE. You shall have received certificates dated the Closing Date of the Secretary or an Assistant Secretary of each of Holdings, the Borrower and IHOP Realty, duly certifying that:

(i) attached thereto is a true, complete and correct copy of the by-laws of such Person, which have been in full force and effect since the date specified in such certificate and to which no amendments or modifications have been made since such date;

(ii) attached thereto is an incumbency certificate, in a format satisfactory to the Purchasers, duly executed by the Secretary or an Assistant Secretary and those other officers of such Person who have executed documents and agreements in connection with the transactions hereby contemplated; and

(iii) attached thereto are true and correct copies of the resolutions, in form and substance satisfactory to the Purchasers, adopted by the Board of Directors or authorized Executive Committee of such Person (with evidence of such authorization), evidencing, with respect to such Person, approval of the transactions contemplated by this Agreement, the Other Agreements, the Notes, the Subsidiary Guarantee and the other documents and instruments executed and delivered in connection therewith or pursuant thereto, and authorizing the appropriate officers of such Person to negotiate the form of, and to execute and deliver, this Agreement, the Other Agreements, the Notes, the Subsidiary Guarantee and such other documents and instruments (in each case to the extent such Person is a party thereto), with such modifications as such authorized officers shall approve.

(c) GOOD STANDING CERTIFICATES. You shall have received a certificate of recent date of the Secretary of State or other appropriate official of the jurisdiction of incorporation of Holdings, the Borrower and IHOP Realty certifying that each such Person is in good standing in its jurisdiction of incorporation. You shall also have received certificates of recent date of the appropriate governmental officials in each other jurisdiction in which Holdings, the Borrower or IHOP Realty conducts business as a foreign corporation or owns assets certifying that the Borrower, Holdings or IHOP Realty, as the case may be, is in good standing as a foreign corporation in such jurisdiction, except where the failure to so qualify would not have a Material Adverse Effect.

(d) BRING-DOWN AND OTHER CERTIFICATES. Each of the Borrower, Holdings and IHOP Realty shall have delivered to the Purchasers certifications, each dated the Closing Date and duly executed by an Appropriate Officer of such Person, to the effect that no amendments to or changes in its Certificate of Incorporation have been made since the date certified by the Secretary of State of the jurisdiction of its incorporation and that no dissolution proceedings with respect to it have been commenced or are contemplated.

6.15. New Credit Agreement. The Borrower and Holdings shall have entered into a Credit Agreement with Continental Bank N.A. (the "Bank") (the "Credit Agreement"), which will replace in its entirety the existing loan agreement dated April 7, 1992 with Bank of America National Trust and Savings Association ("B of A") (the "Existing Agreement") and IHOP Realty shall have executed a subsidiary guarantee in respect of the Credit Agreement. Such Credit Agreement will be substantially in the form of the draft of such Credit Agreement dated November 16, 1992, except that such Credit Agreement shall not prohibit (i) amendments or modifications to this Agreement, the Other Agreements, the Notes or the Subsidiary Guarantee (except those which prohibit advancing any payment due pursuant to Section 3.1 to a date sooner than January 31, 1994) or (ii) the payment of principal of or interest or prepayment charges on the Notes in accordance with the terms thereof and the terms of this Agreement and the Other Agreements (except that optional prepayments may be prohibited prior to January 31, 1994), and you shall have received an Officer's Certificate of the Borrower stating that the Existing Agreement has been terminated (together with the Exhibits and Schedules thereto) and that the Credit Agreement (together with the Exhibits and Schedules thereto) is in full force and effect, binding on the Borrower and Holdings and to the best of their knowledge, on the Bank, in accordance with its terms and you shall have received evidence satisfactory to you that the Existing Agreement shall have been terminated in its entirety (except as set forth in Schedule 6.16) and none of Holdings, the Borrower or any of their Subsidiaries shall have any further obligations thereunder and all Liens in favor of B of A have been released or terminated.

6.16. Use of Proceeds. You and your special counsel shall have received evidence satisfactory to you that the proceeds of the issuance of the Notes are being used substantially simultaneously with the closing of this transaction, for the repayment in full of (i) the 12 1/4% Senior Subordinated Notes due 1997 issued by the Borrower, (ii) the Debt of the Borrower and IHOP Realty to HomeFed Savings Bank, Federal Savings Bank, its successors and assigns ("HomeFed") and (iii) the Debt of the Borrower to B of A and, in each case (except as set forth on Schedule 6.16) there are no further obligations of Holdings or any of its Subsidiaries thereunder and all commitments to lend in connection therewith shall have been terminated and all Liens in favor of HomeFed or B of A on any Property of Holdings or any of its Subsidiaries have been or substantially contemporaneously herewith shall be released or terminated.

Section 7. Conditions to Obligations of the Borrower. The Borrower's obligation to issue and sell the Notes to be sold by it hereunder on the Closing Date shall be subject to the satisfaction, on or before the Closing Date, of the following conditions:

7.1. Representations and Warranties True, Etc. The representations and warranties contained in Section 5 of this Agreement shall be true on and as of the Closing Date with the same effect as if such representations and warranties had been made on and as of the Closing Date.

7.2. Absence of Litigation, Orders, Etc. There shall not be pending or, to the knowledge of Holdings or the Borrower after due inquiry, threatened, any action, suit, proceeding, governmental investigation or arbitration against or affecting any of Holdings or its Subsidiaries or their respective assets or Property which seeks to enjoin or restrain any of the transactions contemplated herein. No Order of any court, arbitrator or Governmental Body shall be in effect which purports to enjoin or restrain any of the transactions contemplated herein.

7.3. Other Purchasers. Notes representing no less than $29 million of initial principal amount shall have been purchased by the Purchaser and Purchasers purchasing Notes pursuant to the Other Agreements on the Closing Date.

Section 8. Financial Statements and Information. The Borrower and Holdings will furnish to you and to any of your Purchaser Affiliates, so long as you or such Purchaser Affiliate shall be obligated to purchase or shall hold any Notes, and to each other institutional holder of any Notes (such a holder in any such case being hereinafter called an "Eligible Holder"), in duplicate:

(A) as soon as available and in any event within 45 days after the end of each of the first three quarterly accounting periods in each fiscal year of Holdings ("quarterly accounting period"),

(1) either (a) copies of Holdings' Quarterly Report on Form l0-Q for the quarterly accounting period then ended, as filed with the Securities and Exchange Commission or (b) if Holdings is not subject to Section 13 or 15(d) of the Exchange Act, copies of the consolidated balance sheet of Holdings and its Subsidiaries as of the end of the quarterly accounting period and of the related consolidated statements of operations, shareholders' equity and cash flows for such accounting period, all in

reasonable detail and stating in comparative form the consolidated figures as of the end of and for the corresponding date and period in the previous fiscal year, all Certified by an Appropriate Officer of Holdings; and

(2) a written statement in the form of Exhibit F-1 hereto executed by Appropriate Officers of Holdings and the Borrower setting forth computations or other pertinent information in reasonable detail showing as at the end of such quarterly accounting period (a) whether or not the financial covenants set forth in

Sections 11.2 through 11.8 hereof, inclusive, have been met, accompanied by calculations setting forth the maximum amount of Funded Debt that could have been incurred pursuant to Sections 11.2(B) and 11.2(C) hereof, and the maximum amount of dividends or distributions that could have been declared or paid pursuant to Section 11.5 hereof, and (b) whether or not Liens on Property or assets of Holdings or its Subsidiaries or securing Debt of Holdings or its Subsidiaries, as the case may be, exceed the threshold set forth in Section 11.1(I) hereof, accompanied by calculations setting forth the maximum amount of additional Funded Debt secured by Liens that could have been incurred under Section 11.1(I) hereof (a "Quarterly Compliance Statement");

(B) as soon as available and in any event within 90 days after the end of each fiscal year of Holdings,

(1) either (a) copies of Holdings' Annual Report on Form 10-K and Annual Report to Shareholders, in each case, for the year then ended and as filed with the Securities and Exchange Commission together with copies of the consolidating balance sheets of Holdings and its Subsidiaries as of the end of such fiscal year and the related consolidating statements of operations, or (b) if Holdings is not subject to Section 13 or 15(d) of the Exchange Act, copies of the consolidated and consolidating balance sheets of Holdings and its Subsidiaries as of the end of such fiscal year, and of the related consolidated and consolidating statements of operations and the related consolidated statements of shareholders' equity and cash flows, together with the notes to such consolidated statements, which consolidated statements state in comparative form the respective consolidated figures as of the end of and for the previous fiscal year, and in the case of such consolidated financial statements referred to in subclauses (a) or (b), accompanied by a report thereon of Coopers & Lybrand or other independent public accountants of recognized national standing selected by

Holdings (the "Accountants"), which report shall be unqualified as to going concern and scope of audit and shall state that such consolidated financial statements present fairly the consolidated financial position of Holdings and its Subsidiaries as at the end of such fiscal year and the consolidated results of operations and cash flow for such fiscal year in conformity with GAAP, and that the examination by the Accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards. Together with each delivery of financial statements or Annual Reports required by this subparagraph (1), the Accountants shall deliver to Holdings or the Borrower (which recipient shall deliver the same to each Purchaser, Purchaser Affiliate and Eligible Holder) their report (on which the Purchasers, Purchaser Affiliates and Eligible Holders shall be entitled to rely) stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any Default or Event of Default or, if any such Default or Event of Default has occurred, specifying the nature and period of existence thereof; and

(2) a Quarterly Compliance Statement.

(C) concurrently with the financial statements or reports furnished pursuant to Subsections A and B of this Section 8, a certificate of Appropriate Officers of the Borrower and Holdings in the form of Exhibit F-2, stating that, based upon such examination or investigation and review of this Agreement as in the opinion of the signer is necessary to enable the signer to express an informed opinion with respect thereto, no Default or Event of Default by Holdings, the Borrower or any of their Subsidiaries in the fulfillment of any of the terms, covenants, provisions or conditions of this Agreement exists or has existed during such period or, if such a Default or Event of Default shall exist or have existed, the nature and period of existence thereof and what action Holdings, the Borrower or such Subsidiary, as the case may be, has taken, is taking or proposes to take with respect thereto;

(D) promptly after the same are available and in any event within 15 days thereof, copies of all such proxy statements, financial statements, notices and reports as Holdings or any of its Subsidiaries shall send or make available generally to any of their securityholders, and copies of all regular and periodic reports and of all registration statements which Holdings or any of its Subsidiaries may file with the SEC or with any securities exchange;

(E) promptly (and in any event within 5 days) after becoming aware of (1) the existence of any Default or Event of Default, a certificate of Appropriate Officers of Holdings and the Borrower specifying the nature and period of existence thereof and what action the Borrower or Holdings is taking or proposes to take with respect thereto; or (2) any Debt of Holdings, the Borrower or any Subsidiary being declared due and payable before its expressed maturity, or any holder of such Debt having the right to declare such Debt due and payable before its expressed maturity, because of the occurrence of any default (or any event which, with notice and/or the lapse of time, shall constitute any such default) under such Debt or the agreement pursuant to which such Debt was issued, a certificate of an Appropriate Officer describing the nature and status of such matters and what action Holdings or such Subsidiary is taking or proposes to take with respect thereto; provided, however, that any Default or Event of Default which is deemed to have arisen upon Holdings' or the Borrower's failure to promptly notify the Purchasers of another Default or Event of Default in accordance with this Section 8(E) shall be deemed to be waived so long as (i) such underlying Default or Event of Default as to which notice is required to be given (the "Underlying Default") has been completely cured; (ii) the Underlying Default, if it had not been completely cured, would not have had a Material Adverse Effect and (iii) notice of the Underlying Default is delivered within 30 days of its occurrence;

(F) promptly and in any event within 10 days after Holdings or the Borrower knows or, in the case of a Pension Plan has reason to know, that a Reportable Event with respect to any Pension Plan has occurred, that any Pension Plan or Multiemployer Plan is or may be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA, or that Holdings or any of its Subsidiaries or ERISA Affiliates will or may incur any material liability to or on account of a Pension Plan or Multiemployer Plan under Title IV of ERISA or any other material liability under ERISA has been asserted against Holdings or any of its Subsidiaries or ERISA Affiliates, a certificate of an Appropriate Officer of Holdings setting forth information as to such occurrence and what action, if any, Holdings or such Subsidiary or ERISA Affiliate is required or proposes to take with respect thereto, together with any notices concerning such occurrences which are (a) required to be filed by Holdings or such Subsidiary or ERISA Affiliate or the plan administrator of any such Pension Plan controlled by Holdings or such Subsidiary or ERISA Affiliate with the Internal Revenue Service or the PBGC, or (b) received by Holdings or such Subsidiary or ERISA Affiliate from any plan administrator of a Pension Plan not under their control or from a Multiemployer Plan;

(G) promptly after the Borrower or Holdings becomes aware of any Material Adverse Effect with respect to which notice is not otherwise required to be given pursuant to this Section 8, a certificate of an Appropriate Officer setting forth the details of such Material Adverse Effect and stating what action Holdings, the Borrower or any of their respective Subsidiaries has taken or proposes to take with respect thereto;

(H) promptly (and in any event within 15 days) after the Borrower or Holdings knows of (a) the institution of, or threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting Holdings or any of its Subsidiaries or any Property of any of them, or (b) any material development in any such action, suit, proceeding, governmental investigation or arbitration, which, in either case, is likely to have a Material Adverse Effect, a certificate of an Appropriate Officer describing the nature and status of such matter in reasonable detail;

(I) in the event that Borrower is no longer a consolidated Subsidiary of Holdings, financial statements of Borrower and its consolidated Subsidiaries at such times and in such form (together with such certifications) as are required to be delivered pursuant to Sections 8(A), (B) and (C); and

(J) any other information, including financial statements and computations, relating to the performance of obligations arising under this Agreement and/or the affairs of Holdings, the Borrower or any of their Subsidiaries that the Purchaser or any other Eligible Holder may from time to time reasonably request and which is capable of being obtained, produced or generated by Holdings, the Borrower or such Subsidiary or of which any of them has knowledge, including, without limitation, a brief statement describing any significant events relating to Holdings, the Borrower and their Subsidiaries for any fiscal period.

It is further understood and agreed that, for the purpose of effecting compliance with Rule 144A promulgated by the SEC in connection with any resales of Notes that may hereafter be effected pursuant to the provisions of such Rule, if Holdings is not subject to Section 13 or 15(d) of the Exchange Act, each prospective purchaser of Notes designated by a holder thereof shall have the right to obtain from Holdings and the Borrower, upon the written request of such holder, the information required pursuant to Rule 144A(d)(4) under the Securities Act.

Each of Holdings and the Borrower will keep at its principal executive office a true copy of this Agreement, and cause the same to be available for inspection at said offices

during normal business hours by any holder of any of the Notes or any prospective purchaser of any thereof designated by the holder thereof.

Section 9. Inspection of Properties and Books. Each of the Borrower and Holdings agrees that you or any Qualified Holder who agrees to abide by the confidentiality requirement set forth below in this Section may, so long as you or such Qualified Holder owns any Notes, after giving reasonable notice to Holdings and the Borrower, visit at your or its own expense the offices and Properties of Holdings, the Borrower or any of their Subsidiaries, and may examine and make copies of the relevant books and records, and discuss the affairs, finances and accounts of such companies with their officers and public accountants (and by this provision the Borrower and each Subsidiary hereby authorizes said accountants to discuss with you or such Qualified Holder its affairs, finances and accounts) all at reasonable times during normal business hours as often as you or it may reasonably desire. At any time when a Default or an Event of Default shall have occurred and be continuing, the Borrower shall be required to pay or reimburse you or any such Qualified Holder for expenses which you or such Qualified Holder may reasonably incur in connection with any such visitation or inspection. You and any other Qualified Holder shall use such information only for your own purposes, shall keep it confidential and shall not disclose it to any third person (other than a Purchaser Affiliate or an affiliate of a Qualified Holder or accountants engaged by you or such Qualified Holder), except for disclosures to: (i) such Qualified Holder's or Purchaser Affiliate's directors, trustees, partners, officers, employees, agents and professional consultants, (ii) any other Noteholder, (iii) any Person to which such Qualified Holder offers to sell such Note or any part thereof, (iv) any Person to which such Qualified Holder sells or offers to sell a participation in all or any part of such Note, (v) any Person from which such Qualified Holder offers to purchase any security of the Borrower, (vi) any federal, state or Canadian provincial regulatory authority having jurisdiction over such Qualified Holder, (vii) the National Association of Insurance Commissioners or any similar organization, (viii) any nationally recognized financial rating service that is rating or reviewing the rating of the Notes or (ix) any other Person to which such delivery or disclosure may be necessary or appropriate (a) in compliance with any law, rule, regulation or order applicable to such Qualified Holder, (b) in response to any subpoena or other legal process or informal investigative demand, (c) in connection with any litigation to which such Qualified Holder is a party, or (d) to protect such Qualified Holder's investment in the Notes; provided, however, that, (1) prior

to any disclosure of any such information to any Person described in clause (iii), (iv) or (v) above, such Person agrees to keep any non-public information so delivered to it confidential or (2) if you (or such Qualified Holder) is required to disclose any such information in connection with judicial or governmental proceedings, you (or such Qualified Holder) shall provide the Borrower and Holdings with prompt prior notice of such requirement. Any bona fide transferee of any Note (or any participant in your interest in the Notes), by its acceptance thereof, shall be bound by the provisions of this Section 9 to the same extent as you are bound.

Section l0. Affirmative Covenants. The Borrower and Holdings covenant and agree that so long as any of the Notes shall be outstanding:

10.1. Payment of Principal, Prepayment Charge and Interest; Etc. The Borrower will duly and punctually pay the principal of, prepayment charge (if any)

and interest on the Notes in accordance with the terms of such Notes and this Agreement. The Borrower and Holdings will comply with all of the covenants, agreements and conditions contained in this Agreement.

10.2. Payment of Taxes and Claims. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to, pay before they become delinquent:

(A) all taxes (including excise taxes), assessments and governmental charges or levies imposed upon it or its income or profits or upon its Property, real, personal or mixed, or upon any part thereof;

(B) all claims for labor, materials and supplies which, if unpaid, might result in the creation of a Lien upon its Property; and

(C) all claims, assessments, or levies required to be paid by any of them pursuant to any agreement, contract, law, ordinance or governmental rule or regulation governing any pension, retirement, profit-sharing or any similar plan; provided, that the taxes, assessments, charges and levies described in this Section 10.2 need not be paid while being diligently contested in good faith and by appropriate proceedings so long as adequate book reserves have been established with respect thereto in accordance with GAAP. The Borrower and Holdings will timely file, and will cause their Subsidiaries to file, all tax returns required to be filed in

connection with the payment of taxes required by this Section 10.2.

10.3. Maintenance of Properties and Corporate Existence. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to:

(A) maintain its Property in good condition and make all renewals, repairs, replacements, additions, betterments, and improvements thereto as are necessary in the reasonable opinion of management;

(B) keep books, records and accounts in accordance with GAAP;

(C) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and powers and franchises including, without limitation thereof, any necessary qualification or licensing in any foreign jurisdiction; and

(D) comply with all applicable statutes, regulations, franchises, and Orders of, and all applicable restrictions imposed by, any Governmental Body (all as now or at any time hereafter may be in effect), in respect of the conduct of its business and the ownership of its Properties (including, without limitation, applicable statutes, rules, ordinances, regulations and Orders relating to Environmental Laws), except where non-compliance could not reasonably be expected to have a Material Adverse Effect.

10.4. Insurance. Holdings and the Borrower will maintain, and will cause to be maintained on behalf of each Subsidiary, insurance coverage by financially sound and reputable insurers, against such casualties and contingencies, of such types (including without limitation public liability, workmens' compensation, larceny and embezzlement or other criminal misappropriation insurance) and in such amounts as are prudent, and in any event in such amounts as are adequate to cover foreseeable losses to the business of Holdings, the Borrower and their Subsidiaries. The Borrower or Holdings shall furnish to the Purchasers on or prior to the Closing Date a summary of insurance presently in force in a separate letter.

Section 11. Negative and Maintenance Covenants. The provisions of this Section 11 shall remain in effect so long as any Notes shall remain outstanding.

11.1. Restrictions on Liens. Holdings and the Borrower covenant that they will not, nor will they permit any

Subsidiary to, directly or indirectly, create, assume or suffer to exist any Lien upon any of their respective Properties or assets whether now owned or hereafter acquired, except for:

(A) Liens for taxes, assessments or governmental charges or claims the payment of which is not at the time required by Section 10.2;

(B) Statutory Liens of landlords, and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being diligently contested in good faith, so long as a reserve or other appropriate provision, if any, shall have been made therefor;

(C) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with obligations not due or delinquent with respect to workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(D) Any attachment or judgment Lien (including judgment or appeal bonds) which shall, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or which shall have been discharged within 30 days after the expiration of any such stay, or which is being diligently

contested in good faith so long as a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(E) Easements, rights-of-way, restrictions and other similar rights in land which do not, individually or in the aggregate, materially detract from the value of such Property and do not interfere with the ordinary conduct of the business of Holdings, the Borrower or any of their Subsidiaries;

(F) Liens securing Debt of a Subsidiary to the Borrower or Holdings;

(G) Liens (other than Liens created pursuant to Capitalized Leases) existing on the date hereof and described in Schedule 4.8 attached hereto, securing Debt

not exceeding $1,000,000 in the aggregate in principal amount;

(H) Liens pursuant to Capitalized Leases existing on the Closing Date and Liens created following the Closing Date pursuant to Capitalized Leases so long as, with respect to Liens pursuant to Capitalized Leases created following the Closing Date, the Funded Debt represented by such Capitalized Leases is permitted pursuant to Section 11.2(C); and

(I) Liens including Liens arising out of purchase money financing not otherwise permitted by the foregoing clauses of this Section 11.1 securing Debt (without duplication) of Holdings, the Borrower or any Subsidiary of Holdings or the Borrower, provided that the sum of (i) the principal amount of such Debt plus (ii) unsecured Debt of Subsidiaries of Holdings (other than the Borrower) and Subsidiaries of the Borrower not otherwise permitted under Section 11.4(A) does not exceed at any time 15% of Consolidated Tangible Net Worth.

The Liens referred to in Section 11.1(A) through (I) are herein collectively referred to as "Permitted Liens," individually, a "Permitted Lien."

11.2. Limitation on Funded Debt Holdings and the Borrower shall not, and shall not permit (except to the extent permitted in Section 11.4) any Subsidiary to, incur Funded Debt other than:

(A) the Notes, the Guarantee of Holdings as set forth herein and the Subsidiary Guarantee and all Funded Debt of Holdings, the Borrower and their Subsidiaries existing as of the Closing Date, as set forth on Schedule 4.8 attached hereto;

(B) any replacement, refinancing or extension of any Funded Debt, provided that the aggregate principal amount of such Funded Debt (or, if such Funded Debt is issued with an original issue discount, the original issue price of such Funded Debt) does not exceed the then outstanding principal amount of the Funded Debt so replaced, refinanced or extended (or, if the Funded Debt being replaced, refinanced or extended was issued with an original issue discount, the original issue price plus the amortized portion of the original issue discount to the date that such Funded Debt is replaced, refinanced or extended); and

(C) Additional Funded Debt of Holdings, the Borrower and their Subsidiaries, provided that after giving effect to such incurrence (including payment of interest and principal following such incurrence) and to the application of any proceeds thereof (i) the ratio of Consolidated Income Available for Fixed Charges to Fixed Charges would be not less than that ratio required to be maintained pursuant to Section 11.8 and (ii) the aggregate consolidated Funded Debt (without duplication) of Holdings, the Borrower and their Subsidiaries would not exceed 50% of Total Capitalization, measured in each case on a pro forma basis as of the most recently ended fiscal quarter as if such incurrence had occurred on the last day of such fiscal quarter.

11.3. Consolidated Tangible Net Worth. Holdings and its Subsidiaries shall not permit Consolidated Tangible Net Worth at any time to be less than the sum of $40,000,000 plus 50% of Consolidated Net Income on a cumulative basis from September 30, 1992, to and including any date of determination hereunder.

11.4. Limitation on Debt of Subsidiaries. Holdings and the Borrower shall not permit any of their Subsidiaries (other than the Borrower) to incur any Debt other than:

(A) Debt owed to Holdings or the Borrower or to a wholly-owned Subsidiary of Holdings or the Borrower in each case by a direct or indirect wholly-owned Subsidiary of the creditor thereunder; and

(B) additional Debt, provided that the sum of the aggregate principal amount of such Debt plus the aggregate principal amount of all other Debt (without duplication) of Holdings, the Borrower and any of their Subsidiaries which is secured by Liens not permitted by Sections 11.1(A) through (H) does not exceed 15% of Consolidated Tangible Net Worth.

11.5. Restricted Payments; Restricted Investments. Holdings will not, directly or indirectly, through any Subsidiary or otherwise, (a) pay or declare any dividend on any class of its capital stock (but may declare and pay dividends payable solely in capital stock or warrants, rights or options to acquire capital stock) or make any other distribution on account of any class of its capital stock; retire, redeem, purchase or otherwise acquire, directly or indirectly, any shares of any class of its capital stock or any warrants, rights or options to acquire any such shares (other than any such redemption, retirement, purchase or other acquisition in

which the consideration paid by Holdings or such Subsidiary consists solely of shares of capital stock of Holdings); or make or provide for any mandatory sinking fund payments required in connection with any class of its capital stock (all of the foregoing being called "Restricted Payments") or (b) make any Restricted Investment, unless after giving effect to any Restricted Payment or Restricted Investment the cumulative aggregate amount of all Restricted Payments and Restricted Investments made by Holdings and its Subsidiaries after September 30, 1992 would not exceed the sum of: (i) $2,000,000, plus (ii) 50% of cumulative Consolidated Net Income from September 30, 1992 through the date of determination (or if Holdings and its Subsidiaries on a consolidated basis have a cumulative Consolidated Net Loss for such period, then minus 100% of such Consolidated Net Loss), plus (iii) the net proceeds from the issuance or sale of any shares of any class of equity securities of Holdings which are not mandatorily redeemable or otherwise subject to repurchase, retirement, call, put or other reacquisition prior to or on the maturity date of the Notes (and not subject to acceleration or redemption repurchase, retirement, call, put or other reacquisition prior to the maturity date of the Notes) received after September 30, 1992; provided that at the time of any such Restricted Payment or Restricted Investment, both immediately before and immediately after giving effect thereto, (a) no Default or Event of Default shall have occurred and be continuing, and (b) Holdings, the Borrower and their Subsidiaries shall be able to incur, pursuant to Section l1.2(C)(ii) above, at least $1 of additional Funded Debt. So long as no Default or Event of Default has occurred or would be continuing after giving effect thereto, this Section 11.5 shall not prevent (a) the payment of any dividend within 60 days after the date of its declaration if the dividend would have been permitted on the date of its declaration, or (b) the acquisition, repurchase, retirement, call, put or redemption of any shares of capital stock of Holdings out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of Holdings) of, shares of capital stock of Holdings, provided that any such acquisition, repurchase, retirement, call, put or redemption shall be deemed to be a Restricted Payment for the purpose of determining the ability of Holdings and its Subsidiaries to make future Restricted Payments.

11.6. Sale of Assets. Holdings and the Borrower shall not, and shall not permit any of their Subsidiaries to, effect a Disposition of any assets unless (i) no Default or Event of Default has occurred (except in the case of subclause (a) below) and is continuing, and (ii) one of the following applies:

(a) such Disposition is in the ordinary course of business, including, without limitation, sales and leases of

operating restaurants in accordance with the Borrower's ordinary course franchising operations and is made pursuant to the reasonable business judgment of the Borrower in accordance with past practice;

(b) in each fiscal year, Holdings, the Borrower and their respective Subsidiaries may effect Dispositions of assets for Fair Market Value and which (A) have an aggregate Book Value, together with all other assets disposed of in that fiscal year (other than Dispositions permitted by clause (a), (c) or (d) of this Section 11.6), of less than 10% of Gross Assets on a consolidated basis determined as at the date of such sale; (B) generate, together with all other assets disposed of in that fiscal year (other than Dispositions permitted by clause (a), (c) or (d) of this Section 11.6), net income, which is less than 10% of the Consolidated Net Income (in each case, determined as of the end of the immediately preceding fiscal year); and (C) together with all assets previously disposed of since September 30, 1992 (other than Dispositions permitted by clause (a), (c) or (d) of this Section 11.6), have an aggregate Book Value of less than 25% of Gross Assets on a consolidated basis determined as at the date of such sale, provided that after giving effect to any Disposition described in this subsection (b), Holdings, the Borrower or any of their Subsidiaries could incur at least $1 of additional Funded Debt without being in default of their obligations under Section 11.2(C)(ii);

(c) such Dispositions are made for Fair Market Value and the proceeds of such Disposition are used (i) within six months following such Disposition, to purchase assets ("Business Asset Acquisition") used in the operations of the Borrower or (ii) to repay Debt of Holdings or its Subsidiaries which is not junior in right of payment to the Notes; or

(d) the assets disposed of were disposed of for Fair Market Value (taking into consideration the rental rate to be paid by the Borrower in connection with the Disposition and leaseback of the assets so disposed of) and were constructed or acquired following September 30, 1992 and are immediately leased back from the purchaser thereof by Holdings or any of its Subsidiaries; provided that no assets may be sold and leased back pursuant to this clause (d) following the third anniversary of the acquisition or construction of such assets by Holdings, the Borrower or any of their Subsidiaries.

11.7. Consolidation or Merger. Holdings and the Borrower covenant that neither of them will, nor will they permit any of their respective Subsidiaries to, enter into any transaction of merger or consolidation, whether in one transaction or a series

of related or unrelated transactions and whether at the same time or over a period of time, provided that:

(A) (i) the Borrower may merge with Holdings or any of Holdings' other Subsidiaries, (ii) Holdings may merge with the Borrower or any of Holdings' other Subsidiaries and (iii) any Subsidiary may merge with Holdings, the Borrower or any other Subsidiary, so long as, with respect to any mergers of Holdings, the Borrower or IHOP Realty in which such party is not the surviving Person, (a) the surviving Person of such transaction shall be a solvent U.S. or Canadian corporation, and such surviving Person shall have assumed in writing all of the obligations of the Borrower, Holdings or IHOP Realty, as the case may be, under this Agreement, the Notes and the Subsidiary Guarantee, as the case may be, a copy of which writing shall be provided to you and each holder of Notes not less than 10 Business Days prior to any such transaction and which shall be acceptable in form and substance to the Majority Holders, (b) at the time of, and immediately after giving effect to, any such consolidation or merger, no Default or Event of Default shall have occurred and be continuing, and (c) immediately after any such consolidation or merger, the surviving Person could incur an additional $1 of Funded Debt pursuant to Section 1l.2(C)(ii) hereof; and

(B) Holdings or the Borrower may merge with any other Person so long as (i) the surviving Person of such transaction shall be a solvent U.S. or Canadian corporation, and such surviving Person shall have assumed in writing all of the obligations of the Borrower under the Notes and this Agreement or of Holdings under this Agreement, as the case may be, a copy of which writing shall be provided to you and each holder of Notes not less than 10 Business Days prior to any such transaction and which shall be acceptable in form and substance to the Majority Holders, (ii) at the time of, and immediately after giving effect to, any such consolidation or merger, no Default or Event of Default shall have occurred and be continuing, and (iii) immediately after any such consolidation or merger, the surviving or continuing Person could incur an additional $1 of Funded Debt pursuant to Section 11.2(C)(ii) hereof.

11.8. Maintenance of Fixed Charge Coverage. Holdings and the Borrower covenant that on the last day of any quarterly accounting period of Holdings and its Subsidiaries, the ratio of Consolidated Income Available for Fixed Charges to Fixed Charges for the period consisting of any four of the immediately preceding five quarterly accounting periods shall not be less than:

Ratio	Fiscal Quarter Ending in the Period
1.40:1.00	from Closing Date through September 29, 1993; and
1.50:1.00	from September 30, 1993 and thereafter.

11.9. Transactions with Affiliates. Each of Holdings and the Borrower covenants that it will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any Property or the rendering of any service), with any Affiliate on terms that are less favorable to Holdings, the Borrower or such Subsidiary, as the case may be, than those that would be obtainable at the time in an arms' length transaction with any Person who is not such an Affiliate; provided, however, that this Section shall not prohibit the payment of compensation and benefits to directors and officers of Holdings, the Borrower and their Subsidiaries in the ordinary course of business and consistent with past practices.

11.10. Acquisition of Margin Securities. Each of Holdings and the Borrower covenants that it will not, and will not permit any of its Subsidiaries to, own, purchase or acquire (or enter into any contract to purchase or acquire) any "margin security" as defined by any regulation of the Board of Governors of the United States Federal Reserve System as now in effect or as the same may hereafter be in effect unless, prior to any such purchase or acquisition or entering into any such contract, the holders of the Notes shall have received an opinion of counsel satisfactory to the holders of the Notes to the effect that such purchase or acquisition will not cause this Agreement or the Notes to be in violation of Regulation G or any other regulation of such Board then in effect.

11.11. Conduct of Business. Each of Holdings and the Borrower covenants that it will not, and will not permit any of its Subsidiaries to, engage in any business activity if, such business activity would result in a substantial change in the general nature of the business of Holdings and its Subsidiaries, taken as a whole, from that described in the Confidential Memorandum.

Section 12. Definitions.

(A) For the purposes of this Agreement, the following terms shall have the following respective meanings:

"Acceleration Price" is defined in Section 13.2(A) hereof.

"Accountants" has the meaning specified in Section 8.

"Affiliate" shall mean any Person (other than a Subsidiary) (i) which directly or indirectly controls, or is controlled by, or is under common control with, Holdings, (ii) which beneficially owns or holds 10% or more of any class of the Voting Stock of Holdings, (iii) 10% or more of the Voting Stock of which is beneficially owned or held by Holdings or a Subsidiary of Holdings or (iv) any officer or director of Holdings or any of its Subsidiaries. For purposes of this definition, "control" of a Person shall mean the power, direct or indirect, (i) to vote or direct the voting of a majority of the Voting Stock of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Appropriate Officer" shall mean, with respect to any corporation, such corporation's President, Vice President, Chief Executive Officer, Chief Financial Officer, Treasurer or Controller.

"Audited Financial Statements" has the meaning specified in Section 4.5(a).

"Bank" is defined in Section 6.15.

"B of A" is defined in Section 6.15.

"Board" means the Board of Directors of any corporation or a committee of said corporation having authority to exercise, when the Board of Directors is not in session, the powers of the Board of Directors (subject to any designated limitations) in the management of the business and affairs of said corporation.

"Book Value" of an asset of any Person means the value of such asset as reported in the books and records of such Person in accordance with GAAP.

"Borrower" means International House of Pancakes, Inc., a Delaware corporation, or any successor thereto.

"Business Asset Acquisition" is defined in Section 11.6 hereof.

"Business Day" means any day except a Saturday, a Sunday or a legal holiday in New York City.

"Capitalized Lease" means a lease of Property which in accordance with GAAP should be capitalized on the balance sheet of any Person.

"Capitalized Lease Obligations" shall mean the aggregate rentals due and to become due under all Capitalized Leases which any Person, as a lessee, would be required to reflect as a liability on the consolidated balance sheet of such Person in accordance with GAAP.

"Certified" when used with respect to any financial information of any Person to be certified by any of its officers, indicates that such information is to be accompanied by a certificate to the effect that such financial information has been prepared in accordance with GAAP consistently applied, subject in the case of interim financial information to non-recurring material year-end audit adjustments, and presents fairly the information contained therein as at the dates and for the periods covered thereby.

"Closing Date" has the meaning specified in Section 2.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidential Memorandum" has the meaning specified in Section 4.5(a).

"Consolidated Income Available for Fixed Charges" means the sum of (a) Consolidated Net Income (b) consolidated income tax expense of Holdings and its Subsidiaries in accordance with GAAP and (c) Fixed Charges.

"Consolidated Net Income or Loss" shall mean the Net Income or Loss of Holdings, the Borrower and their Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Net Worth" shall mean shareholders' equity of Holdings and its Subsidiaries less intangible assets booked after the Closing Date, less Restricted Investments in excess of 10% of shareholders' equity of Holdings and its Subsidiaries at any date of determination, all as determined for Holdings and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Debt" with respect to any Person means, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) the liability of such Person created by granting a Lien to which the property or assets of such Person are subject whether or not such Person has assumed or become legally liable for the payment of any obligation (provided that, if such obligation has not been assumed or become the legal liability of such Person, the amount of the liability shall be deemed to

be in an amount not to exceed the Fair Market Value of the property to which the Lien relates, as determined in good faith by such Person), (iii) Capitalized Lease Obligations of such Person, to the extent such obligations exceed accounts receivable by such Person as lessor under direct financing leases with franchisees so long as such direct financing leases are, at the time of determination to the best knowledge of the lessor thereunder, valid and enforceable against their lessees and are current as to payment and not otherwise in default to the extent that there is a reasonable likelihood that any such lease would be terminated by the lessor prior to its stated expiration and (iv) the aggregate amount of all Guarantees given by such Person with respect to any of the foregoing.

"Default" means any event or condition which, with due notice or lapse of time or both, would become an Event of Default.

"Disposition" shall mean any sale, transfer, assignment, lease, conveyance or other disposition of any asset.

"Disposition Date" is defined in Section 11.6 hereof.

"Eligible Holder" has the meaning specified in Section 8.

"Environmental Laws" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (S)(S) 9601 to 9675, the Resource Conservation and Recovery Act, 42 U.S.C. (S)(S) 6901 to 6992, the Emergency Planning and Community Right to Know Act, 42 U.S.C. SS 11001 to 11050, the Safe Drinking Water Act, 42 U.S.C. (S)(S) 300f to 300j-26, the Hazardous Materials Transportation Act, 49 U.S.C.A. (S)(S) 1801 to 1819, the Clean Air Act, 42 U.S.C. (S)(S) 7401 to 7671q, the Clean Water Act, 33 U.S.C. (S)(S) 1251 to 1387, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. (S)(S) 136 to 136y, the Noise Control Act, 42 U.S.C. (S)(S) 4901 to 4918, the Occupational Safety and Health Act, 29 U.S.C.A. (S)(S) 651 to 678, the Toxic Substances Control Act, 15 U.S.C. (S)(S) 2601 to 2671, any so-called "Superfund" or "Superlien" law, any regulation promulgated under

any of the foregoing or any other Federal, state, or local statute, law, ordinance, code, rule, regulation, order, decree, common law or other requirement of any Governmental Body regulating or imposing liability or standards of conduct concerning the environment, health and safety, or any Hazardous Material.

"Environmental Matter" means any claim, investigation (known to Holdings or the Borrower), litigation, administrative proceeding, whether pending or, to the knowledge of Holdings or

the Borrower, threatened, or judgment or Order, relating to any Hazardous Materials, the release thereof, or any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

"ERISA Affiliate" means any corporation or other Person which is a member of the same controlled group (within the meaning of Section 414(b) of the Code) of corporations or other Persons as Holdings or any of its Subsidiaries, or which is under common control (within the meaning of Section 414(c) of the Code) with Holdings or any of its Subsidiaries, or any corporation or other Person which is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) with Holdings or any of its Subsidiaries, or any corporation or other Person which is required to be aggregated with Holdings or any of its Subsidiaries pursuant to Section 414(o) of the Code or the regulations promulgated thereunder.

"Event of Default" has the meaning specified in Section 13.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar U.S. statute then in effect, and a reference to a particular section thereof shall include a reference to the comparable section, if any, of any such similar U.S. statute.

"Fair Market Value" means what a willing buyer would pay to a willing seller in an arm's-length transaction.

"Financial Statements" has the meaning specified in Section 4.5(a).

"Fixed Charges" means the sum of (a) Interest Expense and (b) rental expense under operating leases, all as determined for Holdings and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Funded Debt" shall mean (i) all Debt of a Person (other than Guarantees) having a final maturity of more than one year from the date of incurrence thereof (or which is renewable or extendable at the option of the obligor for a period or periods of more than one year from the date of incurrence), including all payments in respect thereof that are required to be made within one year from the date of any determination of Funded Debt, whether or not included in current liabilities, (ii) in the case of Guarantees, all Guarantees of obligations maturing more than one year after the

date as of which the Guarantee is incurred, and (iii) the recourse portion, if any, of obligations under sales of notes or receivables programs.

"GAAP" means generally accepted accounting principles in the United States in effect from time to time.

"Governmental Body" means any federal, state, Canadian provincial, county, city, town, village, municipal or other governmental department, commission, board, bureau, agency, authority or instrumentality, domestic or foreign.

"Gross Assets" means the total assets and Properties of Holdings and its Subsidiaries less accumulated depreciation, as indicated on the audited balance sheets of Holdings and its Subsidiaries for the fiscal year end immediately prior to the date of any determination.

"Guarantee" means any guarantee or other contingent liability (other than any endorsement for collection or deposit in the ordinary course of business), direct or indirect, with respect to any obligations of another Person, through an agreement or otherwise, including, without limitation, (a) any other endorsement or discount with recourse or undertaking substantially equivalent to or having economic effect similar to a guarantee in respect of any such obligations and (b) any agreement (i) to purchase, or to advance or supply funds for the payment or purchase of, any such obligations, (ii) to purchase, sell or lease Property, products, materials or supplies, or transportation or services, in respect of enabling such other Person to pay any such obligation or to assure the owner thereof against loss regardless of the delivery or nondelivery of the Property, products, materials or supplies or transportation or services or (iii) to make any loan, advance or capital contribution to or other investment in, or to otherwise provide funds to or for, such other Person in respect of enabling such Person to satisfy any obligation (including any liability for a dividend, stock liquidation payment or expense) or to assure a minimum equity, working capital or other balance sheet condition in respect of any such obligation. The amount of liability of any Person attributable to any Guarantee shall be equal to the maximum amount for which such Person could be liable under such Guarantee.

"Hazardous Material" and "Hazardous Materials" shall mean as follows:

(1) any "hazardous substance" as defined in, or for purposes of, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. (S)(S) 9601 & 9602,

as may be amended from time to time, or any other so-called "superfund" or "superlien" law and any judicial interpretation of any of the foregoing;

(2) any "regulated substance" as defined pursuant to 40 C.F.R. Part 280;

(3) any "pollutant or contaminant" as defined in 42 U.S.C.A. (S) 9601(33);

(4) any "hazardous waste" as defined in, or for purposes of, the Resource Conservation and Recovery Act;

(5) any "hazardous chemical" as defined in 29 C.F.R. Part 1910;

(6) any "hazardous material" as defined in, or for purposes of, the Hazardous Materials Transportation Act; and

(7) any other substance, regardless of physical form, or form of energy or pathogenic agent that is subject to any Environmental Law.

Without limiting the generality of the foregoing, the term "Hazardous Material" thus includes, but is not limited to, any material, waste or substance that contains petroleum or any fraction thereof, asbestos, or polychlorinated biphenyls, or that is flammable, explosive or radioactive that is subject to any Environmental Law.

"Holdings" means IHOP Corp., a Delaware corporation, or any successor thereto.

"HomeFed" is defined in Section 6.16.

"IHOP Realty" means IHOP Realty Corp., a Delaware corporation which is a wholly-owned Subsidiary of the Borrower.

"Interest Expense" shall mean interest expense, determined for Holdings and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Interest Payment Date" shall mean any date on which the payment of interest on any Note becomes due and payable.

"Internal Revenue Service" means the United States Internal Revenue Service and any successor or similar agency performing similar functions.

"Investment" when used with reference to any investment of Holdings, the Borrower or any of their Subsidiaries, means any investment so classified under GAAP (and, specifically, shall not include trade receivables which are classified as current assets under GAAP), and, whether or not so classified, includes (a) any loan or advance made by Holdings, the Borrower or any of their Subsidiaries to any other Person, and (b) any ownership or similar interest in any other Person; and the amount of any Investment shall be the original principal or capital amount thereof less all cash returns of principal or equity thereof (and without adjustment by reason of the financial condition of such other Person).

"Lien" means any security interest, mortgage, pledge, lien, claim, charge, encumbrance, conditional sale or title retention agreement, lessor's interest under a Capitalized Lease or analogous instrument, in, of or on any of a Person's Property (whether held on the date hereof or hereafter acquired), or any signed or filed financing statement which names such Person as the debtor, or the execution of any security agreement or the like authorizing any other Person as the secured party thereunder to file such a financing statement; provided that neither (a) the interest of a lessee or a sublessee in its capacity as lessee or sublessee under a lease or sublease entered into by Holdings, the Borrower or any of their Subsidiaries in the ordinary course of business nor (b) the rights of franchisees in their capacities as franchisees to use and possession of certain properties and rights pursuant to franchise documentation entered into by Holdings, the Borrower or any of their Subsidiaries in the ordinary course of business shall be deemed to constitute a Lien for purposes hereof.

"Majority Holders" means the holders of at least a majority in principal amount of the Notes at the applicable time outstanding.

"Material Adverse Effect" means any change or changes or effect or effects that individually or in the aggregate are or are likely to be materially adverse to (i) the assets, business, operations, income, prospects or condition (financial or otherwise) of Holdings and its Subsidiaries taken as a whole or the Borrower and its Subsidiaries taken as a whole, (ii) the transactions contemplated by this Agreement, or (iii) taken as a whole, the ability of the Borrower and Holdings to fulfill their respective obligations under this Agreement and the Notes.

"Material Contracts" means all supply agreements, requirements contracts, leases, customer agreements, franchise agreements, license agreements, distribution agreements, joint

venture agreements, asset purchase agreements, stock purchase agreements, merger agreements, agency or advertising agreements and other contracts, agreements and commitments to which Holdings or any of its Subsidiaries are parties, and which are material to the respective businesses, assets or operations of Holdings and its Subsidiaries.

"Multiemployer Plan" means a multiemployer plan as defined in Section 3(37) or Section 4001(a)(3) of ERISA or Section 414(f) of the Code contributed to by Holdings or any of its Subsidiaries or ERISA Affiliates.

"Net Income or Loss" of any Person, with respect to any period, shall mean the net income or net loss of such Person after excluding the sum of (i) any net loss or any undistributed net income of any Person other than a Subsidiary of such Person, (ii) the net income or net loss of any Subsidiary of such Person earned or incurred prior to the date on which it became a Subsidiary of such Person, (iii) the gain or loss (net of any tax effect) resulting from the sale of any capital assets other than in the ordinary course of business, and (iv) extraordinary or nonrecurring gains or losses (net of any tax effect), all as determined for the relevant period in accordance with GAAP.

"Note" has the meaning specified in Section 1.

"Offering Circular" has the meaning specified in Section 4.25.

"Officer's Certificate" shall mean a certificate executed on behalf of Holdings, the Borrower or any of their Subsidiaries, in each case by an Appropriate Officer thereof.

"Order" means any order, writ, injunction, decree, judgment, award, determination or written direction or demand of any court, arbitrator or Governmental Body.

"Other Agreements" shall mean the agreements which are identical in all respects with this Agreement (except for the respective principal amounts of the Notes to be purchased) and executed and delivered to the other Purchasers named in Schedule I hereto simultaneously with the execution and delivery of this **Agreement.**

"PBGC" means the Pension Benefit Guaranty Corporation, and any successor agency or Governmental Body performing similar functions.

"Pension Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA, excluding any Multiemployer Plans, maintained by or contributed to by Holdings or any of its Subsidiaries or ERISA Affiliates.

"Permitted Lien" is defined in Section 11.1.

"Person" means and includes an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

"Plan" and "Plans" means any employee benefit plan as defined in Section 3(3) of ERISA, excluding a Multiemployer Plan, established or maintained for the benefit of employees of Holdings or any of its Subsidiaries or ERISA Affiliates.

"Present Value Amount" means at any time with respect to any Notes being prepaid in whole or in part pursuant to Section 3.2 hereof or being declared or becoming due and payable pursuant to Section 13.2(A) or (B) hereof, the sum of the Present Values of (A) the aggregate amount of the principal being so prepaid or being declared or becoming due and payable plus (B) each amount of interest which would have been payable on the amount of such principal being prepaid or being declared or becoming due and payable (assuming that all payments and prepayments of principal and interest would have been made in accordance with the terms of this Agreement and the Notes and that interest accrued and unpaid on such principal to the date of prepayment or the date such principal is declared or becomes due and payable has been paid). "Present Value", for any amount of principal or interest, shall be computed on a semiannual basis at a discount rate equal to the Treasury Yield plus 50 basis points. The "Treasury Yield" shall be determined by reference to (i) the yields reported, as of 10:00 a.m. (New York City time) on the Business Day next preceding the prepayment date or the date any such principal is declared or becomes due and payable, on the display designated as "Page 500" on the Telerate Service (or such other display as may replace Page 500 on the Telerate Service) for actively traded U.S. Treasury securities having a constant maturity equal to the then remaining Weighted Average Life to Maturity of the principal being prepaid or being declared or becoming due and payable, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the most recent Federal Reserve Statistical Release H.15 (519) which has become available not more than two Business Days prior to the date of prepayment or the date such principal becomes or is declared due and payable (or, if such Statistical Release is no longer published, any publicly

available source of similar market data acceptable to the Majority Holders), and shall be the most recent yield on actively traded U.S. Treasury securities adjusted to a constant maturity equal to the then remaining Weighted Average Life to Maturity of the principal being prepaid or being declared or becoming due and payable. If the Weighted Average Life to Maturity (so computed) is not equal to the constant maturity of a U.S. Treasury security for which a yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of U.S. Treasury securities for which such yields are given, except that if the Weighted Average Life to Maturity (so computed) is less than one year, the yield on actively traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

"Pro Rata Portion" shall mean with respect to any Noteholder, the ratio of the principal balance outstanding on the Note or Notes held by that Noteholder on the date of determination to the aggregate principal balance outstanding on all the Notes on the date of determination.

"Projections" is defined in Section 4.5 hereof.

"Property" with respect to any Person, means any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible, of such Person.

"Purchaser Affiliate" shall mean any Person (i) which directly or indirectly controls, or is controlled by, or is under common control with, a Purchaser, (ii) which beneficially owns or holds 5% or more of any class of the Voting Stock of a Purchaser, or (iii) 5% or more of the Voting Stock of which is beneficially owned or held by a Purchaser; provided, however, that a director, officer or employee of a Purchaser shall not be deemed to control, to be controlled by, or to be under common control with, a Purchaser for purposes hereof solely by reason of such status. For purposes of this definition, "control" of a Person shall mean the power, direct or indirect, (i) to vote or direct the voting of a majority of the Voting Stock of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. For the purposes of this Agreement, the Purchasers shall not be deemed to be Affiliates of Holdings or any of its Subsidiaries.

"Qualified Holder" shall mean, as of any date of determination, any original Purchaser or Purchaser Affiliate and any direct or indirect successor, assign or transferee of any Purchaser or Purchaser Affiliate holding Notes representing

at least 10% of the aggregate principal amount of all Notes at the time outstanding.

"quarterly accounting period" is defined in Section 8(A) hereof.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder for which the 30-day notice requirement applies.

"Restricted Investments" shall mean all Investments made by Holdings, the Borrower or their Subsidiaries in or to any Person except (i) Investments in notes of franchisees and receivables of franchisees in the ordinary course of business other than notes and receivables held in settlement of franchise obligations, and in Property of Holdings or its Subsidiaries to be used in the ordinary course of business, (ii) Investments in Subsidiaries, (iii) Investments in obligations issued or unconditionally guarantied by the U.S. or any agency thereof, in each case maturing within one year from the date of acquisition thereof; (iv) Investments in obligations issued by any political subdivision of the U.S. or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc. or some other mutually agreeable rating system if either of these entities no longer exists; (v) commercial paper maturing no more than 270 days from the date of creation thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc. or some other mutually agreeable rating system if either of these entities no longer exists; (vi) certificates of deposit, repurchase agreements or bankers' acceptances maturing within one year from the date of acquisition thereof issued by the Borrower's cash management concentration bank (provided that such bank is rated investment grade or better by either Standard & Poor's Corporation or Moody's Investors Services, Inc. or some other mutually agreeable rating system if either of these entities no longer exists), Continental Bank N.A., or other commercial banks located in the U.S. and Canada having combined capital, surplus and undivided profits of not less than $100,000,000 and who have a rating at all times from Standard & Poor's Corporation or Moody's Investors Service, Inc., or some other mutually agreeable rating system if either of these entities no longer exists, of "A-" or better; (vii) Investments in mutual funds and money market accounts, which funds or accounts are traded on a national exchange or are managed by a commercial bank and which invests solely in Investments which satisfy the

criteria set forth in the foregoing clauses (iii) through (vi); and (viii) other Investments existing on the Closing Date and set forth on Schedule 12 hereto.

"SEC" means the Securities and Exchange Commission and any succeeding agency, authority, commission or Governmental Body.

"SEC Reports" means, collectively, (a) the annual report on Form 10-K as filed by Holdings with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act, for the fiscal year ended December 31, 1991, (b) the quarterly report on Form l0-Q as filed by Holdings with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act, for the quarterly period ended June 30, 1992, and (c) the quarterly report on Form l0-Q as filed by Holdings with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act, for the quarterly period ended September 30, 1992.

"Securities Act" means as of any date the Securities Act of 1933, as amended, or any similar federal statute then in effect, and a reference to a particular section thereof shall include a reference to the comparable section, if any, of any such similar Federal statute.

"September 30, 1992 l0-Q" has the meaning specified in Section 4.5(b).

"Solvent" means, when used with respect to any Person, that:

(a) the present fair salable value of such Person's assets is in excess of the total amount of such Person's liabilities;

(b) such Person is able to pay its debts as they become due; and

(c) such Person does not have unreasonably small capital to carry on such Person's business as theretofore operated and all businesses in which such Person is about to engage.

"Subsidiaries List" is defined in Section 4.6 hereof.

"Subsidiary" shall mean, with respect to any Person, any corporation or other entity (a) organized under the laws of the United States, the District of Columbia or Canada or any state or political subdivision of any thereof, (b) all or

substantially all of whose assets and business operations are located or conducted within the United States or Canada and (c) of which at least a majority of the outstanding Voting Stock is at the time directly or indirectly owned or controlled by such Person or by one or more of such Person's wholly-owned Subsidiaries.

"Subsidiary Guarantee" shall mean the Subsidiary Guarantee in the form of Exhibit D hereto.

"Total Capitalization" shall mean the sum of (i) Funded Debt of Holdings, the Borrower and their Subsidiaries and (ii) Consolidated Tangible Net Worth.

"Unaudited Financial Statements" has the meaning specified in Section 4.5(a).

"U.S." means the United States of America.

"Voting Stock" with respect to any Person shall mean capital stock of such Person of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of members of the Board (or Persons performing similar functions) of such Person.

"Weighted Average Life to Maturity" means, with respect to any Debt, as at any time of determination, the number of years obtained by dividing the then Remaining Dollar-years of such Debt by the then outstanding principal balance of such Debt (before giving effect to any prepayment to be made at the time of such determination). For such purposes, the "Remaining Dollar-years" of any Debt shall be determined by (1) multiplying (a) the amount of each required payment of principal of such Debt (including each required installment payment or mandatory prepayment thereof, if any, and payment of the principal balance thereof at final maturity, but assuming no optional prepayments thereof are made) by (b) the number of years (calculated to the nearest one-twelfth) which will elapse between the time of determination and the date the respective required payment or mandatory prepayment of principal is due, and (2) adding all of the products so obtained.

(B) Accounting Terms. All accounting terms used in this Agreement shall be applied on a consolidated basis for Holdings, the Borrower and their Subsidiaries, unless otherwise specifically indicated herein. Any accounting terms not specifically defined herein shall have the meanings customarily given them in accordance with GAAP.

Section 13. Events of Default.

13.1. Events of Default; Remedies. If any of the following events shall have occurred and be continuing (whatever the reason for such event and whether it shall be voluntary or involuntary or by operation of law or otherwise), it shall constitute an "Event of Default":

(A) the Borrower shall default in the due and punctual payment or prepayment of all or any part of the principal of, or prepayment charge (if any) on, any Note when and as the same shall become due and payable, whether at stated maturity, by acceleration, by notice of prepayment or otherwise;

(B) the Borrower shall default in the due and punctual payment or prepayment of any interest on any Note or any other sum or amount due under any Note or this Agreement when and as such interest, sum or amount shall become due and payable, and such default shall continue for a period of five (5) Business Days;

(C) the Borrower shall default in the performance or observance of any covenant, agreement or condition contained in Section 8(E) and Sections 11.1 through 11.11 hereof, inclusive;

(D) the Borrower shall default in the performance or observance of any other covenant, agreement or condition contained in this Agreement and such default shall continue for a period of 30 days following the earlier to occur of (i) notice of such default from any holder of a Note or (ii) the date on which any Authorized Officer of Holdings, the Borrower or any of their Subsidiaries otherwise becomes aware of the existence of such default;

(E) any event shall occur or any condition shall exist in respect of any Debt of Holdings, the Borrower or their Subsidiaries in excess of $2,000,000 in the aggregate for all such Debt (other than the Funded Debt evidenced by this Agreement and the Notes), which constitutes a breach, default or event of default under any agreement or document securing or relating to any such Debt (following all applicable notice or grace periods), the effect of which is to cause, or to permit any holder or holders of such Debt or an agent or trustee to cause, the acceleration of the maturity of such Debt;

(F) final order, decree or judgment for the payment of money shall be rendered by a court of competent jurisdiction against Holdings, the Borrower or any of

their Subsidiaries, and Holdings, the Borrower or such Subsidiary, as the case may be, shall not discharge the same or provide for its discharge

in accordance with its terms, or procure a stay of execution thereof, within 60 days from the date of entry thereof and within said period of 60 days, or such longer period during which execution of such order, decree or judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, and such order, decree or judgment together with all other such orders, decrees or judgments then existing shall exceed in the aggregate $3,000,000 (net of insurance proceeds actually received, if any);

(G) any representation, warranty, certification or statement made by or on behalf of the Borrower or Holdings in this Agreement or by or on behalf of IHOP Realty in the Subsidiary Guarantee or in any certificate, instrument, financial statement or other document now or hereafter delivered hereunder or thereunder or pursuant to or in connection with any provision hereof or thereof shall prove to be false or incorrect or breached in any material respect on the date as of which made;

(H) a proceeding or case shall be commenced, without the application or consent of Holdings, the Borrower or any of their Subsidiaries in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding up of any thereof or composition or readjustment of the debts of any of them, or (2) similar relief in respect of Holdings, the Borrower or any of their Subsidiaries under any law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 90 days; or an order for relief shall be entered in an involuntary case under the applicable bankruptcy laws against Holdings, the Borrower or any of their Subsidiaries; or action under the laws of the jurisdiction of organization of any of Holdings, the Borrower or any of their Subsidiaries analogous to any of the foregoing shall be taken with respect to any of Holdings, the Borrower or any of their Subsidiaries and shall continue undismissed, or unstayed and in effect, for a period of 90 days;

(I) Holdings, the Borrower or any of their Subsidiaries shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its Property, (2) be generally unable to pay its debts as such debts become due, (3) make a general assignment for the benefit of its creditors, (4) commence a voluntary case under the applicable bankruptcy laws (as now or hereafter in effect), (5) file a petition seeking to take advantage of any other law providing for the relief of debtors, (6) fail to controvert in

a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such bankruptcy laws, (7) admit in writing its inability to pay its debts generally as such debts become due, (8) take any action under the laws of its jurisdiction of organization analogous to any of the foregoing, or (9) take any requisite action for the purpose of effecting any of the foregoing;

(J) A custodian, liquidator, trustee or receiver is appointed for Holdings, the Borrower or any of their Subsidiaries or for all or a substantial portion of the Property of any of them, without the application or consent of Holdings or any such Subsidiary, and is not discharged within 90 days after such appointment; or

(K) If either of the Subsidiary Guarantee or the Guarantee of Holdings contained in Section 16.14 hereof shall cease to be in full force and effect or either of Holdings or IHOP Realty or any Person acting by or on behalf of either of them shall deny or disaffirm their respective obligations under such Guarantees.

13.2. Acceleration of Notes.

(A) Upon the occurrence of an Event of Default described in Subsections (A) or (B) of Section 13.1 with respect to any Note, the holder of any such Note may, by written notice to the Borrower, declare such Note to be, and the same shall forthwith become, immediately due and payable, at a price (the "Acceleration Price") equal to the sum of (i) the greater of the principal amount being declared immediately due and payable or the Present Value Amount, plus (ii) all accrued but unpaid interest on the principal amount being declared immediately due and payable, all without presentment, demand, notice, protest or other requirements of any kind, all of which are hereby expressly waived. If any holder of any Note shall exercise the option specified in this Subparagraph (A), the Borrower shall forthwith give written notice thereof to the holders of all other outstanding Notes and each such holder may (whether or not such notice is given or received), by written notice to the Borrower, declare the principal of all Notes held by it to be, and the same shall forthwith become, immediately due and payable, at a price equal to the Acceleration Price.

(B) Upon the occurrence of any Event of Default described in Subsections 13.1(C), (D), (E), (F), (G) or (K) of Section 13.1, the Majority Holders may, by written notice to the Borrower, declare all of the Notes to be, and the same shall forthwith become, immediately due and payable, at a price

equal to the Acceleration Price, without any presentment, demand, notice, protest or other requirement of any kind, all of which are hereby expressly waived.

(C) Upon the occurrence of an Event of Default described in Subsections (H), (I) and (J) of Section 13.1, all of the Notes shall automatically become immediately due and payable, at a price equal to the Acceleration Price, without presentment, demand, notice, protest or other requirements of any kind, all of which are hereby expressly waived.

13.3. Rescission of Acceleration. The provisions of Section 13.2 are subject, however, to the condition that if, at any time after any Note shall have become due and payable pursuant to Section 13.2, (i) the Borrower shall pay all arrears of interest on the Notes and all payments on account of the principal of and, to the extent permitted by law, prepayment charge (if any) on the Notes which shall have become due otherwise than by acceleration (with interest on all such overdue principal and prepayment charge, if any, and, to the extent permitted by law, on overdue payments of interest, at the applicable rate per annum provided for in the Notes or this Agreement in respect of overdue amounts of principal, prepayment charge and interest), and (ii) the Borrower shall pay to the Noteholders all amounts that are then due and owing pursuant to this Agreement, and (iii) all Events of Default (other than nonpayment of principal of, prepayment charge (if any) and accrued interest on the Notes, due and payable solely by virtue of acceleration) shall be remedied or waived by the Majority Holders, and (iv) no judgment or decree has been entered by any court for the payment of any amounts due and owing under the Notes or pursuant to this Agreement or the Subsidiary Guarantee, then, and in every such case, the Majority Holders, by written notice to the Borrower, may rescind and annul any such acceleration and its consequences with respect to the Notes; but no such action shall affect any subsequent Default or Event of Default or impair any right consequent thereon.

13.4. Suits for Enforcement. If any Event of Default shall have occurred and be continuing, the holder of any Note may proceed to protect and enforce its rights, either by suit in equity or by action at law, or both, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, and the holder of any Note may proceed to enforce the payment of all sums due upon such Note, and such further amounts as shall be sufficient to cover the costs and expenses of collection (including, without limitation, reasonable counsel fees and disbursements), or to enforce any other legal or equitable right of the holder of such Note.

13.5. Remedies Cumulative. No remedy herein conferred upon you or the holder of any Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

13.6. Remedies Not Waived. No course of dealing between the Borrower and you or the holder of any other Note and no delay or failure in exercising any rights hereunder or under any Note in respect thereof shall operate as a waiver of any of your rights or the rights of any holder of such Note.

Section 14. Registration, Exchange, and Transfer of Notes. The Borrower will keep at its principal executive office a register, in which, subject to such reasonable regulations as it may prescribe, but at its expense (other than transfer taxes, if any), the Borrower will provide for the registration and transfer of Notes. Whenever any Note or Notes shall be surrendered either at the principal executive office of the Borrower, or at the place of payment named in the Note, for transfer or exchange, accompanied (if so required by the Borrower) by a written instrument of transfer in form reasonably satisfactory to the Borrower duly executed by the holder thereof or by such holder's attorney duly authorized in writing, the Borrower will execute and deliver in exchange therefor a new Note or Notes in such denominations (multiples of $100,000) as may be requested by such holder, of like tenor and in the same aggregate unpaid principal amount as the aggregate unpaid principal amount of the Note or Notes so surrendered. Any Note issued in exchange for any other Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, and neither gain nor loss of interest shall result from any such transfer or exchange. Any transfer tax or governmental charge relating to such transaction shall be paid by the holder requesting the exchange. The Borrower and any of its agents may treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of the principal of, prepayment charge (if any) and interest and other amounts on such Note and for all other purposes whatsoever, whether or not such Note be overdue.

Section 15. Lost, Stolen, Damaged and Destroyed Notes. At the request of any holder of any Note, the Borrower will issue and deliver at its expense, in replacement of any Note or Notes lost, stolen, damaged or destroyed, upon surrender thereof, if mutilated, a new Note or Notes in the same aggregate unpaid principal amount, and otherwise of the same tenor, as the Note or Notes so lost, stolen, damaged or destroyed, duly executed

by the Borrower. The Borrower may condition the replacement of a Note or Notes reported by the holder thereof as lost, stolen, damaged or destroyed, upon the receipt from such holder of an indemnity or security reasonably satisfactory to the Borrower; provided, that if such holder shall be you or your nominee or another Eligible Holder or its nominee, your or such Eligible Holder's unsecured agreement of indemnity shall be sufficient for purposes of this Section.

Section 16. Miscellaneous.

16.1. Home Office Payment. Notwithstanding anything to the contrary in this Agreement or in the Notes, the Borrower agrees that, so long as you or any nominee designated by you shall hold any Notes, the Borrower shall cause all payments of principal, prepayment charge (if any) and interest on the Notes to be made to you in the manner and to the address specified in Schedule I hereto, or in such other manner or to such other address as you may designate in writing. You agree that prior to the sale, transfer or disposition of any Note you will make a notation thereon of the portion of the principal amount paid or prepaid and the date to which interest has been paid thereon or surrender the same in exchange for a new Note or Notes of the same tenor and of authorized denominations in aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered, duly executed by the Borrower. Borrower shall enter into an agreement similar to that contained in this Section with any other Eligible Holder (or nominee thereof).

16.2. Amendment and Waiver.

(A) Any term, covenant agreement or condition of this Agreement or of the Notes may, with the consent of the Borrower be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more substantially concurrent written

instruments signed by the Majority Holders, except that

(1) no such amendment or waiver shall (a) change the principal of, or the rate of interest on, any of the Notes, (b) change the time of payment of all or any portion of the principal of or interest on or any prepayment charge payable with respect to any of the Notes, (c) modify any of the provisions of this Agreement or of the Notes with respect to the payment or prepayment of the principal thereof or prepayment charge or interest thereon, (d) change the percentage of Notes required with respect to any such amendment or to effectuate any such waiver, (e) modify any provision of this Section or (f) modify any

provision of Section 13.1 or 16.14 hereof or of the Subsidiary Guarantee, without in each case the specific prior written consent of the holders of all of the Notes at the time outstanding; and

(2) no such waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon.

(B) Any amendment or waiver pursuant to Subsection (A) of this Section 16.2 shall apply equally to all holders of the Notes at the time outstanding and shall be binding upon them, upon each future holder of any Note, and upon the Borrower, in each case whether or not a notation thereof shall have been placed on any Note.

(C) Notwithstanding any other provision contained in this Section 16.2 or elsewhere in this Agreement to the contrary, Notes which at any time are held by Holdings, the Borrower or by any or their Subsidiaries or Affiliates shall not be deemed outstanding for purposes of any vote, consent, approval, waiver or other action required or permitted to be taken by the holders of Notes, or by any of them, under the provisions of this Section 16.2 or Section 13 of this Agreement, and none of Holdings, the Borrower or any such Subsidiary or Affiliate shall be entitled to exercise any right as a holder of Notes with respect to any such vote, consent, approval or waiver or to take or participate in taking any such action at any time.

(D) The parties hereto agree that no amendments or waivers pursuant to this Section 16.2 shall be granted unless each holder of Notes has had the opportunity to participate in conferences and discussions with respect to any such amendments or waivers, and has received the same information, drafts, notices, memoranda and other written communications pertaining to such amendment or waiver as are received by any other Purchaser or Eligible Holder.

16.3. Expenses. The Borrower agrees, whether or not the transactions hereby contemplated shall be consummated, to pay and save you harmless against any and all liability for the payment of all reasonable out-of-pocket expenses arising in connection with this Agreement, the Subsidiary Guarantee and the other instruments and the transactions hereby contemplated, including without limitation all such expenses incurred with respect to the enforcement of any provision of any such agreement or instrument, any proposed amendments or waivers (whether or not the same shall be signed or shall become effective) under or in respect of any such agreement or

instrument and the consideration of any legal questions relevant thereto, all expenses incurred in connection with the reproduction of such agreements and instruments and all stamp and other similar taxes (together in each case with interest and penalties, if any) which may be payable in respect of the execution and delivery of such agreement or instruments, or the issuance, delivery or acquisition by you of any Note or otherwise pursuant to this Agreement, the Subsidiary Guarantee, and expenses incurred in obtaining a private placement number from Standard & Poor's Corporation and a rating from the National Association of Insurance Commissioners, and the fees and disbursements of Sonnenschein Nath & Rosenthal and of any special or local counsel in connection with preparation of such agreements and instruments and the transactions hereby and thereby contemplated (including, without limitation, in connection with any such enforcement, amendment, waiver or consideration of legal questions), and the fees and disbursements of the Accountants. The obligations of the Borrower under this Section 16.3 shall survive the payment or transfer of any Note, the enforcement of any provision hereof or thereof, any such amendments or waivers and any such consideration of legal questions.

16.4. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by or on behalf of any party to this Agreement or otherwise in connection herewith, shall (i) survive the execution and delivery of this Agreement and the delivery of the Notes to you and shall continue in effect as long as any of the Notes is outstanding and thereafter as provided in Section 16.3, and (ii) be deemed to be material to your decision to enter into this transaction and to have been relied upon by you, regardless of any investigation made by you or on your behalf.

16.5. Successors and Assigns. All representations, warranties, covenants and agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not, except that you shall not be obligated to purchase any Note from any issuer other than the Borrower. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of any Notes purchased pursuant hereto, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement has been made by you or your successor or assign.

16.6. Notices. All communications provided for hereunder shall be in writing and delivered by hand or sent by first

class mail or sent by telex or telecopy (with such telex or telecopy to be confirmed promptly in writing sent by first class mail), sent (i) if to you, to the address

or telex or telecopy number set forth by you for such communications on Schedule I hereto, or to such other address or telex or telecopy number as you may have designated to the Borrower in writing; (ii) if to any other holder of any Notes, to the address or telex or telecopy number (if any) of such holder as set forth in the register maintained pursuant to Section 15; and (iii) if to the Borrower or Holdings, to IHOP Corp., 525 North Brand Boulevard, Glendale, California 91203-1903, Attention: Larry Alan Kay, Executive Vice President – Administration, Secretary and General Counsel; facsimile # (818) 240-0270; or to such other address or addresses or telex or telecopy number or numbers as the Borrower may most recently have designated in writing to the holders of Notes by such notice. All such communications shall be deemed to have been given or made when so delivered by hand or sent by telex (answer back received) or telecopy, or three Business Days after being so mailed.

16.7. Governing Law. THIS AGREEMENT AND THE NOTES SHALL BE CONSTRUED IN **ACCORDANCE WITH AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK**(WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE).

16.8. Submission to Jurisdiction: Waiver of Service and Venue.

(A) EACH OF HOLDINGS AND THE BORROWER CONSENTS AND AGREES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF NEW YORK, STATE OF NEW YORK, AND WAIVES ANY OBJECTION BASED ON VENUE OR FORUM NON **CONVENIENS WITH RESPECT TO ANY ACTION INSTITUTED THEREIN, AND AGREES THAT ANY** DISPUTE CONCERNING THE RELATIONSHIP BETWEEN THE PURCHASER OR HOLDER OF NOTES, ON THE ONE HAND, AND THE BORROWER OR HOLDINGS, ON THE OTHER HAND OR THE CONDUCT OF ANY PARTY IN CONNECTION WITH THIS AGREEMENT OR OTHERWISE SHALL BE HEARD ONLY IN THE COURTS DESCRIBED ABOVE.

(B) EACH OF HOLDINGS AND THE BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY HAND DELIVERY OR MAIL TO HOLDINGS AND THE BORROWER AT ITS ADDRESS SET FORTH IN, AND IN ACCORDANCE WITH, SECTION 16.6. EACH OF HOLDINGS AND THE BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS AS AFORESAID.

(C) NOTHING IN THIS SECTION 16.8 SHALL AFFECT THE RIGHT OF THE PURCHASER OR ANY HOLDER OF NOTES TO SERVE LEGAL

PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE PURCHASER OR ANY HOLDER OF NOTES TO BRING ANY ACTION OR PROCEEDING AGAINST HOLDINGS OR THE BORROWER OR THEIR RESPECTIVE PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

16.9. Indemnification. In consideration of the execution and delivery of this Agreement by you, the Borrower and Holdings hereby agree, jointly and severally, to defend, indemnify, exonerate and hold you and each of your and its officers, directors, employees and agents (herein collectively called the "Indemnitees") free and harmless from and against any and all actions, causes of action, suits, losses, liabilities and damages, and expenses in connection therewith, including, without limitation, reasonable counsel fees and disbursements (herein collectively called the "Indemnified Liabilities"), incurred by the Indemnitees or any of them as a result of, or arising out of or relating to:

(A) any transaction financed or to be financed in whole or in part directly or indirectly with proceeds from the sale of any of the Notes, or

(B) any Environmental Matter, any Environmental Law or the actual or alleged existence or release of any Hazardous Material, except for any such Indemnified Liabilities arising on account of any Indemnitee's gross negligence or willful misconduct, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, Holdings and the Borrower hereby agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

In addition to the foregoing, all payments required to be made by the Borrower or Holdings under this Agreement, by IHOP Realty under the Subsidiary Guarantee or by the Borrower under the Notes shall be made to the holder of the Notes free and clear of, and without deduction for, any and all present and future taxes, withholdings, levies, duties, interest, penalties and other governmental charges of any nature whatsoever of Canada ("Withholding Taxes"), excluding those Withholding Taxes which are imposed by any jurisdiction or political subdivision thereof as a result of the relevant holder of the Notes (a) carrying or deemed to be carrying on a trade or business therein or having or being deemed to have a permanent establishment therein, (b) being organized under the laws of such jurisdiction or any political subdivision thereof, (c) being or being deemed resident in such jurisdiction, or which would not have been imposed but for a failure of such Person to satisfy a relevant authority that such Person was not a Person mentioned in (a), (b) or (c) above. If the Borrower or

Holdings or IHOP Realty is obligated to make any such withholding or deduction from any such payment, it shall simultaneously pay to the relevant holder of the Notes such additional amount or amounts as shall be necessary to ensure that the payment that is made (including all such additional amounts) equals the amount which would have been received or receivable by the relevant holder of the Notes hereunder in the absence of such withholding or deduction. Upon request by the holder of the Notes, the Borrower or Holdings or IHOP Realty shall furnish to such holder a receipt for any such Withholding Taxes paid by the Borrower or Holdings or IHOP Realty pursuant to this Section, or, if no such Withholding Taxes are payable with respect to any payments required to be made by the Borrower or Holdings under this Agreement, by IHOP Realty under the Subsidiary Guarantee or by the Borrower under the Notes, either a certificate from each appropriate taxing authority or an opinion of counsel, in either case stating that such payment is exempt from or not subject to such

Withholding Taxes. If any such Withholding Taxes are paid by the holder of the Notes, the Borrower or Holdings or IHOP Realty will, upon demand of the holder of the Notes, jointly and severally indemnify the holder of the Notes for such payments, together with any interest, penalties and expenses in connection therewith plus interest thereon at the rate specified in the Notes (calculated as if such payments constituted overdue amounts of principal as of the date of the making of such payments).

The obligations of the Borrower and Holdings under this Section 16.9 shall survive the payment or transfer of any Note and the enforcement of any provision hereof or thereof.

16.10. Integration and Severability. This Agreement embodies the entire agreement and understanding among you, the Borrower and Holdings, and supersedes all prior agreements and understandings relating to the subject matter hereof. In case any one or more of the provisions contained in this Agreement or in any instrument contemplated hereby for such date, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein, and any other application thereof, shall not in any way be affected or impaired thereby.

16.11. Payments Due on Days not Business Days. Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, that payment shall be made on the next succeeding Business Day and the extension of time shall be included in the computation of interest due thereon.

16.12. Further Assurances. Each of the Borrower and Holdings covenants that, so long as you shall hold any of the Notes, it shall, and shall cause its Subsidiaries to, cooperate with you and execute such further instruments and documents as you shall reasonably request to carry out to your satisfaction the transactions contemplated by this Agreement.

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

16.14. Guarantee of Holdings.

(a) Guarantees. Holdings, in consideration of the Purchaser's entering into this Agreement and purchasing Notes, unconditionally and irrevocably guarantees to the Purchaser and each and every holder from time to time of any of the Notes the due and punctual payment of all sums which may become due or be stated in the Notes or in this Agreement to become due under the terms and provisions of the Notes and this Agreement in respect of the principal of and prepayment charge, if any, and interest on the Notes (including interest on any overdue principal, prepayment charge, if any, and, to the extent permitted by applicable law, on any overdue interest), whether at stated maturity, by acceleration, by notice of prepayment or otherwise, and all other sums which may become due from the Borrower or be stated to be or become so due under the Notes or this Agreement. Holdings further guarantees to the Purchasers and each holder as aforesaid the due performance and observance by the Borrower of all covenants, agreements and conditions on the Borrower's part to be performed under this Agreement and any other document from time to time delivered by the Borrower pursuant to this Agreement. Holdings further guarantees to the Purchasers and each holder as aforesaid payment of all other amounts payable by the Borrower under this Agreement or the Notes, including costs, expenses (including fees and expenses of counsel) and taxes (such principal, prepayment charge, if any, interest and other obligations guaranteed as aforesaid being hereinafter collectively called the "Obligations" and to the extent lawful agrees to pay any and all expenses (including fees and expenses of counsel) incurred by each holder of any Note in enforcing any rights in connection with this Section.

(b) Waiver of Notice of Acceptance, Etc. Holdings hereby waives notice of acceptance of this Agreement by any holder of a Note, of any action taken or omitted in reliance hereon or of any default in the payment of any of the Obligations or in the performance of any covenants and agreements of the Borrower contained in this Agreement or the

Notes, and any diligence, presentment, demand, protest, dishonor or notice of any kind.

(c) Guarantees Absolute. The Guarantees of Holdings under this Agreement constitute present and continuing Guarantees of payment and not of collectibility of the Obligations, and shall be absolute, primary, present and unconditional, and to the extent permitted by applicable law, the Obligations shall not be subject to any counterclaim, setoff, reduction or defense based upon any claim Holdings may have against the Borrower, or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected or impaired by any thing, event, happening, matter, circumstance or condition whatsoever (whether or not Holdings shall have any knowledge or notice thereof or shall consent thereto), including, without limitation: (1) any amendment or other modification of or supplement to any provision of this Agreement or the Subsidiary Guarantee or any of the Notes, or any assignment or transfer thereof, including without limitation any renewal or extension of the terms of payment of any of the Notes or the granting of time in respect of any payment thereof, or any furnishing or acceptance of security or any release of any security furnished or accepted for any of the Notes or in respect of the Obligations of Holdings hereunder; (2) any waiver, consent, extension, granting of time, forbearance, indulgence or other action or inaction under or in respect of this Agreement or the Subsidiary Guarantee or any of the Notes, or any exercise or nonexercise of any right, remedy or power in respect hereof or thereof; (3) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceedings with respect to Holdings, the Borrower or any other Person, or the properties or creditors of any of them; (4) the occurrence of any Event of Default or event which, with the giving of notice and/or lapse of time, would become an Event of Default, or any invalidity or any unenforceability of, or any misrepresentation, irregularity or other defect in, this Agreement or any of the Notes or any other agreement; (5) any transfer of any assets to or from Holdings or the Borrower, including without limitation any transfer or purported transfer to Holdings or the Borrower from any Person, any invalidity, illegality of, or inability to enforce, any

such transfer or purported transfer, any consolidation or merger of Holdings or the Borrower with or into any other corporation or entity, or any change whatsoever in the objects, capital structure, constitution or business of Holdings or the Borrower or any Affiliate or Subsidiary of Holdings or the Borrower; (6) any disposition by Holdings of any capital stock of the Borrower; (7) any failure on the part of the Borrower or any other Person to perform or comply with any term of the Notes, this

Agreement, or any other agreement; (8) any suit or other action brought by any stockholder or creditor of, or by, Holdings, the Borrower or any other Person for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of the Notes, this Agreement or any other agreement; (9) any lack or limitation of status or power, incapacity or disability of Holdings or the Borrower or of any officer, director or agent of Holdings or the Borrower or any of their respective stockholders; (10) the cessation from any cause whatsoever (other than payment of the Obligations) of liability of the Borrower; (11) the termination of, or release or compromise of this Agreement, any of the Notes or any other agreement (other than as a result of payment of the Obligations); (12) any lack or limitation of the genuineness, validity, regularity or enforceability of the Notes, this Agreement, the Other Agreements, any other documents and agreements executed or delivered in connection therewith or pursuant thereto, or any other agreement; (13) any failure by any holder of Notes to take any steps to preserve their rights with respect to the Obligations; (14) any election by any holder of Notes, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. (S) 101 et seq.) (the "Bankruptcy Code"), of the application of Section 1l11(b)(2) of the Bankruptcy Code; (15) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of any of the Holders' claims for repayment of the Obligations; or (16) any other thing, event, happening, matter, circumstance or condition whatsoever, not in any way limited to the foregoing, which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(d) Obligations of the Borrower Independent. The obligations of Holdings and the Borrower under the Notes and the other Sections of this Agreement (other than this Section 16.14) are independent of the Obligations of Holdings under this Section 16.14, and a separate action or actions may be brought or prosecuted against Holdings irrespective of whether action is brought against the Borrower and/or any other Guarantor or whether the Borrower and/or any other Guarantor is joined in any action or actions.

(e) Waiver of Certain Rights. Holdings expressly waives any right it may have to require any person seeking enforcement of its Obligations under this Section 16.14 and the Guarantee in respect of any Note to (1) proceed against the Borrower or any other Person, (2) proceed against or exhaust any security or (3) pursue any other remedy in the power of the Person seeking such enforcement. The Borrower waives the right to have any security first applied to the discharge of the

Obligations. The Purchasers and the other holders from time to time of the Notes may, at their election, exercise any right or remedy they may have against the Borrower or Holdings or the Company, including without limitation the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or limiting in any way the liability of Holdings hereunder, except to the extent the Obligations have been paid. Holdings waives any defense arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other rights or remedy of Holdings against the Borrower, or any such security, whether resulting from such election by the holders of the Notes or otherwise.

(f) Reinstatement. Holdings agrees that its obligations under this Agreement shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower or Holdings or IHOP Realty is rescinded or must be otherwise restored by any holder of any Note, whether as a result of any proceedings in bankruptcy or reorganization or otherwise. Holdings further agrees that, without limiting the generality of such obligations, if an Event of Default shall have occurred and be continuing and you or the holder of any Note is prevented by applicable law from exercising any remedy under this Agreement or under any of the Notes, the holders of the Notes shall be entitled to receive from Holdings upon demand therefor, the sums which would have otherwise been due from the Borrower had such remedies been exercised.

(g) Waiver of Subrogation. Holdings waives and releases any claim (within the meaning of 11 U.S.C (S) 101) which it may have against the Borrower and agrees not to assert or take advantage of any subrogation rights or any right to proceed against the Borrower for reimbursement. It is expressly understood that the waivers and agreements of Holdings set forth above constituted additional and cumulative benefits given to the Purchasers as further inducement for the purchase of the Notes.

(h) Waiver of Certain Rights. Holdings hereby expressly waives any and all benefits under California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433, and California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726.

16.15. Waiver of Right to Trial by Jury. THE BORROWER, HOLDINGS AND THE PURCHASER HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM IN RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. HOLDINGS, THE BORROWER AND THE PURCHASER HEREBY AGREE AND CONSENT THAT

ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

IHOP CORP.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

Accepted as of the date first
above written:

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

By: */s/ SUZANNE E. WALTON*
Name: *SUZANNE E. WALTON*
Title: *Managing Director*

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

IHOP CORP.

By: */s/ RICHARD K. HERZER, PRESIDENT*
Its: *Richard K. Herzer, President*

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: */s/ RICHARD K. HERZER, PRESIDENT*
Its: *Richard K. Herzer, President*

Accepted as of the date first
above written:

MONY LIFE INSURANCE COMPANY OF AMERICA

By: */s/ SUZANNE E. WALTON*

Name: *SUZANNE E. WALTON*
Title: *Authorized Agent*

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

IHOP CORP.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

Accepted as of the date first
above written:

THE MANUFACTURERS LIFE INSURANCE COMPANY

By: */s/ D.W. PARKINSON*
Name: *D.W. Parkinson*
Title: *Senior Vice President, U.S. Investments*

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

IHOP CORP.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

Accepted as of the date first
above written:

THE FRANKLIN LIFE INSURANCE COMPANY

By: */s/ DANIEL C. LEIMBACH*
Name: *Daniel C. Leimbach, Vice President*
Title:

By: */s/ ELIZABETH E. ARTHUR*
Name: *Elizabeth E. Arthur, Assistant Secretary*
Title:

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

IHOP CORP.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

Accepted as of the date first
above written:

THE CANADA LIFE ASSURANCE COMPANY

By: */s/ G.N. ISAAC*
Name: *G.N. ISAAC*
Title: *Associate Treasurer*

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

IHOP CORP.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: */s/ RICHARD K. HERZER*
Its: *Richard K. Herzer, President*

Accepted as of the date first above written:

MODERN WOODMEN OF AMERICA

By: */s/ W.B. FOSTER*
Name: *W.B. Foster*
Title: *President*

SCHEDULE I
TO SENIOR NOTE PURCHASE AGREEMENT

MANNER OF PAYMENT AND
COMMUNICATIONS TO PURCHASERS

This Schedule I shows the names and addresses of the Purchasers under the foregoing Senior Note Purchase Agreement and the Other Agreements referred to therein, and the respective principal amount of the Notes purchased, the name under which the Notes will be registered and the purchase price thereof to be purchased by each.

Purchaser	Registered Name Appearing on the Note	Principal Amount of the Note	Purchase Price of the Note
The Mutual Life Insurance Company of New York	The Mutual LIfe Insurance Company of New York	$ 9,000,000	9,000,000
The Mutual Life Insurance Company of New York	The Mutual LIfe Insurance Company of New York	3,000,000	3,000,000
MONY Life Insurance Company of America	MONY Life Insurance Company of America	3,000,000	3,000,000
The Manufacturers Life Insurance Company	Hullbird & Co.	7,000,000	7,000,000
The Franklin Life Insurance Company	The Franklin Life Insurance Company	4,000,000	4,000,000
The Canada Life Assurance Company	Ince & Co.	1,000,000	1,000,000
The Canada Life Assurance Company	Ince & Co.	2,000,000	2,000,000
Modern Woodmen of America	Modern Woodmen of America	3,000,000	3,000,000

Name of Noteholder

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

Manner of Payment

All payments on account of the Note shall be made by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

Chemical Bank, ABA #021000128, for credit to The Mutual Life Insurance Company of New York's Security Remittance account No. 321-023803

Tax Identification No.: 13-1632487

Address for Communications for Notices of Payments and Confirmation of Wire Transfers

All notices of payments and written confirmation of wire transfers should be sent to:

Telecopy Confirms and Notices: (201) 907-6979 Attention: Securities Custody

Mailing Confirms and Notices:

Glenpointe Marketing & Operations Center - MONY Glenpointe Center West
500 Frank W. Burr Blvd.
Teaneck, NJ 07666-6888

Attention: Securities Custody

Address for all Other Communications

The Mutual Life Insurance Company of New York 1740 Broadway
New York, New York 10019
Attention: MONY Capital Management Unit

Address for Delivery of Securities

John R. McFeely, Esq.
The Mutual Life Insurance
Company of New York
1740 Broadway
New York, New York 10019

Name of Noteholder

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

Manner of Payment

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

Chemical Bank, ABA #021000128, for credit to The Mutual Life Insurance Company of New York, account No. 323-161235

Tax Identification No.: 13-1632487

Address for Communications for Notices of Payments and Confirmation of Wire Transfers

All notices of payments and written confirmation of wire transfers should be sent to:

Telecopy Confirms and Notices: (201) 907-6979 Attention: Securities Custody

Mailing Confirms and Notices:

Glenpointe Marketing & Operations Center - MONY Glenpointe Center West
500 Frank W. Burr Blvd.
Teaneck, NJ 07666-6888
Attention: Securities Custody

Address for all Other Communications

The Mutual Life Insurance Company of New York 1740 Broadway
New York, New York 10019
Attention: MONY Capital Management Unit

Address for Delivery of Securities

John R. McFeely, Esq.
The Mutual Life Insurance Company of New York 1740 Broadway
New York, New York 10019

Name of Noteholder

MONY LIFE INSURANCE COMPANY OF AMERICA

Manner of Payment

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

Chemical Bank, ABA #021000128, for credit to MONY Life Insurance Company of America, account No. 323-161243

TAX IDENTIFICATION NO.: 86-0222062

Address for Communications for Notices of Payments and Confirmation of Wire Transfers

All notices of payments and written confirmation of wire transfers should be sent to:

Telecopy Confirms and Notices: (201) 907-6979 Attention: Securities Custody

Mailing Confirms and Notices:

Glenpointe Marketing & Operations Center - MONY Glenpointe Center West
500 Frank W. Burr Blvd.
Teaneck, NJ 07666-6888
Attention: Securities Custody

Address for all Other Communications

MONY Life Insurance Company of America
c/o The Mutual Life Insurance
Company of New York
1740 Broadway
New York, New York 10019
ATTENTION: MONY CAPITAL MANAGEMENT UNIT

Address for Delivery of Securities

John R. McFeely, Esq.
The Mutual Life Insurance Company of New York 1740 Broadway
New York, New York 10019

Name of Noteholder

HULLBIRD & CO.
(beneficial owner - The Manufacturers Life Insurance Company)

Manner of Payment

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

State Street Bank & Trust Company, N.A.
Boston, Massachusetts 02101
ABA #011000028

BNF = New Money Private Placement Free
AC-4362-720-7

OBI = New Money Private Placement Free
Fund Number LN73

TAX IDENTIFICATION NO.: 38-0788610

Address for Communications for Notices of Payments and Confirmation of Wire Transfers

All notices of payments and written confirmation of wire transfers should be sent to:

State Street Bank & Trust Company, N.A.
1776 Heritage Drive
A4E
North Quincy, MA 02171
Attention: Mutual Funds

Re: The Manufacturers Life Insurance Company Fund No.LN73, New Money Private Placement Free AC-4362-720-7

With copies to:

Manulife Financial
200 Bloor Street East
Toronto, Ontario Canada M4W 1E5
Attention: Securities Admin. NT5

Address for all Other Communications

The Manufacturers Life Insurance Company 200 Bloor Street East
North Tower 6
Toronto, Ontario, Canada M4W 1E5
Attention: U.S. Private Placements, Investment Division

Telephone: (416) 926-5985
Fax: (416) 926-5262

Address for Delivery of Securities

State Street Bank & Trust Company, N.A.
61 Broadway
New York, New York 10006

Concourse Level, Securities Cage
Re: LN73
The Manufacturers Life Insurance Company Private Placement New Money Free

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Name of Noteholder

THE FRANKLIN LIFE INSURANCE COMPANY

Manner of Payment

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

Morgan Guaranty Trust Company
of New York
23 Wall Street ABA #0210-0023-8

New York, New York 10015

Attention : Money Transfer Department For
The Franklin Life Insurance Company
Account No. 022-05-988

Tax Identification No.: 37-0281650

Address for Communications for Notices of Payments and Confirmation of wire transfers

All notices of payments and written confirmation of wire transfers should be sent to:

The Franklin Life Insurance Company
Franklin Square
Springfield, IL 62713

Attention: Investment Division

Address for all Other Communications

The Franklin Life Insurance Company
Franklin Square
Springfield, IL 62713

Attention: Investment Division

Address For Delivery of Securities

The Franklin Life Insurance Company
c/o Robert G. Spencer
Vice President and Treasurer
Franklin Square
Springfield, IL 62713

Name of Noteholder

INCE & CO.
(beneficial owner - The Canada Life Assurance Company)

Manner of Payment

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

Ince & Co.
c/o Morgan Guaranty Trust Company of New York
ABA #021 000 238

Account No. 999-99-024
Attn: Custody Collection

for: The Canada Life Assurance Company
Trust Account No. 41233

reference: Name of issuer, rate, type of security, maturity, whether principal or interest, and due date

Tax Identification No.: 38-0397420

Address for Communications for Notices of Payments and Confirmation of Wire Transfers

All notices of payments and written confirmation of wire transfers should be sent to:

Morgan Guaranty Trust Company
60 Wall Street
New York, New York 10260
Attn: Patricia Ewing

copy to: The Canada Life Assurance Company
330 University Avenue
Toronto, Ontario, Canada MSG IR8
Attn: Supervisor, Securities Accounting

Address for all Other Communications

The Canada Life Assurance Company Investment Department, U-6
330 University Avenue
Toronto, Ontario, Canada M5G 1R8 Attn: U.S. Private Placements

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Address for Delivery of Securities

Morgan Guaranty Trust Company
15 Broad Street
17th Floor
New York, N.Y. 10260-0023
Custody Incoming
Attn: Bob Havener

for: The Canada Life Assurance Company
Trust Account No. 41233

Name of Noteholder

INCE & CO.
(beneficial owner - The Canada Life Assurance Company)

Manner of Payment

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

Ince & Co.
c/o Morgan Guaranty Trust Company of New York
ABA #021 000 238

Account No. 999-99-024
Attn: Custody Collection

for : The Canada Life Assurance Company
Trust Account No. 41235

reference : Name of issuer, rate, type of security, maturity, whether principal or interest, and due date

Tax Identification No.: 38-0397420

Address for Communications for Notices of Payments and Confirmation of Wire Transfers

All notices of payments and written confirmation of wire transfers should be sent to:

Morgan Guaranty Trust Company 60 Wall Street
New York, N.Y. 10260
Attn: Patricia Ewing

copy to: The Canada Life Assurance Company 330 University Avenue
Toronto, Ontario, Canada M5G 1R8 Attn: Supervisor, Securities Accounting

Address for all Other Communications

The Canada Life Assurance Company Investment Department, U-6
330 University Avenue
Toronto, Ontario, Canada M5G 1R8 Attn: U.S. Private Placements

---

Address for Delivery of Securities

Morgan Guaranty Trust Company
15 Broad Street
17th Floor
New York, N.Y. 10260-0023
Custody Incoming
Attn: Bob Havener

for: The Canada Life Assurance Company

Trust Account No. 41235

Name of Noteholder

MODERN WOODMEN OF AMERICA

Manner of Payment

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (identifying the issue upon which payment is being made and the application of the payment as between interest, principal and premium) to:

Account No. 347-904-5

Harris Trust & Savings Bank
111 West Monroe Street
Chicago, IL 60690
ABA No. 071-000-288
For the account of Modern Woodmen of America

Tax Identification No.: 36-1493430

Address for Communications for Notices of Payments and Confirmation of Wire Transfers

All notices of payments and written confirmation of wire transfers should be sent to:

Modern Woodmen of America
1701 1st Avenue
Rock Island, IL 61201
Attn: Investment Department

Address for all Other Communications

Modern Woodmen of America
1701 1st Avenue
Rock Island, IL 61201
Attn: Investment Department

Address for Delivery of Securities

Modern Woodmen of America
1701 1st Avenue
Rock Island, IL 61201
Attn: Investment Department

SCHEDULE 4.5

INTERIM CHANGES

1. Additional Debt in the amount of $1,727,000 incurred pursuant to the Existing Agreement.

SCHEDULE 4.6

IHOP CORP.

LIST OF DIRECT AND INDIRECT SUBSIDIARIES

ENTITY	OWNERSHIP PERCENTAGE	STATE OF INCORPORATION
	100% owned by	Delaware

International House of Pancakes, Inc.	IHOP Corp.	
IHOP Realty Corp.	100% owned by International House of Pancakes, Inc.	Delaware
Copper Penny Corporation	100% owned by International House of Pancakes, Inc.	Delaware
III Industries of Canada, Ltd.	100% owned by International House of Pancakes, Inc.	Canada
International Industries, Inc.	100% owned by International House of Pancakes, Inc.	California
Blue Roof Advertising, Inc.	100% owned by International House of Pancakes, Inc.	California

SCHEDULE 4.7

LITIGATION SUMMARY

1. THE COASTAL GROUP v. VERNON CHEVALIER, SR., et al.

IHOP has been named as a defendant in a lawsuit filed by a real estate developer that purchased certain real property in Sayreville, New Jersey, from three individuals who had previously acquired the property from IHOP. The plaintiff contends that it discovered petroleum hydrocarbon contaminants and construction debris on the property. The plaintiff is seeking to recover approximately $6 million from IHOP and numerous other defendants for the remediation of the property and consequential damages, plus punitive damages in an unspecified amount. IHOP has raised various defenses to the plaintiff's claims and has asserted claims for contribution and indemnity against several of the other named defendants, who in turn have asserted claims for contribution and indemnity against IHOP. In addition, IHOP has commenced a third party action against its liability insurers seeking damages and declaratory relief for the insurers' refusal to defend and indemnify IHOP. In response to a motion for partial summary judgment made by IHOP, in January 1992 the court entered an order requiring three of IHOP's liability insurers to pay IHOP's past, present and future expenses for the defense of the underlying lawsuit. An attempt by one of the insurers to bring an interlocutory appeal of that order has been rejected by an intermediate appellate court and the New Jersey Supreme Court. IHOP intends to continue to contest these claims vigorously.

2. LORI A. HARRIS, et al. v. IHOP and JOE SMITH

On February 7, 1992, 15 individuals filed suit against IHOP and one its restaurant managers alleging discriminatory actions at a restaurant in Milwaukee, Wisconsin, owned and operated by IHOP. IHOP petitioned for removal of the case to the U.S. District Court. The plaintiffs have alleged that they were denied admission to the International House of Pancakes restaurant on the basis of their race and seek to have the case certified as a class action on behalf of themselves and others similarly situated. IHOP's policies strictly prohibit race discrimination and IHOP denies that any systematic or classwide discrimination has occurred.

The plaintiffs' complaint does not specify the amount of damages to which each plaintiff, or the plaintiffs as a class, allege entitlement, but seeks both actual and punitive damages as well as injunctive relief prohibiting discriminatory practices and requiring certain remedial actions by IHOP. The plaintiffs also seek recovery of an unspecified amount of litigation costs and expenses, including

attorneys' fees, and statutory payments to the State of Wisconsin. Discovery has been commenced by both the plaintiffs and IHOP.

A settlement has been agreed to by 19 of the 20 now-known plaintiffs, in which IHOP will pay the amount of $185,000.00, include a summary of its non-discrimination policy in the statement of policies formally acknowledged by IHOP management employees, and take other steps to insure that IHOP employees are aware of its non-discrimination policy. The settlement is subject to court approval.

IHOP is seeking reimbursement from its insurance carrier for a portion or all of the amount of the settlement plus its attorneys' fees and expenses, although there are arguments that coverage may not be available.

3. SYDNEY MINE WASTE DISPOSAL SITE

By letters dated August 17, 1992, and October 1, 1992, IHOP received demands on behalf of certain parties who have incurred or will incur costs of response with respect to the remediation of the Sydney Mine Waste Disposal Site located in Hillsborough County, Florida. The demands seek reimbursement and/or contribution from IHOP pursuant to CERCLA and Chapter 376, Florida Statutes. According to the demands, the parties have incurred response costs of $7,300,000 in the aggregate. The basis of the demands is IHOP's alleged disposal of materials at the disposal site. IHOP has notified the parties making the

demands that IHOP had little or no activity in the State of Florida during the period in question, inasmuch as all of the IHOP restaurants operating in the State of Florida during that time period and subsequently were owned and operated by IHOP's Florida area franchisee, FMS Management Systems, Inc., and, therefore, it is unlikely that IHOP directly or indirectly conducted any activity that could impose any liability on IHOP pursuant to these statutes. IHOP has requested that the parties furnish it with copies of the "trip tickets" so that IHOP can investigate further.

SCHEDULE 4.8
EXISTING CURRENT AND FUNDED DEBT AND LIENS

Mortgage Note by and Between IHOP Realty Corp. and Pizza Hut of America for property in La Grange, Illinois (IHOP #1281)	$	429,250
Obligations under Letters of Credit (Various)		208,494

SCHEDULE 4.9

CONSENTS AND APPROVALS

None.

SCHEDULE 4.11
TAXES

The Internal Revenue Service (the "Service") is presently auditing the tax returns of Holdings and its Subsidiaries for the years 1987-1990. Although the examination has not yet been completed, the Service has tentatively proposed certain nonrecurring adjustments which, if agreed to by Holdings, would result in an increased federal income tax liability (including interest) for such years in the approximate amount of $350,000, and an increased state income tax liability (including interest and net of federal income tax benefit) for such years in the approximate amount of $125,000. Holding and the Service are currently engaged in informal negotiations to resolve such issues at the audit level. Tax returns of Holdings and/or of its Subsidiaries are currently being audited as disclosed below. Consents waiving or extending the statute of limitations with respect to taxes have been granted by Holdings and/or its Subsidiaries as disclosed below.

CURRENT AUDITS:

INTERNAL REVENUE SERVICE	–	INCOME TAXES - 1987 - 1990
STATE OF CALIFORNIA	–	INCOME TAXES - 1984 - 1986
STATE OF NEW YORK	–	INCOME TAXES - 1988 - 1990
STATE OF PENNSYLVANIA	–	SALES & USE TAXES - 1986-1992
COUNTY OF ADAMS, COLORADO	–	PERSONAL PROPERTY TAXES - 1991
COUNTY OF LARIMER, COLORADO	–	PERSONAL PROPERTY TAXES - 1991
CITY & COUNTY OF DENVER, CO	–	SALES & USE TAXES; BUSINESS OCCUPATIONAL PRIVILEGE TAXES-1989-1991

CONSENTS TO WAIVER OR EXTENSION OF THE STATUTE OF LIMITATIONS

INTERNAL REVENUE SERVICES	–	1987	–	EXTENDED TO 12/31/93
	–	1988	–	EXTENDED TO 12/31/93
	–	1989	–	EXTENDED TO 12/31/93
STATE OF CALIFORNIA	–	1984	–	EXTENDED TO 10/15/93
	–	1985	–	EXTENDED TO 10/15/93
	–	1986	–	EXTENDED TO 10/15/93
	–	1987	–	EXTENDED TO 10/15/93
STATE OF NEW YORK	–	1988	–	EXTENDED TO 06/15/93
STATE OF PENNSYLVANIA	–	1989	–	EXTENDED TO 12/31/92
CITY & COUNTY OF DENVER, CO	–	1989	–	EXTENDED TO 11/30/92
	–	1990	–	EXTENDED TO 11/30/92

SCHEDULE 4.16
LABOR MATTERS

"Agreement Between Hotel Employees & Restaurant Employees Union Local 340 and International House of Pancakes, September 1, 1990 Through June 30, 1992" which continues in effect during negotiations on a successor agreement. This agreement applies only to employees at IHOP #0648 in South San Francisco, CA.

SCHEDULE 4.17

ENVIRONMENTAL MATTERS

Please see Items 1 and 3 on Schedule 4.7.

IHOP #5 - 7006 Sunset Boulevard, Hol1ywood, CA

Used prior to 1961 as auto shop, including UST's - UST's and petroleum contamination discovered recently - investigation by IHOP is ongoing - corrective action plan to be proposed.

SCHEDULE 4.19

COMPLIANCE WITH ERISA

San Mateo Hotel Employees and Restaurant Employees Trust, a health and welfare benefit plan

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SCHEDULE 4.25

1. License Agreement for All Japan

2. Area Franchise Agreement (Florida)

3. License Agreement for British Columbia, Canada

SCHEDULE 6.16

SURVIVING OBLIGATIONS

1. Obligations of the Borrower and Holdings pursuant to Section 12B of the Purchase Agreement, dated as of April 15, 1987, by and among the Borrower, Holdings and New York Life Insurance and Annuity Corporation, as amended.

2. Obligations of the Borrower and IHOP Realty pursuant to Sections 3.4, 3.5, 10.3, 10.8, 10.20 and 10.22 of the Loan Agreement, dated as of April 7, 1992, among the Borrower, IHOP Realty, Holdings and Bank of America National Trust and Savings Association, as amended, to the extent such obligations survive termination of such agreement; reimbursment obligations thereunder pursuant to outstanding standby letters of credit not in excess of $210,000 in aggregate principal amount; and the obligations of Holdings as guarantor of such obligations.

3. Obligations of IHOP Realty, pursuant to Section 11.13 of the First Amended and Restated Real Estate Credit Agreement, datid as of December 29, 1989, among IHOP Realty and HomeFed Bank, Federal Savings Bank, as amended, and the obligations of the Borrower and Holdings as guarantors of such obligations of IHOP Realty.

SCHEDULE 12
RESTRICTED INVESTMENTS AT CLOSING DATE

DESCRIPTION	AMOUNT
Note Receivable (Anthony Talarico)	$ 1,283,000
Cash Surrender Value of Life Insurance Policy (Executive Life Insurance)	575,000
Ex-Franchisee Notes Receivable (various)	445,600
Employee Notes Receivable and Advances (various)	52,000
Total Restricted Investments	$ 2,355,600

EXHIBIT A

Form of Note

**THIS NOTE HAS NOT BEEN REGISTERED
UNDER THE SECURITIES ACT OF 1933, AS AMENDED,
AND MAY NOT BE SOLD OR OTHERWISE
TRANSFERRED IN THE ABSENCE OF SUCH
REGISTRATION OR AN EXEMPTION THEREFROM.**

INTERNATIONAL HOUSE OF PANCAKES, INC.

7.79% Senior Note

Due November 19, 2002

No. R–

New York, New York
November 19, 1992

$

INTERNATIONAL HOUSE OF PANCAKES, INC., a company incorporated under the laws of the State of Delaware (the "Borrower"), for value received, hereby promises to pay to (the "Lender") or registered assigns, $, payable in annual installments of $ (subject to adjustment pursuant to Section 3 of the Note Agreement, as hereinafter defined) commencing on November 19, 1996, and on every November 19 thereafter through November 19, 2001, with a final payment of the remaining outstanding principal balance payable at maturity on November 19, 2002 and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of 7.79% per annum, from the date hereof until maturity, payable semi-annually on the 19th day of each May and November in each year commencing May 19, 1993, and at maturity. The Borrower agrees to pay interest on overdue principal and prepayment charge, if any, and (to the extent legally enforceable) on any overdue installment of interest, at a rate equal to the greater of 9.79% or the rate of interest announced publicly from time to time by Citibank, N.A. in New York, New York, as its "prime rate" after the due date, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the Lender in the manner and pursuant to the instructions indicated on Schedule l to the Note Agreement as hereinafter defined, or in such other manner or pursuant to such other instructions as shall be designated in writing in accordance with the terms of the Note Agreement, in currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is issued pursuant to the terms and provisions of the Senior Note Purchase Agreement, dated as of November , 1992 (the "Note Agreement"), entered into by the Borrower, IHOP Corp., a Delaware corporation of which the Borrower is a wholly-owned Subsidiary ("Holdings"), and the Lender. Reference is hereby made to the Note Agreement for a statement of such terms and provisions.

This Senior Note is guaranteed by (i) Holdings, as set forth in Section 16.14 of the Note Agreement and (ii) IHOP Realty Corp., a Delaware corporation and a wholly-owned Subsidiary of the Borrower, pursuant to the Subsidiary Guarantee of even date herewith.

This Note may be declared due prior to its maturity date and certain prepayments may be made thereon, in the events, on the terms and conditions, and in the amounts set forth in the Note Agreement.

This Note is not subject to prepayment or redemption at the option of the Borrower prior to its maturity date except in the event, on the terms and conditions, and in the amounts set forth in the Note Agreement.

This Note is registered on the books of the Borrower and is transferable only by surrender thereof at the principal office of the Borrower at 525 North Brand Boulevard, Glendale, California, 91203-1903, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal and interest on this Note shall be made only to or upon the order in writing of the registered holder.

The Note Agreement and this Note shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

INTERNATIONAL HOUSE OF PANCAKES, INC.

By:

Its

EXHIBIT B

November 19, 1992

To the Purchasers set forth on
Schedule I attached hereto

Ladies and Gentlemen:

We have acted as your special counsel in connection with the transactions contemplated by the several Senior Note Purchase Agreements, each dated as of November 19, 1992 (the "Purchase Agreements"), by and between International House of Pancakes, Inc., a Delaware corporation (the "Company"), IHOP Corp., a Delaware corporation of which the Company is a wholly-owned subsidiary ("Holdings") and each of you. Any term used herein without a definition shall have the meaning assigned to such term in the Purchase Agreements. In acting as your special counsel, we have participated in the preparation and negotiation of the Purchase Agreements, the Notes and the Subsidiary Guarantee.

In connection with this opinion, we have examined the following documents:

1. The Purchase Agreements.

2. The Notes.

3. The Subsidiary Guarantee.

4. The Restated Certificate of Incorporation of the Company certified by the Delaware Secretary of State on October 21, 1992.

5. The By-Laws of the Company certified by the Secretary of the Company as of the date hereof.

6. Resolutions of the Board of Directors of the Company, certified by the Secretary of the Company as of the date hereof.

7. Long Form of Certificate of Good Standing of the Company certified by the Delaware Secretary of State on October 22, 1992.

8. Certificate of Incumbency for the officers of the Company certified by the Secretary of the Company as of the date hereof.

9. The Restated Certificate of Incorporation of Holdings certified by the Delaware Secretary of State on October 21, 1992.

10. The By-Laws of Holdings certified by the Secretary of Holdings as of the date hereof.

11. Resolutions of the Board of Directors of Holdings, certified by the Secretary of Holdings as of the date hereof.

12. Long Form of Certificate of Good Standing of Holdings certified by the Delaware Secretary of State on October 22, 1992.

13. Certificate of Incumbency for the officers of Holdings certified by the Secretary of Holdings as of the date hereof.

14. The Certificate of Incorporation of IHOP Realty Corp. (the "Subsidiary") certified by the Delaware Secretary of State on October 21, 1992.

15. The By-Laws of the Subsidiary certified by the Secretary of the Subsidiary as of the date hereof.

16. Resolutions of the Board of Directors of the Subsidiary, certified by the Secretary of the Subsidiary as of the date hereof.

17. Long Form of Certificate of Good Standing of the Subsidiary certified by the Delaware Secretary of State on October 22, 1992.

18. Certificate of Incumbency for the officers of the Subsidiary certified by the Secretary of the Subsidiary as of the date hereof.

19. Legal opinion, dated November 19, 1992, from Skadden, Arps, Slate, Meagher & Flom (“Skadden”), special counsel to the Company and Holdings.

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20. Legal opinion, dated November 19, 1992, from Larry Alan Kay (“Kay”), general counsel to the Company and Holdings.

We have also examined and relied upon the representations and warranties as to factual matters contained in and made pursuant to the Purchase Agreements and the Subsidiary Guarantee and have relied upon the originals or copies identified to our satisfaction of such records, documents, certificates and other instruments, and have made such other investigations as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

In giving our opinion set forth herein, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents examined by us, the conformity to original documents of all documents submitted to us as copies, the due authorization, execution and delivery of all documents and instruments by all parties thereto other than the Company, Holdings and the Subsidiary, the accuracy of all representations and warranties made by the Company, Holdings and you in the Purchase Agreements and by the Subsidiary in the Subsidiary Guarantee and that the consideration to be paid in connection with the transaction is adequate.

In addition, we attended the closing held today at our offices in New York, New York at which delivery of the Notes and the other transactions contemplated by the Purchase Agreements were effected, all in accordance with the Purchase Agreements.

Based upon the foregoing and having regard to legal considerations that we deem relevant, we render to you our opinion, as follows:

1. Based solely upon the opinions of Skadden and Kay and on our review of certificates of good standing issued by the Secretary of State of the State of Delaware and certified copies of the charter documents and by-laws of the Company, Holdings and the Subsidiary, each of the Company, Holdings and the Subsidiary is a corporation validly existing and in good standing under the laws of the State of Delaware, has all requisite corporate power and authority to (a) own and operate its properties, (b) to conduct its business as now being conducted, (c) to enter into, to the extent each is a party

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thereto, the Purchase Agreements and the Subsidiary Guarantee, (d) to perform its obligations under each of such documents to the extent each is a party thereto and (e) in the case of the Company, to issue, sell and deliver the Notes.

2. The Company has duly authorized by all requisite corporate action, executed and delivered the Purchase Agreements and the Notes, and such agreements and instruments constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

3. Holdings has duly authorized by all requisite corporate action, executed and delivered the Purchase Agreements, and such agreements constitute the legal, valid and binding obligations of Holdings, enforceable against Holdings in accordance with their terms.

4. The Subsidiary has duly authorized by all requisite corporate action, executed and delivered the Subsidiary Guarantee, and such guarantee constitutes the legal, valid and binding obligation of the Subsidiary, enforceable against the Subsidiary in accordance with its terms.

5. Under existing circumstances, the execution and delivery by the Company and Holdings of the Purchase Agreements, the issue, sale, execution and delivery by the Company of the Notes, the execution and delivery by the Subsidiary of the Subsidiary Guarantee and the performance by the Company, Holdings and the Subsidiary of their respective obligations under such documents and instruments, do not, as of the date hereof, contravene any provisions of their respective charters or by-laws.

6. Assuming, with your permission, that (a) you are purchasing the Notes for your own account for investment, and not with a view to the public resale or distribution thereof, (b) the Notes were offered and sold in the manner described in the letter of Continental Bank N.A. dated October 19, 1992 and furnished to you, (c) the representations and warranties of the Purchasers in Sections 5.2 and 5.4 of the Purchase Agreements and the representations and warranties of the Company and Holdings in Section 4.14 of the Purchase Agreements are true and correct, and (d) none of Holdings, the Company or anyone acting on their behalf has offered or sold or will offer or sell any of the Company’s or Holdings’ securities, or has solicited or will solicit any offer to acquire any of the Company’s or Holdings’ securities from the Company or Holdings,

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if the sale of any such securities and the sale of the Notes would be integrated as a single offering for purposes of the Securities Act, the offering, issuance, sale and delivery of the Notes under the circumstances contemplated by the Purchase Agreements constitute exempt transactions under the registration provisions of the Securities Act of 1933, as now in effect; and no qualification of an Indenture with respect to the Notes under the Trust Indenture Act of 1939, as now in effect, is required in connection therewith.

The opinions expressed above as to the enforceability of any agreement are subject to the exceptions that such enforceability may be limited by the application of general principles of equity and by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting the enforcement of creditors’ rights generally.

We express no opinion as to the enforceability of the indemnification provisions contained in Section 16.9 of the Purchase Agreements.

The opinions of Skadden and Kay, dated the date hereof and delivered to you pursuant to Section 6.3 of the Purchase Agreements, are satisfactory to us in form and scope with respect to the matters specified therein, and we believe that you are justified in relying thereon.

We express no opinion as to the laws of any jurisdiction other than the State of New York, the Federal laws of the United States of America and the General Corporation Law of the State of Delaware.

Very truly yours,

SONNENSCHEIN NATH & ROSENTHAL

SCHEDULE I

The Mutual Life Insurance
Company of New York

MONY Life Insurance Company
of America

The Manufacturers Life
Insurance Company

The Franklin Life
Insurance Company

The Canada Life Assurance
Company

Modern Woodmen of America

EXHIBIT C

(Opinion of counsel of Holdings, the Borrower and IHOP Realty addressed to each of the Purchasers and Sonnenschein Nath & Rosenthal)

1. Holdings, the Borrower and each of their Subsidiaries are corporations duly incorporated, validly existing and in good standing under the laws of their respective jurisdictions of incorporation, and each has the requisite corporate power and authority to own, lease and operate its respective Properties and to carry on its respective businesses as presently owned and conducted, and each is duly qualified and in good standing in the jurisdictions in which the character of the Properties owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

2. The Purchase Agreements, the Notes and the Subsidiary Guarantee have been duly authorized, executed and delivered by Holdings, the Borrower and IHOP Realty, to the extent each is party thereto and such documents constitute the legal, valid and binding agreements of Holdings, the Borrower and IHOP Realty, to the extent each is a party thereto, enforceable against Holdings, the Borrower and IHOP Realty, to the extent each is a party thereto, in accordance with their terms.

3. The issuance and sale of the Notes, the execution and delivery of, and performance by Holdings and the Borrower of their respective contractually required obligations and undertakings under, the Purchase Agreements and the execution and delivery of, and performance by IHOP Realty of its contractually required obligations and undertakings under, the Subsidiary Guarantee, do not conflict with or result in any breach of any provision of, constitute a default under, or result in the creation or imposition of any Lien upon any of the respective Properties of Holdings, the Borrower or IHOP Realty or any of their Subsidiaries pursuant to the provisions of the charter documents of any of them, or any agreement, order, decree, indenture, judgment or other instrument or document to which any of them is a party or by which any of them or their respective Properties may be bound.

4. There are no proceedings pending or threatened against Holdings, the Borrower or any of their Subsidiaries in any court or before any Governmental Body or arbitration board or tribunal which could materially and adversely affect the Properties, business, profits or condition (financial or otherwise) of Holdings, the Borrower or any of their Subsidiaries or the ability of Holdings or the Borrower to perform their respective obligations under the Purchase

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Agreements or the Notes or the ability of IHOP Realty to perform its obligations under the Subsidiary Guarantee.

5. The issuance, sale and delivery of the Notes and the Subsidiary Guarantee under the circumstances contemplated by the Purchase Agreements constitute an exempt transaction under the registration provisions of the Securities Act of 1933, as amended, and do not under existing law require the registration of the

Notes or the Subsidiary Guarantee under the Securities Act of 1933, as amended, or the qualification of an indenture in respect thereof under the Trust Indenture Act of 1939, as amended.

6. Assuming that the proceeds of the issuance and sale of the Notes are utilized as set forth in Section 4.26 of the Purchase Agreements, neither the issuance of the Notes nor the use of the proceeds from the sale thereof will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations G, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

7. No consent, approval, authorization, or order of, or other action by or filing with, any Governmental Body is required in connection with the execution, delivery or performance of the Purchase Agreements or the Subsidiary Guarantee, the issuance of the Notes or compliance by Holdings, the Borrower and IHOP Realty, to the extent each is a party thereto with the terms and provisions thereof.

8. None of Holdings, the Borrower nor any of their Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any franchising arrangement, material lease, agreement, indenture or loan document to which it is a party, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default.

9. None of Holdings, the Borrower nor any of their Subsidiaries is, nor are any of them directly or indirectly controlled by or acting on behalf of any Person which is, an "investment company" within the meaning of the Investment Company Act of 1940, and none of Holdings, the Borrower nor any of their Subsidiaries is subject to any law, statute, rule or regulation limiting its ability to incur indebtedness for money borrowed.

10. All of the shares of issued and outstanding capital stock of the Borrower are owned of record and, to our knowledge, beneficially, by Holdings and all of the shares of issued and outstanding capital stock of IHOP Realty are owned of record and, to our knowledge, beneficially, by the Borrower, in each case free and clear of Liens.

EXHIBIT D

SUBSIDIARY GUARANTEE

IHOP REALTY CORP.

FOR VALUE RECEIVED and in consideration of the purchase by the Purchasers (as hereinafter defined) of those certain 7.79% Senior Notes Due 2002 (the "Notes") of International House of Pancakes, Inc., a Delaware corporation (herein called, together with its successors and assigns, the "Borrower"), pursuant to the several senior Note Purchase Agreements, each dated as of November 19, 1992, by and among the several purchasers named in Schedule I thereto (the "Purchasers"), IHOP Corp., a Delaware corporation ("Holdings"), and the Borrower, which is the wholly-owned subsidiary of Holdings (the "Purchase Agreements"), the undersigned (the "Guarantor"), a wholly-owned Subsidiary of the Borrower, unconditionally guarantees (a) the full and prompt payment, when due, whether at maturity or earlier by reason of acceleration or otherwise, and at all times thereafter of all obligations of the Borrower with respect to payment of the principal of, prepayment charges (if any), and interest on the Notes (including interest on any overdue principal and prepayment charges, if any, and, to the extent permitted by law, on any overdue interest), and all other amounts due, and (b) the prompt and faithful performance, discharge and observance of all other obligations, covenants, agreements, conditions, representations, warranties, indemnities and liabilities of the Borrower and Holdings to be performed, discharged or observed by the Borrower and Holdings, under or pursuant to the Purchase Agreements and all agreements, instruments and documents executed or delivered in connection therewith or pursuant thereto (all such obligations of the Borrower and Holdings guaranteed by the Guarantor herein being hereinafter called the "Obligations"). In the event the Borrower or Holdings defaults in the payment or performance, when due, of any of the Obligations (whether at their stated maturity, by acceleration, or otherwise), the Guarantor shall pay to the unpaid holders of the Notes ("Holders"), on demand, the full amount of such Obligations in immediately available funds at the place provided in the applicable Purchase Agreements or shall, on demand, fully perform such Obligations. The Guarantor further agrees to pay (a) all costs and expenses including, without limitation, all court costs and reasonable attorneys' fees and expenses paid or incurred by each of the Holders in endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, Holdings, the Borrower, the Guarantor, or any other guarantor of all or any part of the Obligations, and (b) to the extent permitted by law, interest on the Obligations and such costs and expenses at the applicable per annum rate set forth in the

Purchase Agreements. Unless otherwise defined herein, the capitalized terms used herein which are defined in the Purchase Agreements shall have the meanings specified therein.

The Guarantor hereby represents and warrants that:

(a) The Guarantor has full power, authority and legal right to execute this Guarantee.

(b) This Guarantee has been duly authorized, executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor

enforceable in accordance with its terms.

(c) No consent, approval or authorization of or filing with any Governmental Body or other Person on the part of the Guarantor is required in connection with this Guarantee.

(d) The execution, delivery and performance of this Guarantee will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or Governmental Body, domestic or foreign, or of the charter or by-laws of the Guarantor or of any securities issued by the Guarantor or of any mortgage, indenture, lease, contract, or loan agreement to which the Guarantor is a party, or any other agreement, instrument or undertaking to which the Guarantor is a party or which purports to be binding upon the Guarantor or upon any of its assets, and will not result in the creation or imposition of any Lien on any of the assets of the Guarantor except as contemplated by this Guarantee.

The Guarantor hereby waives notice of acceptance of this Guarantee by any Holder, of any action taken or omitted in reliance hereon or of any default in the payment of any of the Obligations or in the performance of any covenants and agreements of the Borrower contained in the Purchase Agreements or the Notes, and any diligence, presentment, demand, protest, dishonor or notice of any kind.

This Guarantee constitutes a present and continuing Guarantee of payment and performance and not of collectability of the Obligations, and shall be absolute, primary, present and unconditional, and to the extent permitted by applicable law, shall not be subject to any counterclaim, setoff, reduction or defense based upon any claim the Guarantor may have against the Borrower, or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected or impaired by any thing, event, happening, matter, circumstance or condition whatsoever (whether or not the Guarantor shall have any knowledge or notice thereof or shall consent thereto), including, without limitation:

(i) any amendment or other modification of or supplement to any provision of the Purchase Agreements, any other agreements or documents executed or delivered in connection therewith or pursuant thereto or any of the Notes or any assignment or transfer thereof, including without limitation any renewal or extension of the terms of payment of any of the Notes or the granting of time in respect of any payment thereof, or any furnishing or acceptance of security or any release of any security furnished or accepted for any of the Notes or in respect the obligations of the Guarantor hereunder;

(ii) any waiver, consent, extension, granting of time, forbearance, indulgence or other action or inaction under or in respect of this Guarantee or any of the Notes or any exercise or nonexercise of any right, remedy or power in respect hereof or thereof;

(iii) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceedings with respect to the Guarantor, the Borrower or any other Person, or the properties or creditors of any of them;

(iv) the occurrence of any Default or Event of Default, or any invalidity or unenforceability of, or any misrepresentation, irregularity or other defect in, the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement;

(v) any transfer of any assets to or from the Guarantor, Holdings or the Borrower, including without limitation any transfer or purported transfer to the Guarantor, Holdings or the Borrower from any Person, any invalidity, illegality of, or inability to enforce, any such transfer or purported transfer, any consolidation or merger of the Guarantor, Holdings or the Borrower with or into any other corporation or entity, or any change whatsoever in the objects, capital structure, constitution or business of the Guarantor, Holdings or the Borrower or any Affiliate or Subsidiary of the Guarantor, Holdings or of the Borrower;

(vi) any failure on the part of the Borrower or any other Person to perform or comply with any term of the Notes, the Purchase Agreements, or any other agreement;

(vii) any suit or other action brought by the Guarantor, Holdings, the Borrower or any other Person, or

by any stockholder or creditor of any of such Persons, for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of the Notes, the Purchase Agreements or any other agreement;

(viii) any lack or limitation of status or power, incapacity or disability of the Guarantor, Holdings or the Borrower or of any officer, director or agent of the Guarantor, Holdings or the Borrower or any of their respective stockholders;

(ix) the cessation from any cause whatsoever (other than payment of the Obligations) of liability of the Borrower;

(x) the termination of, or release or compromise of the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement, including, without limitation, the Guarantee of Holdings set forth in Section 16.14 of the Purchase Agreements (other than as a result of payment of the Obligations);

(xi) any lack or limitation of the genuineness, validity, regularity or enforceability of the Notes, the Purchase Agreements, any other agreement or document

executed or delivered in connection therewith or pursuant thereto, or any other agreement;

(xii) any failure by any of the Holders to take any steps to perfect or maintain their security interest (if any) in or Liens (if any) upon, or to preserve their rights to, any security or collateral for the Obligations;

(xiii) any election by any of the Holders, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C.(S) 101 et seq.) (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code;

(xiv) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of any of the Holders' claims for repayment of the Obligations; or

(xv) any other thing, event, happening, matter, circumstance or condition whatsoever, not in any way limited to the foregoing, which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

The liability of the undersigned Guarantor under this Guarantee shall not exceed at any time the greater of (i) 95% of the Adjusted Net Assets (as hereinafter defined) of the

Guarantor at the time of delivery hereof and (ii) 95% of the Adjusted Net Assets of the Guarantor at the time of any payment hereunder. As used herein, the term "Adjusted Net Assets" means at any time the lesser of (x) the amount by which the fair market value of the assets of the Guarantor exceeds the total amount of liabilities (including, without limitation, contingent liabilities, but excluding liabilities under this Guarantee) of the Guarantor at such time, and (y) the amount by which the present fair market value of the assets of the Guarantor at such time exceeds the amount that will be required to pay the probable liability of the Guarantor on its debts (excluding debt in respect of this Guarantee), as they become absolute and matured. Contingent liabilities of the Guarantor (including, without limitation, liabilities in respect of guarantees, pension and other employee benefit plans and pending or threatened litigation and claims), shall be valued at amounts which, in light of all the facts and circumstances existing at the time, represent amounts which can reasonably be expected to become actual or matured liabilities.

Notwithstanding anything to the contrary contained herein or in any other agreement, document or instrument, the Guarantor hereby irrevocably waives all rights of subrogation (whether such rights arise under common law, contract or Federal law, including, without limitation, Section 509 of the Bankruptcy Code) to the claims of the Holders against the Borrower, and waives all contractual, statutory and common law rights of contribution, reimbursement, indemnification and similar rights and claims (as such term is defined in the Bankruptcy Code) against the Borrower which may arise in connection with, or as a result of, this Guarantee.

The Guarantor expressly waives any and all benefits under California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433 and California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726.

The Guarantor expressly waives any right it may have to require any Person seeking enforcement of its obligations hereunder to (a) proceed against the Borrower, Holdings or any other Person, (b) proceed against or exhaust any security, or (c) pursue any other remedy in the power of the Person seeking such enforcement, including without limitation, its remedies pursuant to the Holdings' Guarantee set forth in Section 16.14 of the Purchase Agreements. The Holders from time to time may, at their election, exercise any right or remedy they may have against the Guarantor, including, without limitation, the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or limiting in any way the liability of the Guarantor hereunder, except to the extent the Obligations

have been paid. The Guarantor waives any defense arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other right or remedy of the Guarantor against the Borrower, Holdings or any such security, whether resulting from such election by the Holders of the Notes or otherwise.

The Guarantor agrees that its obligations hereunder shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower, Holdings or the Guarantor is rescinded or must be otherwise restored by any Holder of any Notes, whether as a result of any proceedings in bankruptcy or reorganization or otherwise. The Guarantor further agrees that, without limiting the generality of the foregoing, if an Event of Default shall have occurred and be continuing and the Holder is prevented by applicable law from exercising any remedy under this Guarantee or under any of the Notes, such Holder shall be entitled to receive from the Guarantor upon demand therefor, the sums which would otherwise have been due from the Borrower had such remedies been exercised.

The Guarantor agrees that this Guarantee shall continue in full force and effect and may not be terminated or otherwise revoked by the Guarantor until the Obligations shall have been fully discharged.

This Guarantee shall be binding upon the Guarantor and upon the successors and assigns of the Guarantor and shall inure to the benefit of each of the Purchasers and each other Holder and their respective successors and assigns; all references herein to the Borrower, Holdings and to the Guarantor shall be deemed to include their respective successors and assigns, including, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower, Holdings or the Guarantor. All references to the singular shall be deemed to include the plural where the context so requires.

THIS GUARANTEE SHALL BE CONSTRUED IN ACCORDANCE WITH AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE).

THE GUARANTOR CONSENTS AND AGREES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF NEW YORK, STATE OF NEW YORK, AND WAIVES ANY OBJECTION BASED ON VENUE OR FORUM NON CONVENIENS WITH RESPECT TO ANY ACTION INSTITUTED THEREIN, AND AGREES THAT ANY DISPUTE CONCERNING THE RELATIONSHIP BETWEEN ANY PURCHASER OR HOLDER OF NOTES, ON THE ONE HAND, AND THE GUARANTOR. ON THE OTHER HAND, OR THE CONDUCT OF ANY PARTY IN CONNECTION WITH THIS GUARANTEE OR OTHERWISE SHALL BE HEARD ONLY IN THE COURTS DESCRIBED ABOVE.

THE GUARANTOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY HAND DELIVERY OR MAIL TO THE GUARANTOR AT ITS ADDRESS SET FORTH BELOW. THE GUARANTOR HEREBY CONSENTS TO SERVICE OF PROCESS AS AFORESAID.

NOTHING IN THIS GUARANTEE SHALL AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO BRING ANY ACTION OR PROCEEDING AGAINST THE GUARANTOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

Wherever possible each provision of this Guarantee shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guarantee shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guarantee.

THE GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE GUARANTOR IN RESPECT TO THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. THE GUARANTOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS GUARANTEE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE GUARANTOR TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, this Guarantee has been duly executed by the Guarantor as of the day of November, 1992.

IHOP REALTY CORP.

By:

Title:

Address:

EXHIBIT E

LEASE

between

IHOP REALTY CORP.,
a Delaware corporation,
Lessor

and

INTERNATIONAL HOUSE OF PANCAKES, INC.,
a Delaware corporation,
Lessee

, 1992

LEASE

between
IHOP REALTY CORP.,
a Delaware corporation, Lessor,
and
INTERNATIONAL HOUSE OF PANCAKES, INC.,
a Delaware corporation, Lessee

TABLE OF CONTENTS

E X H I B I T S

Exhibit “A” - Legal Description Exhibit “B” - Permitted Exceptions

L E A S E

AGREEMENT OF LEASE, made this day of , 1992, by and between IHOP REALTY CORP., a Delaware corporation, having its principal place of business at 525 N. Brand Boulevard, Third Floor, Glendale, California 91203-1903 (hereinafter called “Lessor”), and INTERNATIONAL HOUSE OF PANCAKES, INC., a Delaware corporation, having its principal place of business at 525 N. Brand Boulevard, Third Floor, Glendale, California 91203-1903 (hereinafter called “Lessee”).

W I T N E S S E T H:

ARTICLE I
DEMISED PREMISES; TERM

1.1 Demised Premises. For and in consideration of the rents, taxes, insurance and other charges and expenses to be paid by Lessee, and in consideration of the performance by Lessee of the covenants herein set forth, Lessor does hereby grant, demise and lease to Lessee all that certain real property consisting of approximately ( ) square feet of land, together with the Improvements (as defined in Article 4.1 (hereinbelow) constructed thereon and the rights appurtenant thereto, located and situate in the City of , County of , State of , and more particularly described in Exhibit A attached hereto and, by this reference, incorporated herein (hereinafter referred to as the “Demised Premises”).

1.2 Term. The term of this Lease shall commence on the date of the first payment of rent pursuant to Article 2.1 hereinbelow and shall terminate twenty-five (25) years thereafter.

1.3 Options to Extend Term. Provided it shall not then be in default under this Lease (beyond any applicable cure period) , Lessee shall have the option to extend said term for an additional period of five (5) years by giving notice to Lessor of its intention to exercise said option at least ninety (90) days prior to the expiration of the original term. Provided it shall not then be in default under this Lease (beyond any applicable cure period), Lessee shall have the option to extend said term for an additional period of five (5) years (less one day) by giving notice to Lessor of its intention to exercise that option at least ninety (90) days prior to the expiration of the first extended term. All of the terms and conditions of this Lease shall apply during each of the aforedescribed extended terms, except those pertaining to the initial construction of the Improvements (as defined in Article 4.1 hereinbelow) and expired options to extend the term of this lease.

1.4 Short Form of Lease. Upon the commencement date of the TERM hereof in accordance with Article 1.2 hereinabove, the parties AGREE to execute and record a short form of this Lease, which shall incorporate the provisions of Articles XVII and XIX hereinbelow. In no event shall the parties record a long form lease.

ARTICLE II
RENT

2.1 Minimum Monthly Rental. Lessee agrees to pay to Lessor during the full term hereof a minimum monthly rental of Dollars ($) (hereinafter referred to as the “Minimum Monthly Rental”), payable in advance on the first day of each calendar month. Said Minimum Monthly Rental shall commence thirty (30) days after the date of

completion of the Improvements (as defined in Article 4.1 herein-below) to be erected on the Demised Premises or when Lessee opens for business, whichever date is earlier. If the first day upon which rent becomes payable is other than the first day of any calendar month, the rent for the balance of said month shall be payable by Lessee at a daily rate based upon the Minimum Monthly Rental.

2.2 Percentage Rent. In addition to the Minimum Monthly Rental agreed to be paid by Lessee, Lessee shall pay to Lessor, at the time and in the manner specified in this Lease, an additional rental in an amount (hereinafter referred to as “Percentage Rent”) equal to five percent (5%) of the amount of Lessee’s gross sales made in, upon or from the business on the Demised Premises during each calendar year of the term hereof, less (a) the aggregate amount of the Minimum Monthly Rental previously paid by Lessee for said calendar year, (b) all real property taxes and general and special assessments levied against the Demised Premises as provided in Article 3.1 hereinbelow and paid by Lessee or accrued, (c) all expenses for exterior maintenance and upkeep of the building and adjacent walkways and landscape areas, (d) all premiums for insurance required hereby, and (e) all similar costs and expenses, if any, arising under the

terms of the CC&Rs (as defined in Article 20.1 hereinbelow). If the amount of any such deductions in any year exceeds the amount of Percentage Rent payable for said year, then such excess shall be carried forward and applied to reduce the amount of Percentage Rent payable in any succeeding year or portion thereof should this Lease terminate prior to the expiration of a full year. The term "exterior maintenance and upkeep" is not to be construed to include any janitorial or regular maintenance service which is to be provided by Lessee or its assignee without deduction or offset, but rather is intended to include repairs and maintenance for wear and tear. The Percentage Rent shall be paid quarterly (as herein provided) based upon gross sales during such quarterly period. In the event the quarterly payments of Percentage Rent do not in the aggregate equal the Percentage Rent when calculated on an annual basis, then, in such event, an adjustment shall be made within forty-five (45) days after the end of each year of the term hereof, and the party owing money shall promptly pay the amount owed to the other party. Percentage Rent shall be paid quarterly on the twenty- fifth (25th) day of the month immediately following the quarterly period in which the gross sales are made. Notwithstanding expiration or sooner termination of this Lease, Lessee shall pay to Lessor the Percentage Rent on the twenty-fifth (25th) day of the month immediately following expiration or sooner termination for the last quarterly period of the term of this Lease or fraction thereof. For the purposes of computing Percentage Rent for the first and last quarterly periods of the term or extended term of this Lease, if either is less than a full calendar quarter, the prorated Minimum Monthly Rental and other expenses enumerated above for such fractional period shall be deducted from the percentage of sales realized during such fractional period.

2.3 Statements of Gross Sales. Together with the quarterly Percentage Rent, Lessee shall furnish to Lessor a statement in writing, certified by Lessee to be correct, showing the total gross sales made in, upon or from said restaurant during the said calendar quarter or portion thereof.

2.4 "Gross Sales" Defined. The term "gross sales" as used herein shall include the entire receipts of each kind and nature from sales and services made in, upon or from the said restaurant, whether upon credit or for cash, whether operated by Lessee or by a sublessee or sublessees, or by a concessionaire or concessionaires, excepting therefrom any rebates and/or refunds to customers, and the amount of all sales tax or similar tax receipts which have to be accounted for by Lessee or by any sublessee or concessionaire to any government or governmental agency. Sales upon credit shall be deemed cash sales and shall be included in the gross sales for the period during which the merchandise is delivered to the customer, whether or not

title to the merchandise passes with delivery. The term "gross sales" shall not include sales from coin operated vending machines.

2.5 Verification of Gross Sales: Audit. Lessee shall keep full, complete and proper books, records and accounts of its daily gross sales, both for cash and on credit, of each separate department and concession at any time operated in the Demised Premises. Lessor and its agents and employees, upon reasonable notice, shall have the right at any and all times, during regular business hours, to examine and inspect all of the books and records of Lessee (including any sales tax reports) pertaining to the business of Lessee conducted in, upon or from the Demised Premises, which Lessee shall produce upon demand by Lessor or Lessor's agents for the purpose of investigating and verifying the accuracy of any statement of gross sales. Lessor may once in any lease year cause an audit of the gross sales of Lessee to be made by an independent certified accountant of Lessor's selection, and if the statement of gross sales previously made to Lessor by Lessee shall be found to be understated by more than five percent (5%), Lessee shall immediately pay to Lessor the cost of such audit, not to exceed Five Hundred Dollars ($500), as well as the additional rental shown to be payable by Lessee to Lessor; otherwise the cost of such audit shall be paid by Lessor. If the statement of gross sales previously made to Lessor by Lessee shall otherwise be found to be incorrect, then the party found to be owing money shall promptly pay over such sums to the other party. It is understood and agreed that the Percentage Rent provisions apply only to sales made in, upon or from the business to be operated upon the Demised Premises and do not apply to sales of any other business.

ARTICLE III
TAXES AND ASSESSMENTS

3.1 Taxes and Assessments. Lessee shall pay, as additional rent, all real estate taxes and assessments (or installments thereof) coming due during the term hereof under any general or special assessments created or imposed during the term hereof, sewer rent and water charges, gas power, electric current and all other taxes and charges in the same or similar categories (sometimes hereinafter referred to collectively as "impositions" and individually as "imposition") levied or imposed upon the Demised Premises or Improvements (as defined in Article 4.1 hereinbelow), or arising from the use and occupancy or possession of the Demised Premises or the Improvements (as defined in Article 4.1 hereinbelow), it being the intention of the parties that the Minimum Monthly Rental to be received by Lessor shall be a net rental to Lessor and not subject to any deductions whatsoever arising from the use and occupancy of the Demised Premises by Lessee. Lessee shall pay such additional rent directly to the taxing authorities, utility companies or other entities to whom such charges may be payable, and shall, upon written request therefor, furnish to Lessor reasonably satisfactory evidence of the payment of the same. In the event that Lessee fails to make any such payment within the period (or grace period) provided for the payment thereof, Lessor may, at its option, pay the same, and Lessee shall immediately reimburse Lessor therefor.

3.2 Installment Payments. If any assessment is payable at the option of a taxpayer in installments, Lessee may pay it in equal annual installments as they respectively become due; provided, however, that in no event shall Lessee be required to reimburse Lessor for any installments attributable to any period after the expiration of the term of this Lease.

3.3 Personal Property Taxes. Lessee shall also pay all personal property tax levied upon the personal property on the Demised Premises during the term of this Lease.

3.4 Proration. All of the above impositions (except utility or other charges attributable solely to Lessee's use) for the first

year of the term hereof shall be prorated between the parties as of the commencement date hereof, and during the last year of the term hereof, shall be prorated as of the termination date.

3.5 Contest. Lessee, at its own expense, may contest any impositions in any manner permitted by law, in Lessee's name, and, whenever necessary, in Lessor's name. Lessor will cooperate with Lessee and execute any documents or pleadings required for such purpose. Such contest may include appeals from any judgment(s), decree(s) or order(s) until a final determination is made by a court or governmental department or authority having final jurisdiction in the matter. Before commencing any such contest, Lessee shall obtain a surety bond sufficient to cover the amount of the possible imposition which would be due if the decision were adverse to Lessee.

ARTICLE IV
CONSTRUCTION OF IMPROVEMENTS; REPAIR AND MAINTENANCE; ALTERATIONS AND IMPROVEMENTS

4.1 Construction of Improvements. Lessor has heretofore constructed upon the Demised Premises, at Lessor's sole cost and expense, an air conditioned restaurant together with a paved parking lot and a free-standing sign in accordance with plans and specifications, as approved by all governmental agencies having jurisdiction therefor, the master plans for which have been heretofore approved by the parties hereto (hereinafter referred to as the "Improvements").

4.2 Repair and Maintenance. Lessee agrees that during the term hereof it will make, at its own expense, all necessary repairs to the Improvements upon the Demised Premises, including all parking areas and sidewalks, and that it will keep the Demised Premises and the Improvements thereon in good condition and repair throughout the entire term of this Lease.

4.3 Alterations and Improvements. Lessee shall have the right at any time and from time to time during the term of this Lease, at its own expense, to make changes or alterations, structural or otherwise, to the Improvements on the Demised Premises and to erect, construct or install upon the Demised Premises buildings and improvements in addition to or in substitution for those now or hereafter located thereon, and to demolish and remove the Improvements or any other structures hereafter located on the Demised Premises for the purposes of replacing the same; provided, however, that the fair market value of all improvements on the Demised Premises following each such change, alteration, construction or installation shall be at least equal to the fair market value of all improvements on the Demised Premises immediately prior to such change, alteration, construction or improvement. Lessee shall make no structural changes or alterations at any given time of a cost in excess of Ten Thousand Dollars ($10,000) without first having secured the consent of Lessor, which consent shall not be unreasonably delayed or withheld.

ARTICLE V
LIENS

5.1 Discharge of Liens; Contest. Except as hereinafter provided, Lessor reserves the fee in the Demised Premises and specifically does not consent by virtue of this Lease that said fee or the remainder interest of Lessor in the Demised Premises shall be subject to any lien for labor or materials furnished to Lessee in the repair or improvement of the Demised Premises. While the parties intend hereby that the interest of Lessor hereunder cannot be subjected to any lien on account of Lessee's use of or actions with respect to the Demised Premises and that any future modifications of law to the contrary would constitute an impairment of vested rights hereunder, nevertheless, should a court of competent

Jurisdiction hold that, or should a valid statute be enacted whereby, any interest of Lessor in the Demised Premises at any time hereafter shall be subjected to any such lien, then Lessee shall, within thirty (30) days after written notice to Lessee of the existence and perfection of said lien, cause said lien to be bonded or discharged and shall otherwise save Lessor harmless on account thereof; provided, however, that if Lessee desires in good faith to contest the validity or correctness of any such lien, it may do so and Lessor shall cooperate to whatever extent shall be necessary, provided only that Lessee must indemnify Lessor against any loss, liability or damage on account thereof.

ARTICLE VI
USE OF PREMISES

6.1 Permitted Use. Lessee, its sublessees or assignees, shall use the Demised Premises for the purpose of conducting thereon the business of a restaurant or a coffee shop and for incidental purposes related thereto, or for any other legally permissible business or commercial venture; provided, however, that Lessee shall not use the Demised Premises in such manner as to knowingly violate the CC&Rs (as defined in Article 20.1 hereinbelow) or any applicable law, rule, ordinance or regulation of any governmental body.

ARTICLE VII
LIABILITY INSURANCE

7.1 Lessee's Insurance. Lessee agrees that on or before the commencement of the term of this Lease it will obtain for the mutual benefit of Lessor and Lessee public liability insurance covering the Demised Premises from an insurance company authorized (or admitted) to do business in the state in which the Demised Premises are located. Said policy or policies shall be for an amount of at least Two Million Dollars ($2,000,000) Combined Single Limit for the death or injury to one (1) or more persons or property damage, which said policy or policies to insurance shall name Lessor as an additional assured thereunder, and Lessee agrees to maintain same at Lessee's sole cost and expense in full force and effect during the entire term of this Lease. Lessee shall furnish Lessor with a copy of such insurance coverage, or with a certificate of the company issuing such insurance, certifying that the same is in full force and effect. Lessee may, at its option, bring its obligations to insure hereunder under any so- called blanket policy or policies of insurance; provided, however, that the interests of Lessor shall be as fully protected thereby as if Lessee obtained individual policies of insurance.

ARTICLE VIII
BANKRUPTCY

8.1 Continuation of Lease. If at any time during the term hereof proceedings in bankruptcy, insolvency or other similar proceedings shall be instituted by or against Lessee, whether or not such proceedings result in an adjudication against Lessee, or should a receiver of the business or assets of Lessee be appointed, such proceedings or adjudications shall not affect the validity of this Lease, so long as the Minimum Monthly Rental and additional rent reserved hereunder continues to be paid to Lessor and the other terms, covenants and conditions of this Lease on the part of Lessee to be performed, are performed, and in such event this Lease shall continue to remain in full force and effect in accordance with the terms herein contained.

ARTICLE IX
ASSIGNMENT AND SUBLETTING

9.1 Assignment. Lessee may not assign this Lease, in whole or in part, without first obtaining the prior written consent of Lessor, which consent shall not be unreasonably delayed or withheld; provided, however, that Lessee may, without such consent, assign this Lease, in whole or in part, as security or otherwise to any national or state chartered bank or lending institution or corporation controlled by, controlling, or under common control with Lessee, it being understood that Lessee shall remain liable hereunder, or to any surviving corporation resulting from a merger or consolidation of Lessee with any other corporation, or to any corporation which purchases or otherwise acquires all or substantially all of the assets of Lessee. Any consent to any assignment shall not be deemed to be a consent to any subsequent assignment. Any assignment by Lessee other than in accordance with this Article IX shall be void.

9.2 Subletting. Lessee or its assignee shall have and is hereby given the unqualified right and privilege, at its option, of subletting the Demised Premises, in whole or in part, subject to all of the rents, terms and conditions of this Lease. It is specifically understood and agreed by and between Lessor and Lessee that any subletting which Lessee or its assignees make, as permitted herein, shall in no event relieve Lessee of the obligations of Lessee hereunder, and that the right of subletting shall be that of Lessee or its assignees only, and shall not extend to any subtenant.

ARTICLE X
REMEDIES IN THE EVENT OF DEFAULT

10.1 Remedies. In the event of any breach of this Lease by Lessee which shall not have been cured within fifteen (15) days after Lessee shall have received notice of such breach (or if such breach is not in payment of money, if within such period Lessee shall not have commenced to cure said breach and shall not thereafter continue its efforts with due diligence), then Lessor may, at Lessor's option and without limiting Lessor in the exercise of any other rights or remedies which Lessor may have at law or in equity by reason of such default or breach, with or without notice of demand:

(A) without terminating this Lease, reenter the Demised Premises with or without process of law and take possession of the same and expel or remove Lessee and all other parties occupying the Demised Premises, and at any time and from time to time to relet the Demised Premises or any part thereof for the account of Lessee, for such term, upon such conditions and at such rental as Lessor may deem proper. In such event Lessor may receive and collect the rent from such reletting and apply it against any amounts due from Lessee hereunder (including, without limitation, such expenses as Lessor may have incurred in recovering possession of the Demised Premises, placing the same in good order and condition, altering or repairing the same for reletting, and all other expenses, commission and charges, including attorney's fees, which Lessor may have paid or incurred in connection with such repossession and reletting). Lessor may execute any Lease made pursuant hereto in Lessor's name or in the name of Lessee, as Lessor may see fit, and the Lessee thereunder shall be under no obligation to see to the application by Lessor of any rent collected by Lessor, nor shall Lessee have any right to collect any rent thereunder. Whether or not the Demised Premises are relet, Lessee shall pay to Lessor all amounts required to be paid by Lessee up to the date of Lessor's reentry, and thereafter Lessee shall pay to Lessor, until the end of the term hereof, the amount of all rent and other charges required to be paid by Lessee hereunder, less the proceeds of such reletting as provided

above. Such payments by Lessee shall be due at such times as are provided elsewhere in this Lease, and Lessor need not wait until the termination of this Lease to recover them by legal action or otherwise. Lessor shall not, by any reentry or other act, be deemed to have terminated this Lease or the liability of Lessee for the total rent hereunder unless Lessor shall give Lessee written notice of Lessor's election to terminate this Lease.

(B) terminate this Lease by giving written notice to Lessee of Lessor's election to so terminate, reenter the Demised Premises with or without process of law and take possession of the same and expel or remove Lessee and all other parties occupying the Demised Premises. In such event, Lessor shall thereupon be entitled to recover from Lessee:

(i) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) the worth at the time of award of the amount by which (A), the unpaid rent which would have been earned after termination until the time of award, exceeds (B), the amount of such rental loss Lessee proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which (A), the unpaid rent for the balance of the term after the time of award, exceeds (B), the amount of such rental loss that Lessee proves could be reasonably avoided; plus

(iv) any other amount reasonably necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom.

As used in Subsections (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in Subsection (iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

ARTICLE XI
PROPERTY INSURANCE

11.1 Lessee to Obtain "A1l Risk" Insurance. Lessee will, at Lessee's own cost and expense, carry and maintain fire insurance with extended coverage endorsement with an insurance company authorized (or admitted) to do business in the state in which the Demised Premises are located, for the mutual benefit of Lessee, Lessor, and its mortgagee, if any, on all buildings erected upon the Demised Premises in an amount equal to at least one hundred percent (100%) of the full replacement cost thereof, excluding foundation and excavating costs. As often as any such policy or policies shall expire or terminate, renewal or additional policies shall be procured by Lessee in like manner and to like extent. Proceeds of any such policies, in the event of fire or other casualty, shall be payable to Lessor and Lessee, as their respective interests may appear, and in accordance with the terms of Article XII hereinbelow. Lessee shall furnish Lessor with a copy of such insurance coverage, or with a certificate of the company issuing such insurance, certifying that the same is in full force and effect.

11.2 Blanket Policy. Lessee may, at its option, bring its obligations to insure under this Article XI within the coverage of any so-

called blanket policy or policies of insurance which it may now or hereafter carry, by appropriate amendment, rider endorsement, or otherwise; provided, however, that the interest of Lessor shall thereby be as fully protected as they would otherwise be if this option to Lessee to use blanket policies were not permitted.

ARTICLE XII
DAMAGE AND DESTRUCTION

12.1 Abatement of Rent. Notwithstanding any statute or rule of law of the state in which the Demised Premises are located to the contrary, in the event of any damage or destruction to the Improvements, or any part thereof, by fire or other casualty, this Lease shall continue in full force and effect, except that until either such damage or destruction shall be repaired, or in the alternative this Lease shall be terminated as hereinafter provided in this Article XII, all rent, additional rent and other charges payable hereunder by Lessee shall abate so that Lessee shall be required to pay only a fraction thereof, the numerator of which shall be the fair rental value of the Demised Premises and Improvements thereto after such damage or destruction, and the denominator of which shall be the fair rental value of the Demised Premises and Improvements thereto immediately prior to such damage or destruction, provided, however, if the damage or destruction is such that Lessee's business at the Demised Premises cannot reasonably or lawfully be continued after the date of said damage or destruction, said rent, additional rent and other charges hereunder shall abate entirely.

12.2 Restoration of Improvements - Insured Loss. If the damage or destruction of the Improvements was caused by a peril or perils covered under a standard fire insurance policy, with "extended coverage" endorsement, then Lessee shall proceed, within a reasonable period of time after the date of the occurrence of such damage or destruction, to repair, restore and replace said Improvements and shall have available to it any proceeds from the property insurance to be maintained by Lessee pursuant to Article 11.1 hereinabove.

12.3 Restoration of Improvements - Uninsured Loss. If the damage or destruction of the Improvements was not caused by a peril or perils covered under a standard fire insurance policy, with "extended coverage" endorsement, then Lessor may, within thirty (30) days after the occurrence of said damage or destruction, pay to Lessee such amount as shall be required by Lessee to make such repair, restoration and replacement. Lessee shall then proceed with due diligence to so repair, restore and replace said Improvements. In the event Lessor shall elect not to pay such amount, Lessor shall give Lessee written notice thereof within thirty (30) days after the occurrence of said damage or destruction, and Lessee shall then have fifteen (15) days to elect to pay such amount itself and to serve Lessor with written notice of its said election. In the event Lessee elects to pay such amount, then, in such event, Lessee shall, at its option, be permitted to extend the term hereof for a period sufficient, if required, to result in Lessee having a minimum term, including any available options to extend, of ten (10) years remaining after the date of completion of the repairs, replacement or restoration; said extended term to be under the same terms and conditions in effect just prior to the expiration of the preceding term. In the event Lessee elects to extend said term pursuant to this Article XII, it shall serve Lessor with written notice thereof within the same fifteen (15) day period during which Lessee has the right to elect to pay the aforementioned amount. In the event neither party shall elect to pay such amount, then, upon the expiration of the fifteen (15) day period during which Lessee has the right to elect to pay such amount, this Lease shall terminate.

12.4 Extension of Lease. In the event this Lease continues in full force and effect and is not terminated or otherwise extended pursuant to the provisions of this Article XII, and there has been an abatement of rent, the then current term of this Lease shall be

extended by the total number of months during which there was such an abatement; however, in no event shall the abatement of rent exceed six (6) months duration in connection with each instance of damage or destruction during the term or extended term hereof.

ARTICLE XIII
CONDEMNATION

13.1 Complete Taking. If at any time during the term of this Lease, or any extension thereof, the whole of the Demised Premises shall be taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain, including any such taking by "inverse condemnation," then this Lease shall terminate as of the date that title shall vest in the condemnor, and the rent and additional rent payable hereunder shall be adjusted and paid to the date of such termination.

13.2 Partial Taking. If at any time during the term of this Lease, or any extension thereof, any part of the building, or twenty percent (20%) or more of the designated parking spaces, or any part of a driveway or other access way reasonably necessary for access to the business upon the Demised Premises shall be so taken, Lessee shall have the right to terminate this Lease as of the date that title shall vest in the condemnor, by giving written notice of such termination to Lessor within ninety (90) days after notice to Lessee of the date of such vesting. In such event, the rent and additional rent payable hereunder shall be adjusted and paid to the date of such termination.

13.3 Allocation of Condemnation Award. In the event of such a condemnation of the whole or a part of the Demised Premises, Lessor shall have the unqualified right to pursue its remedies against the condemnor for the full value of Lessor's fee interest and other property interests in and to the Demised Premises. Similarly, Lessee shall have the unqualified right to pursue its remedies against the condemnor for the full value of Lessee's leasehold interest and other property interest in and to the Demised Premises. If the laws of the state in which the Demised Premises are located allow or require the recovery from the condemnor to be paid into a common fund or to be paid to Lessor only, and if such recovery is so paid into such common fund or to Lessor only, then in that event the recovery so paid shall be apportioned between the parties according to the value of their respective property interests as they existed on the date of such condemnation. The provisions of this Article 13.3 shall survive any termination of this Lease pursuant to the provisions of Articles 13.1 or 13.2 hereinabove.

13.4 Rent Reduction in Case of Partial Taking. If at any time during the term of this Lease, or any extension thereof, a part of the Demised Premises shall be taken by condemnation, and Lessee shall not be entitled to or shall not exercise its right to terminate, this lease shall continue in full force and effect, except that the net Minimum Monthly Rental shall be reduced as of the date of vesting in the condemnor so that Lessee shall pay, for the remainder of the term, only such portion of the Minimum Monthly Rental as the rental value of the part remaining after condemnation bears to the rental value of the entire demised premises at the date of condemnation. Lessor shall have the obligation to pay for the cost of and to perform the construction, repair, alteration or restoration of the remaining part of the Demised Premises so the same shall constitute a complete unit suitable for the use made by Lessee immediately prior to said condemnation.

ARTICLE XIV
QUIET ENJOYMENT AND TITLE

14.1 Covenant of Quiet Enjoyment. Lessee, subject to the terms of this Lease, upon paying the Minimum Monthly Rental and additional

rent and performing the other terms, covenants and conditions of this Lease, shall and may peaceably and quietly have, hold, occupy, possess and enjoy the Demised Premises during the term of this Lease.

14.2 Right to Possession. Lessor covenants, warrants and represents that the Demised Premises are now unoccupied and tenant-free, and that absolute, tenant-free possession of the Demised Premises will be delivered to Lessee on the date of the commencement of the term hereof.

14.3 Superior Encumbrances. Lessor further covenants, warrants and represents that there are no liens, mortgages or encumbrances on the Demised Premises superior to the rights of Lessee under this Lease, except as set forth in Article 20.1 hereinbelow and for the lien of a first mortgage which may have been heretofore or may hereafter be made by Lessor.

14.4 Ownership; Authority; Restrictions. Lessor further covenants, warrants and represents that Lessor is the owner in fee of the Demised Premises and alone has the full right to lease the Demised Premises for the term and/or extended term as aforesaid; that there are no existing restrictions or encumbrances affecting the Demised Premises which would prohibit the use and occupancy thereof as a restaurant; and that the Demised Premises are not subject to any zoning laws or regulations which would prohibit or restrict the construction, maintenance and operation of a restaurant. It is expressly understood and agreed that these covenants by Lessor constitute a warranty by Lessor, and that in case Lessor is not the owner or has not the right aforesaid, or in case there are any such restrictions, (a) this Lease, at the option of Lessee, shall become null and void and no rent shall accrue for the term aforesaid or for any part thereof, and (b) Lessee may pursue any remedy available at law or in equity to recover damages or other relief.

ARTICLE XV
TRADE FIXTURES

15.1 Ownership Removal. Lessor and Lessee acknowledge, consent and agree that all furniture, fixtures, and equipment installed in or on or located in or about the Improvements or other parts of the Demised Premises, whether affixed to the Demised Premises or otherwise (hereinafter referred to as the "Trade Fixtures"), are being leased by Lessor to Lessee under the terms of that certain Equipment Master Lease of even date herewith between Lessor, as lessor, and Lessee, as lessee, and the Trade Fixtures shall at all times remain the property of Lessor and the same may not be removed by Lessee at any time during the term hereof or upon the expiration or earlier termination of the term hereof.

ARTICLE XVI

SUBORDINATION

16.1 Subordination. Provided that Lessor furnishes to Lessee an agreement in writing and in recordable form from any present or future mortgagee or holder of a deed of trust or other encumbrance with respect to the Demised Premises, that:

(A) such person shall not for any reason disturb the possession, use or enjoyment of the Demised Premises by Lessee, its successors and assigns, so long as all of the obligations of Lessee are fully performed in accordance with the terms of this Lease; and

(B) such person shall permit application of the insurance proceeds and condemnation proceeds in accordance with Articles XII and XIII hereinabove, respectively, in the

event of damage or destruction to the Improvements or condemnation of the Improvements or any part of the Demised Premises,

Lessee agrees to subordinate its rights hereunder to the lien of such mortgage, deed of trust or other encumbrance which may now or hereafter affect the Demised Premises. Provided such agreement is obtained, Lessee shall, upon demand, promptly execute and deliver to Lessor any instrument which may be necessary to effectuate such subordination.

ARTICLE XVII
RIGHT OF FIRST REFUSAL

17.1 Purchase. If at any time after the date of the mutual execution of this Lease and prior to the date of the expiration of the term or extended term of this Lease, Lessor shall desire to sell the Demised Premises or the property of which the Demised Premises are a part, Lessee shall have the right of first refusal as follows: Lessor shall give to Lessee a notice in writing specifying the terms and conditions upon which it desires to sell the Demised Premises and offering to sell same to Lessee upon said terms and conditions. Within ten (10) days after receipt of said notice, Lessee shall either accept or reject said offer. If Lessee shall reject said offer, then for a period of ninety (90) days after the expiration of said ten (10) day period Lessor shall be free to sell to any other person upon the terms and conditions specified in said notice. If the sale is to be made on terms and conditions other than so specified, then the right to purchase shall again be offered to Lessee as set forth above. The rejections of any one or more such offers by Lessee shall not affect its right of first refusal as to any other sales by Lessor or its successors or assigns.

17.2 Lease. If at any time after the date of the mutual execution of this Lease and prior to the date of the expiration of the term or extended term of this Lease, Lessor shall desire to lease the Demised Premises for a term commencing after the expiration of the term or extended term hereof, Lessee shall have the right of first refusal as follows: Lessor shall give to Lessee a notice in writing specifying the terms and conditions upon which it desires to lease the Demised Premises and offering to lease same to Lessee upon said terms and conditions. Within ten (10) days after receipt of said notice, Lessee shall either accept or reject said offer. If Lessee shall reject said offer, then for a period of ninety (90) days after the expiration of said ten (10) day period Lessor shall be free to lease to any other person upon the terms and conditions specified in said notice. If the lease is to be made on terms and conditions other than so specified, then the right to lease shall again be offered to Lessee as set forth above. The rejections of any one or more such offers by Lessee shall not affect its right of first refusal as to any other proposed Leases by Lessor or its successors or assigns.

17.3 Incorporation in Short Form of Lease. The provisions of Articles 17.1 and 17.2 hereinabove shall be included in the short form of this lease provided in Article 1.4 hereinabove.

ARTICLE XVIII
REMOVAL OF DISTINCTIVE FEATURES

18.1 Removal; Repairs. Lessor agrees that upon the expiration of the term of this lease, or any extension thereof, or upon the earlier termination thereof as provided for herein, Lessee shall have the unqualified right to remove from the Demised Premises and the Improvements thereon all signs or other distinctive features or Lessee's operation. Lessee shall, at its expense, repair any damage to the building caused by such removal. In addition, Lessee, at its sole cost and expense, shall have the right, but not the obligation,

to paint the Improvements in a neutral color. Lessor agrees that Lessor will not thereafter cause, permit or suffer the Improvements to be painted the colors or combination of colors associated with the operations of Lessee or its corporate affiliates.

ARTICLE XIX
PROHIBITION AGAINST COMPETITION AND PROTECTION FOR EXPOSURE

19.1 Lessor's Covenant. Lessor agrees that during the term or extended term of this Lease it will not permit, lease, allow or use, either by itself or any tenants thereof, directly or indirectly, any portion of the property of which the Demised Premises are a part or any property within one (1) mile of the Demised Premises now or hereafter owned or controlled by Lessor for any kind of restaurant, diner, coffee shop, luncheonette or any other business involving "on the premises consumption of food or beverage."

19.2 Lessee's Remedies for Breach. The covenant of Lessor contained in Article 19.1 hereinabove is a material inducement for Lessee to enter into this Lease, and upon any breach by Lessor of said covenant, which breach is not cured within thirty (30) days after written notice thereof by Lessee to Lessor, Lessee shall have the right to pursue all of its rights available at law or in equity, including cancellation of this Lease, a suit for damages, and/or a suit for injunctive relief (it being understood that the enumeration of the foregoing rights and remedies shall not preclude the exercise of any other rights or remedies which might be available at law or in equity).

19.3 Incorporation in Short Form of Lease. The provisions of Articles 19.1 and 19.2 hereinabove shall be included in the short form of this Lease provided in Article 1.4 hereinabove.

ARTICLE XX
TITLE CONSIDERATIONS

20.1 CC&Rs; Lender's Lien. Lessee hereby acknowledges, consents and agrees that the Demised Premises and this Lease shall be subject and subordinate to all of those covenants, conditions, restrictions, easements and other matters specified on Exhibit B attached hereto and, by this reference, incorporated herein (hereinbefore and hereinafter collectively referred to as the "CC&Rs"), as well as the lien of any mortgage, deed to secure debt, or deed of trust, as the case may be, securing the obligations of Lessor under the terms of any credit agreement between Lessor, as borrower, and any third party, as lender, that may heretofore or hereafter be secured against the Demised Premises. Additionally, Lessee hereby agrees to perform and abide by all of the terms, covenants, conditions, obligations and undertakings of Lessor under the CC&Rs.

ARTICLE XXI
HAZARDOUS SUBSTANCE OR WASTE

21.1 Mutual Indemnity. Lessor hereby represents and warrants that, to the best of its knowledge, there does not exist on, in or under the Demised Premises (including the parking area) any "hazardous substance" or "hazardous waste as those terms are used under the various federal and state environmental laws (hereinafter referred to as the "hazardous substance/waste"); and in the event such Hazardous Substance/Waste is discovered at any time during the term of this Lease or extensions thereof under circumstances where it is reasonably clear that such hazardous Substance/Waste became present on or before the commencement of the term hereof, Lessor shall indemnify, defend (with counsel reasonably satisfactory to Lessee), and hold and save Lessee and its sublessees harmless from and against all claims, liabilities, actions, judgments, responsibilities and damages of every kind and nature arising from or

related to the presence of said Hazardous Substance/Waste; and in the event such Hazardous Substance/Waste is discovered at any time during the term of this Lease or extensions thereof, or any time thereafter, under circumstances where it is reasonably clear that such Hazardous Substance/Waste became present at any time after the commencement of the term hereof until the expiration or earlier termination of this Lease, Lessee shall indemnify, defend (with counsel reasonably satisfactory to Lessor) and hold and save Lessor harmless from and against all claims, liabilities, actions, judgments, responsibilities and damages of every kind and nature arising from or related to the presence of said Hazardous Substance/Waste during said period.

ARTICLE XXII
REAL ESTATE COMMISSIONS

22.1 Payment; Mutual Indemnity. Each party represents to the other party that it has not dealt with any real estate broker or other person acting in a similar capacity who might be entitled to a commission or finder's fee in this transaction; and each party hereby indemnifies the other party and agrees to hold the other party harmless from any commission and/or finder's fee claims arising through actions of the indemnifying party in derogation of the representations contained herein.

ARTICLE XXIII
NOTICES AND DEMANDS

23.1 To Lessor. Any notices or demands required or permitted by law or any provisions of this Lease shall be in writing, and, if the same is to be served upon Lessor, may be deposited in the United States mail, registered or certified, with return receipt requested, postage prepaid, and addressed to Lessor at the address first above stated or at such other address as Lessor may designate in writing, or in lieu of mailing any such notice or demand, the same may be personally delivered to said party at such address. At all times, Lessor may designate in writing any person(s), firm(s) or corporation(s) to receive all notices and demands, and service upon any one of those persons, firms or corporations as so designated shall constitute sufficient service upon Lessor.

23.2 To Lessee. Any such notice or demand to be served upon Lessee shall be in writing and in duplicate, and shall be served either personally to the attention of the Legal Department at 525 N. Brand Boulevard, Third Floor, Glendale, California 91203-1903, or by deposit in the United States mail, registered or certified, return receipt requested, postage prepaid, addressed to Lessee attention of Legal Department, at P.O. Box 29018, Glendale, California 91209-9018, or any other address that Lessee may designate in writing.

ARTICLE XXIV
ATTORNEYS' FEES

24.1 Paid to Prevailing Party. In the event any action or proceeding is commenced with respect to any claim or controversy by the parties hereto arising from the breach, interpretation, or enforcement of this Lease or the exhibits attached hereto, the prevailing party or parties in such action or proceeding shall receive and be entitled to, in addition to any and all other relief, all costs and expenses, including reasonable attorneys' fees, incurred by it in such action or proceeding.

ARTICLE XXV
GENERAL PROVISIONS

25.1 Binding on Successors. All of the covenants, agreements, provisions and conditions of this Lease shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

25.2 Severability. If any term or provision of this Lease or the application thereof to any persons or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

25.3 Entire Agreement. This Lease and the exhibits attached hereto contain the entire agreement between the parties and shall not be modified in any manner except by an instrument in writing executed by the parties hereto or their respective successors in interest.

25.4 Captions. The captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Lease or the intention of the parties hereto, nor do they in any way affect this Lease.

25.5 Gender and Number. Words of any gender in this Lease shall be held to include any other gender, and words in the singular number shall be held to include the plural when the sense requires.

25.6 Approvals. Wherever Lessor's approval or consent is required herein, approval or consent shall not be unreasonably delayed or withheld.

25.7 No Waiver. No waiver by Lessor or Lessee of any breach of any provision of this Lease shall be deemed a waiver of any breach of any other provision hereof or of any subsequent breach by Lessee or Lessor of the same or any other provision.

25.8 Holdover. In the event Lessee shall hold over after the term of this Lease with the consent, express or implied, of Lessor, such holding over shall be construed to be a tenancy only from month to month, and Lessee shall pay the rent, additional rent and other sums as herein required for such further time as Lessee may continue its occupancy. The foregoing does not affect Lessor's right of reentry or any rights of Lessor hereunder or as otherwise provided by law.

25.9 Time of Essence. Time is of the essence of this Lease and the exhibits attached hereto and every provision herein and therein.

25.10 Governing Law. This agreement shall be governed by and construed in accordance with the laws of the state in which the Demised Premises are located.

25.11 Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

25.12 No Third Party Rights. The terms and provisions of this Lease shall not be deemed to confer any rights upon, nor obligate any parties hereto to, any person or entity other than the parties hereto.

25.13 Unexecuted Lease. The submission of this Lease for review or execution does not constitute a reservation of or option for the rights conferred herein. This Lease shall become effective as a lease only upon execution and delivery thereof by both Lessor and Lessee.

25.14 Lessor's Right of Entry. Lessor reserves the right to enter upon the Demised Premises at any time during business hours to inspect same or for the purpose of exhibiting same to prospective purchasers, mortgagees, and, during the last six (6) months of the term hereof or any extensions thereof, to prospective lessees. Lessor may post any customary sign stating "for lease" or "for sale" during the last six (6) months of the term or extended term hereof.

25.15 Estoppel Certificates. Lessor and Lessee agree that within fifteen (15) days following the written request by either, or both, to the other, to execute and deliver to the requesting party a certificate (a) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, and the date to which the rent and other charges hereunder are paid in advance, if any, and (b) acknowledging that there are not, to the certifying party's knowledge, any uncured defaults hereunder on the part of the requesting party, or so specifying such defaults, if any, as are claimed by the certifying party.

25.16 Due Authorization. Each person executing this Lease on behalf of Lessor and Lessee, respectively, warrants and represents that the partnership, joint venture or corporation, as the case may be, for whom he or she is acting, has duly authorized the transactions contemplated herein and the execution of this Lease by him or her.

25.17 Relationship of Parties. Nothing contained in this Lease shall be deemed to constitute a partnership or joint venture between Lessor and Lessee, and Lessor and Lessee's relationship herein shall only be deemed to be one of landlord and tenant.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

LESSOR:

IHOP REALTY CORP., a Delaware corporation

By:_____
Richard K. Herzer

Its: President

LESSEE:

INTERNATIONAL HOUSE OF PANCAKES, INC.,
a Delaware corporation

By:_____
Richard K. Herzer

Its: President

State of California)
County of Los Angeles)

On , 1992, before me, , personally appeared RICHARD K. HERZER, President of IHOP REALTY CORP., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature_____**(Seal)**

State of California)

County of Los Angeles)

On , 1992, before me, , personally appeared RICHARD K. HERZER President of INTERNATIONAL HOUSE OF PANCAKES, INC., personally known to me (or proved to me on the basis of satisfactory evidence) to be the parson whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature_____**(Seal)**

EXHIBIT F-1

Form of Quarterly Compliance Statement

THE UNDERSIGNED, of International House of Pancakes, Inc., a Delaware corporation (the "Borrower"), and , of IHOP Corp., a Delaware corporation ("Holdings"), pursuant to Section 8(A)(2) of the several Senior Note Purchase Agreements, dated as of November 19, 1992 (the "Purchase Agreements"), among the Borrower, Holdings, and the Purchasers listed in Schedule l thereto, do hereby certify as follows (capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreements):

(a) as at the end of the quarterly accounting period ending , the financial covenants set forth in Sections 11.2 through 11.8 of the Purchase Agreements, inclusive, have [have not] been met, and the maximum amount of dividends or distributions that could have been declared or paid pursuant to Section 11.5 of the Purchase Agreements is $, and attached hereto as Exhibit A are computations and other pertinent information demonstrating the accuracy of the matters set forth in this clause (a);

(b) attached hereto as Exhibit B are calculations setting forth the maximum amount of Funded Debt that could have been incurred as at the end of the quarterly

accounting period ending , pursuant to Sections 11.2(B) and 11.2(C) of the Purchase Agreements;

(c) as at the end of the quarterly accounting period ending , the Liens on Property or assets of Holdings or its Subsidiaries or securing Debt of Holdings or its Subsidiaries, as the case may be, do [do not] exceed the threshold set forth in Section 11.1(I) of the Purchase Agreements, and attached hereto as Exhibit C are computations and other pertinent information demonstrating the accuracy of the matters set forth in this clause (c); and

(d) attached hereto as Exhibit D are calculations (and materials in support of the basis therefor) setting forth the maximum amount of additional Funded Debt secured by Liens that could have been incurred under Section 11.1(I) of the Purchase Agreements.

IN WITNESS WHEREOF, the undersigned have signed their names this day of , .

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: _____
Name:
Title:

IHOP CORP.

By: _____
Name:
Title:

EXHIBIT F-2

Form of Compliance Certificate

THE UNDERSIGNED, , of International House of Pancakes, Inc., a Delaware corporation (the "Borrower"), and of IHOP Corp., a Delaware corporation ("Holdings"), pursuant to Section 8(C) of the several Senior Note Purchase Agreements, dated as of November , 1992 (the "Purchase Agreements"), among the Borrower, Holdings and the Purchasers listed in Schedule I thereto, do hereby certify as follows (capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreements):

Based upon such examination or investigation and review of the Purchase Agreements as in the opinion of the undersigned is necessary to enable the undersigned to express an informed opinion with respect thereto, no Default or Event of Default by Holdings, the Borrower or any of their Subsidiaries in the fulfillment of any of the terms, covenants, provisions or conditions of the Purchase Agreements exists or has existed during the period ending [, other than Default[s] or Event[s] of Default arising under Section(s) of the Purchase Agreements, as more fully described on Annex A hereto].*

IN WITNESS WHEREOF, the undersigned have signed their names this day of , .

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: _____
Name:
Title:

IHOP CORP.

By: _____
Name:
Title:

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* In the event such a Default or Event of Default exists or has existed, Annex A to this certificate shall specify the nature and period of existence thereof and what action Holdings, the Borrower or such Subsidiary, as the case may be, has taken, is taking or proposes to take with respect thereto.

EXHIBIT 4.2

IHOP CORP 10-K

IHOP Corp.

International House of Pancakes, Inc.

Senior Note Purchase Agreement

$35,000,000 7.42% Senior Notes Due 2008

Dated as of November 1, 1996

TABLE OF CONTENTS

INTERNATIONAL HOUSE OF PANCAKES, INC.
SENIOR NOTE PURCHASE AGREEMENT

November 1, 1996

To The Purchaser Whose Name
Appears in the Acceptance
Form at the End Hereof

Ladies and Gentlemen:

The undersigned, International House of Pancakes, Inc., a Delaware corporation (the "Borrower"), and IHOP Corp., a Delaware corporation of which the Borrower is a wholly owned Subsidiary ("Holdings"), hereby agree with you as follows:

Section 1. Authorization and Issue of Notes.

The Borrower has duly authorized the issue, sale and delivery of its 7.42% Senior Notes Due 2008 in the aggregate principal amount of $35,000,000, to be dated the date of issue thereof, to bear interest on the outstanding principal thereof (computed on the basis of a 360-day year of twelve 30-day months) from such date, payable in arrears in cash semi-annually on the eighth day of May and November in each year (commencing May 8, 1997) and at maturity, at the rate of 7.42% per annum, and to bear interest at a rate equal to the greater of 9.42% or the rate of interest announced publicly from time to time by Bank of America Illinois in Chicago, Illinois as its "prime rate" on any overdue principal and prepayment charge and, to the extent permitted by applicable law, on any overdue interest (determined as of the date such principal, payment charge or interest first becomes overdue), until the same shall be paid in full, to mature on November 1, 2008, and to be substantially in the form of Exhibit A hereto attached (all such Notes originally issued pursuant to this Agreement or the Other Agreements, or delivered in substitution or exchange for any thereof, being collectively called the "Notes" and individually a "Note").

You, together with the other purchasers named in Schedule I to this Agreement, are herein sometimes referred to collectively as the "Purchasers" and individually as a "Purchaser."

Section 2. Purchase and Sale of Notes.

Subject to the terms and conditions herein set forth, the Borrower hereby agrees to sell to you and you agree to purchase from the Borrower, Notes in the respective aggregate principal amounts set forth opposite your name in Schedule I hereto, at a purchase price of 100% of the principal amount thereof.

The purchase and delivery of the Notes to be purchased by you shall take place at the offices of Chapman and Cutler, 111 W. Monroe, Chicago, Illinois at 10:00 a.m., Chicago time on November 8, 1996 (or such other time and place as the parties shall agree provided, however, that in no event shall funding be provided after 1:00 p.m., New York time) (herein called the "Closing Date"). On the Closing Date, the Borrower will deliver to you Notes registered in your name or in the name of your nominee, each such Note to be duly executed and dated the Closing Date, each to be in the respective aggregate principal amounts to be purchased by you as specified above, in such denominations (multiples of $1,000) as you may specify by timely notice to the Borrower (or, in the absence of such notice, one Note registered in your name in a principal amount equal to the aggregate principal amount of Notes to be purchased by you), against your delivery to the Borrower of immediately available funds in the amount of the aggregate purchase price therefor.

Section 3. Payments of Notes.

Section 3.1 Mandatory Payments of Principal. The principal amount of the Notes shall be prepaid by the Borrower in installments, payable on each of the dates set forth below in the respective aggregate amounts set forth opposite such dates:

Payment Date	Principal Amount
November 1, 2000	$ 3,888,888.00
November 1, 2001	$ 3,888,888.00
November 1, 2002	$ 3,888,888.00
November 1, 2003	$ 3,888,888.00
November 1, 2004	$ 3,888,888.00
November 1, 2005	$ 3,888,888.00
November 1, 2006	$ 3,888,888.00
November 1, 2007	$ 3,888,888.00

provided, however, that if Notes aggregating less than $35,000,000 in principal amount are issued and sold pursuant to this Agreement and the Other Agreements, each of the prepayment amounts set forth above shall be reduced to an amount which is equal to the product achieved by multiplying each amount set forth above by a fraction, the numerator of which shall be the aggregate principal amount of all Notes issued and sold pursuant to this Agreement and the Other Agreements and the denominator of which shall be $35,000,000.

The entire remaining principal amount of the Notes shall become due and payable on November 1, 2008. Each payment of Notes made pursuant to this Section 3.1 shall be allocated as provided in Section 3.4.

Section 3.2. Optional Prepayments of the Notes. The Borrower, at its option, upon notice given as provided in Section 3.3, may, on any Interest Payment Date, prepay all or any part of the principal amount of outstanding Notes (in the minimum amount of $100,000 and additional increments of integral multiples of

$100,000), at a price equal to the sum of (i) the greater of the principal amount of the Notes being so prepaid or the Present Value

Amount of the Notes being so prepaid, plus (ii) all accrued but unpaid interest on the outstanding principal amount of the Notes being prepaid through the date of such prepayment.

Each prepayment made pursuant to this Section 3.2 shall be allocated as provided in Section 3.4. All principal amounts prepaid pursuant to this Section 3.2 shall be applied to reduce the amounts of the mandatory payments of principal thereafter due pursuant to Section 3.1 in the inverse order of maturity of those mandatory payments.

Section 3.3. Notice of Prepayment of the Notes. The Borrower shall call Notes for prepayment pursuant to Section 3.2 by giving written notice thereof to each holder of Notes, which notice shall be given not less than 30 nor more than 60 days prior to the date fixed for such prepayment in such notice and shall specify the principal amount so to be prepaid, the accrued interest applicable to such prepayment and the date fixed for such prepayment. Notice of prepayment having been so given, the aggregate amount to be paid as specified in such notice (together with the prepayment charge, if any) shall become due and payable on the specified prepayment date. At least three Business Days prior to the date of any such prepayment, the Borrower shall furnish to each holder of Notes, via telecopy (with delivery of the original by overnight courier on the next Business Day), an Officer's Certificate of the Borrower setting forth computations in reasonable detail showing an estimate of the prepayment charge, if any, required to be paid in connection with such prepayment, and the manner of calculation of the prepayment charge and attaching a copy of the source of market data by reference to which the Treasury Yield was determined in connection with such computations. No later than noon eastern time one Business Day prior to the date of any such prepayment, the Borrower shall furnish to each holder of Notes, via telecopy (with delivery of the original by overnight courier on the next Business Day), a certificate of an Appropriate Officer of the Borrower setting forth computations in reasonable detail showing the manner of calculation of the actual prepayment charge, if any, required to be paid in connection with such prepayment and attaching a copy of the source of market data by reference to which the Treasury Yield was determined in connection with such computations. Prior to 2:00 p.m. eastern time on the Business Day referred to in the immediately preceding sentence, the Borrower shall call each Purchaser to confirm receipt of such certificate.

Section 3.4. Allocation of Payments. In the event of any payment or prepayment of less than all of the outstanding Notes pursuant to Section 3.1 or Section 3.2, the Borrower shall allocate the principal amount so to be paid or prepaid by it (but only in units of $1,000) and the interest and prepayment charge if any, among the Notes in proportion, as nearly as may be practicable, to the respective unpaid principal amounts thereof.

Section 3.5. Surrender of Notes; Notation Thereon. Subject to the provisions of Section 16.1, the Borrower shall not, as a condition of payment of all or any part of the principal of, prepayment charge (if any) and interest on, any Note, require the holder to present such Note for notation of such payment or require the surrender thereof. Upon receipt of payment in full of the principal of, prepayment charge (if any) and interest on, any Note, such Note shall be deemed to be automatically cancelled, without any further

action on the part of the Borrower or the Noteholder. However, each Noteholder shall make reasonable efforts to promptly return all cancelled Notes .

Section 3.6. Purchase of Notes. Except as set forth in Section 3.1, 3.2 or the next following sentence of this Section 3.6, neither the Borrower nor Holdings will, nor will either of them permit any of its Subsidiaries or Affiliates to, acquire directly or indirectly by purchase or prepayment or otherwise any of the outstanding Notes except by way of payment or prepayment in accordance with the provisions of this Agreement. The Borrower may repurchase the Note or Notes of any holder provided that, prior to any such repurchase, the Borrower offers, in a written notice, to repurchase a Pro Rata Portion of each holders Notes on the same terms, and, at such time, the Borrower shall have sufficient funds then available to it to repurchase such Notes. Each holder of Notes shall have ten (10) Business Days after receipt of such written notice to accept or reject the Borrower's offer set forth in such notice. Failure of any holder of Notes to respond to any such notice within ten (10) Business Days after its receipt thereof shall be deemed to be a rejection of the offer therein. In the event that the Borrower has purchased less than the entire outstanding principal balance of the Notes, the amount of the principal balance so purchased shall be multiplied by a fraction, the numerator of which is 1 and the denominator of which is the number of scheduled principal payments pursuant to Section 3.1 (including the payment scheduled to be made on November 1, 2008) which have not yet been made as of the date of the purchase of the Notes and such product shall be deducted from each of the payments otherwise due following the date of the purchase of the Notes. The remaining payments due after giving effect to this deduction shall be allocated in accordance with Section 3.4.

Section 4. Representations and Warranties.

The Borrower and Holdings, jointly and severally, represent and warrant to Purchasers that:

Section 4.1. Corporate Existence and Power. Each of the Borrower, Holdings, and each of their respective Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and is duly qualified to do business in each additional jurisdiction where the failure to so qualify would have a Material Adverse Effect. Each of the Borrower, Holdings and each of their respective Subsidiaries has all requisite corporate power to own its Properties and to carry on its business as now being conducted and as proposed to be conducted, and in the case of the Borrower and Holdings to execute, deliver and perform its obligations under this Agreement and the Other Agreements, in the case of the Borrower to execute, issue, sell, deliver and perform its obligations under the Notes, in the case of the Subsidiary Guarantors to execute, deliver and perform their respective obligations under the Subsidiary Guarantees, and in the case of each such Person to engage in the respective transactions contemplated by this Agreement and the Other Agreements.

Section 4.2. Corporate Authority. The execution, delivery and performance (a) by the Borrower of this Agreement, the Other Agreements and the Notes, (b) by Holdings of this Agreement and the Other Agreements, and (c) by the Subsidiary Guarantors of the

Subsidiary Guarantees, are within the respective corporate powers of such Persons and have been duly authorized by all necessary corporate action on the part of the respective Boards of Directors and stockholders of each of them.

Section 4.3. Binding Effect. This Agreement and the Other Agreements are the legal, valid and binding obligations of the Borrower and Holdings, and the Notes when issued and delivered against payment therefor as herein provided will be the legal, valid and binding obligations of the Borrower; and the Subsidiary Guarantees will, when executed and delivered by the Subsidiary Guarantors on the Closing Date be the legal, valid and binding obligations of the Subsidiary Guarantors; in each case enforceable against such respective parties in accordance with their respective terms, except, in each case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws relative to or affecting the enforcement of creditors rights generally in effect from time to time and by general principles of equity.

Section 4.4. Capital Stock. (a) On the Closing Date, the authorized capital stock of the Borrower will consist of 1,000 shares of common stock, no par value, and all of the capital stock of the Borrower is validly issued, fully paid and non-assessable and owned, of record and beneficially, free and clear of any Liens, by Holdings. On the Closing Date, the Borrower will not have outstanding any securities convertible into or exchangeable for any of its capital stock, nor will it have outstanding any rights to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreements (contingent or otherwise) providing for the issuance of, or any calls, commitments or claims of any character relating to, any of its capital stock or any securities convertible into or exchangeable for any of its capital stock. The Borrower is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its capital stock, or to any obligation (contingent or otherwise) evidencing the right of the holder thereof to purchase any of its capital stock.

(b) On the Closing Date, the authorized capital stock of Holdings will consist of 40,000,000 shares of common stock and 10,000,000 shares of preferred stock. On the Closing Date, Holdings will not have outstanding any securities convertible into or exchangeable for any of its capital stock, nor will it have outstanding any rights to subscribe for or to purchase, or any options or warrants for the purchase of, or any agreements (contingent or otherwise) providing for the issuance of, or any calls, commitments or claims of any character relating to, any of its capital stock or any securities convertible into or exchangeable for any of its capital stock, except for options and other securities issued pursuant to the IHOP Corp. 1991 Stock Incentive Plan, as Amended and Restated on February 23, 1994 and the 1994 Stock Option Plan for Non-Employee Directors. Holdings is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its capital stock, or to any obligation (contingent or otherwise) evidencing the right of the holder thereof to purchase any of its capital stock.

Section 4.5. Business Operations and Other Information; Financial Condition. (a) The Borrower (or Bank of America NT & SA, on behalf of the Borrower) has delivered to you (or, in the case of clause (iv) below, made available and delivered to the extent

requested) true and complete copies of (i) the Confidential Private Placement Memorandum dated September 1996 prepared by the Borrower and Bank of America NT & SA in connection with the offering of the Notes to be purchased by you hereunder (together with the Exhibits thereto, the "Confidential Memorandum"), (ii) the audited consolidated balance sheets of Holdings and its Subsidiaries as at December 31 for 1991, 1992, 1993, 1994, and 1995, and the related audited consolidated statements of operations, shareholders equity and cash flows for the fiscal years ended December 31, 1991, 1992, 1993, 1994 and 1995, together with the notes thereto and the reports thereon of Coopers & Lybrand (the "Audited Financial Statements"), (iii) (A) the unaudited consolidating balance sheets of Holdings and its Subsidiaries as at December 31, 1995 and the related consolidating statements of operations for the fiscal year then ended and (B) the unaudited consolidated balance sheet of Holdings and its Subsidiaries as at June 30, 1996, and the related consolidated statements of operations, shareholders equity and cash flows for the six months then ended (the "Unaudited Financial Statements"; the Audited Financial Statements and the Unaudited Financial Statements are sometimes hereinafter collectively referred to as the "Financial Statements"), and (iv) the SEC Reports. The Confidential Memorandum and the SEC Reports correctly describe in all material respects the businesses, operations and principal Properties of Holdings, the Borrower and their Subsidiaries. The Financial Statements have been prepared in accordance with GAAP (except as noted thereon) consistently applied throughout the periods involved, and fairly present the consolidated and consolidating financial position of Holdings and its Subsidiaries as at each of the dates and for each of the periods covered thereby, subject to, in the case of the Unaudited Financial Statements, year-end audit adjustments and the notes required by GAAP and, with respect to the consolidating statements, the failure to prepare statements of cash flows and stockholders equity and the failure to include notes thereon as required by GAAP. As of the date of each of the balance sheets included in the Financial Statements, neither Holdings, the Borrower nor any of their Subsidiaries had any material Debt or liability, absolute or contingent, liquidated or unliquidated, except Debt and liabilities reflected or reserved against on the Financial Statements or described in the notes thereto. Neither Holdings nor any of its Subsidiaries has made any filing with the SEC on Form 8-K since December 31, 1995.

(b) Except as contemplated herein, or as disclosed in the Confidential Memorandum or the SEC Reports or on Schedule 4.5 hereto, or reflected in the Financial Statements, since December 31, 1995, neither Holdings, the Borrower nor any of their Subsidiaries has:

(1) incurred or assumed any Debt, obligations or liabilities which are, individually or in the aggregate, material (absolute, accrued, or contingent and whether due or to become due), except current liabilities incurred in the ordinary course of business, except as set forth in Schedule 4.8 attached hereto and except for Capitalized Leases not required to be disclosed on Schedule 4.8;

(2) paid any Debt (other than reductions of outstanding revolving Debt made during such period pursuant to the BA Credit Agreement), obligations or liabilities which are, individually or in the aggregate, material, other than current liabilities in the ordinary course of business, or discharged any Liens which are, individually or in

the aggregate, material, other than Liens securing current liabilities discharged in the ordinary course of business;

(3) declared or paid any dividend or distribution to its shareholders, or purchased or redeemed any of its shares, or incurred or paid any management fee or similar charge, or obligated itself to do so;

(4) subjected any of its Property to any Lien other than Permitted Liens;

(5) sold, disposed, transferred, licensed or released any of its Property except in the ordinary course of business;

(6) suffered any physical damage, destruction, or loss (whether or not covered by insurance) which had or could reasonably be expected to have a Material Adverse Effect;

(7) entered into any material transaction other than in the ordinary course of business;

(8) encountered any strike, work stoppage or other adverse collective labor action or any labor union organizing activities;

(9) issued or sold any shares or other securities or granted any material options or similar rights with respect thereto, except for the issuance or sale of shares or other securities pursuant to the 1991 IHOP Corp. Stock Incentive Plan as Amended and Restated on February 23, 1994 and the 1994 Stock Option Plan for Non-Employee Directors;

(10) made any change in accounting methods, practices or principles;

(11) waived, released, granted or transferred any rights having, individually or in the aggregate, material value, or modified or changed in any material respect any existing franchise, license, lease, contract or other document, other than in the ordinary course of business; or

(12) agreed to do any of the foregoing.

Section 4.6. Subsidiaries. Holdings has no direct equity interest in any Person other than the Borrower, and no indirect equity interest in any Person other than the Subsidiaries of the Borrower. Set forth on Schedule 4.6 attached hereto is a true and complete list of all Subsidiaries of the Borrower (the "Subsidiaries List"), setting forth as to each such Subsidiary its jurisdiction of incorporation and the percentage of capital stock of each such Subsidiary owned by the Borrower or a Subsidiary of the Borrower. On the Closing Date, (i) except as disclosed in the Financial Statements, the Borrower will have no direct or indirect equity interest in any Person other than the Subsidiaries listed on the Subsidiaries List, the Borrower will have good title to all of the shares it owns of each of its Subsidiaries,

free and clear in each case of any Lien, (ii) all such shares of each such Subsidiary will have been duly and validly issued, and will be fully paid and non-assessable and owned of record or beneficially by the Borrower and/or one or more of such Subsidiaries, and (iii) there will be no securities outstanding that are convertible into or exchangeable for any shares of the Borrower's Subsidiaries, nor will there be outstanding any rights to subscribe for or purchase, or any options or warrants for the purchase of, or any agreements (contingent or otherwise) providing for the issuance of, or any calls, commitments or claims of any character relating to, any shares of the Borrower's Subsidiaries or any securities convertible into or exchangeable for any such shares.

Section 4.7. Litigation; No Violation of Governmental Orders or Laws. Except as set forth on Schedule 4.7:

(a) There are no actions, suits or proceedings pending, or, to the knowledge of Holdings or the Borrower after due inquiry, threatened against or affecting Holdings or any of its Subsidiaries or any Properties or rights of any of them which, if adversely determined, individually or in the aggregate would have a Material Adverse Effect.

(b) There are no actions, suits or proceedings pending or, to the knowledge of Holdings or the Borrower after due inquiry, threatened against or affecting Holdings or any of its Subsidiaries which seek to enjoin, or otherwise prevent the consummation of, the transactions contemplated herein or to recover any damages or obtain any relief as a result of any of the transactions contemplated herein in any court or before any arbitrator of any kind or before or by any Governmental Body.

(c) Neither Holdings nor any of its Subsidiaries is or will be, after or as a result of giving effect to the transactions contemplated herein, in default under or in violation of any Order of any court, arbitrator or Governmental Body or of any statute or law or of any rule or regulation of any Governmental Body, which default or violation has or could reasonably be expected to have a Material Adverse Effect; and none of them is subject to or a party to any Order of any court or Governmental Body arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters.

(d) All cash payments required to be paid pursuant to that certain Settlement Agreement entered into on November 7, 1973, together with all amendments thereto, approved by an order dated November 29, 1973 of the United States District Court for the Western District of Missouri, with respect to In re: IHOP Franchise Litigation, M.D.L. Docket No. 77 have been paid, all litigation regarding such Settlement Agreement has been settled or dismissed and all payments required to be paid pursuant thereto have been paid, and all of the Borrower's current documents evidencing its franchising arrangements with its franchisees are in a form permitted by such Settlement Agreement.

Section 4.8. Outstanding Debt. Schedule 4.8 sets forth a correct and complete list and description of all Debt of Holdings and its Subsidiaries (after giving effect to the use of proceeds from the sale and issuance of the Notes) other than Capitalized Leases which (i) on any consolidated balance sheet of Holdings and its Subsidiaries would have a capitalized value of less than $2.5 million and (ii) cover Property on which a restaurant unit operated by the Borrower or a franchisee in the ordinary course is located and all Liens on Property of Holdings or its Subsidiaries securing such Debt outstanding or existing on the Closing Date (excluding any Debt evidenced by the Notes or any Guaranty thereof), and there exists no breach or default or event of default in the terms and provisions of any instrument, agreement or contract pertaining to any such Debt.

Section 4.9. Consent, Etc. No consent, approval or authorization of or declaration, registration or filing with any Governmental Body or any nongovernmental Person, including, without limitation, any creditor or shareholder of Holdings or any of its Subsidiaries, is required in connection with the execution or delivery of this Agreement, the Notes or the Subsidiary Guarantees, or the performance by the Borrower, its Subsidiaries and Holdings of their respective obligations hereunder and thereunder, or as a condition to the legality, validity or enforceability of this Agreement or the Notes or the Subsidiary Guarantees, except for any thereof as are set forth on Schedule 4.9, all of which have been made or obtained and are in full force and effect and except for declarations, registrations or filings with Governmental Bodies which, in accordance with law, are to be made following the Closing Date.

Section 4.10. Title to Properties. Holdings and each of its Subsidiaries (after giving effect to the use of proceeds from the sale and issuance of the Notes) have (i) good and marketable fee simple title to their respective real Properties (other than real Properties which are leased from others), subject to no Lien of any kind except Permitted Liens, and (ii) good title to all of their other respective Properties and assets (other than Properties and assets leased from others), subject to no Lien of any kind except Permitted Liens. Holdings and each of its Subsidiaries have possession, not subject to encumbrances which materially affect the rights of the lessee thereunder, under all leases under which they are lessees (subject to the rights of sublessees, in their capacities as sublessees under subleases entered into in the ordinary course of the Borrower's business), whether of realty or personalty, to which they respectively are parties, none of which contains any unusually burdensome provisions, and all such leases are the legal, valid and binding obligations of those of Holdings, the Borrower and their Subsidiaries which are parties thereto and, to the knowledge of Holdings and the Borrower, the other parties thereto and each is subsisting and in full force and effect. Neither Holdings nor any of its Subsidiaries is in material breach or violation of the terms of any such lease, and neither Holdings nor the Borrower knows of any material breach or violation of any of such lease by any third party.

Each of the leases under which Holdings or any of its Subsidiaries is a lessee is in substantially the form of Exhibit E hereto, if IHOP Realty is the lessor. Each such lease is the legal, valid and binding obligation of Holdings or of the Subsidiary of Holdings which is the lessee thereunder and IHOP Realty. Neither Holdings nor the Borrower is aware of the

existence of a material breach or default under any such lease, and each such lease is in full force and effect on the Closing Date.

Each lease or sublease under which Holdings or any of its Subsidiaries is lessor or sublessor is free of unusually burdensome provisions and all such leases and subleases are the legal, valid and binding obligations of those of Holdings, the Borrower and their Subsidiaries which are parties thereto and, to the knowledge of Holdings and the Borrower, the other parties thereto and each is, to the knowledge of Holdings and the Borrower, subsisting and in full force and effect. Neither Holdings nor any of its Subsidiaries is in material breach or violation of the terms of any such lease, and neither Holdings nor the Borrower knows of any breach or violation of any such lease by any third party, which breach or violation could be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 4.11. Taxes. Holdings and each of its Subsidiaries has filed (or has had filed on its behalf), all federal, state and local tax returns, which are required to have been filed by any of them, and there have been paid all taxes shown to be due and payable on such returns and all other material taxes and assessments payable by any of them, to the extent the same have become due and payable and before they have become delinquent. Except as set forth in Schedule 4.11, no material tax assessment against Holdings or any of its Subsidiaries has been proposed and all of their respective tax liabilities are adequately provided for or reserved against on their respective books and financial statements in accordance with GAAP. Neither Holdings nor any of its Subsidiaries have taken any reporting position for which it does not have a reasonable basis. The tax returns of Holdings and its Subsidiaries are currently being audited as set forth in Schedule 4.11. Schedule 4.11 sets forth consents to the waiver or extension of relevant statutes of limitations.

Section 4.12. No Conflicts with Agreements, Etc. Neither the execution and delivery of this Agreement, the Other Agreements, the Subsidiary Guarantees or the Notes, nor the offering, issuance or sale of the Notes nor the fulfillment of or compliance with the terms and provisions hereof or thereof, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in the creation of any Lien on any Properties or assets of Holdings or any of its Subsidiaries, or cause Holdings or any of its Subsidiaries to be unable to pay any of its Debt when due, or result in any violation of, or require for its validity any authorization, consent, approval, exemption or other action by, or notice to any Governmental Body or any of the stockholders of Holdings or any of its Subsidiaries, pursuant to the charter or by-laws of any of them, or pursuant to any award of any arbitrator, or pursuant to any material contract, agreement, mortgage, indenture, lease, instrument, Order, statute, law, rule or regulation to which any of them or any of their respective assets is

subject. Neither Holdings nor any of its Subsidiaries is in violation of, or in default under, any (i) Order, law or administrative regulation binding upon it or any of its Properties, or (ii) contract, mortgage, indenture, lease, instrument or agreement binding upon it or any of its Properties, which breach, conflict, violation or default could reasonably be expected to have a Material Adverse Effect.

Section 4.13. Disclosure. Neither this Agreement, the Subsidiary Guarantees nor any other document, certificate or statement furnished to any Purchaser by or on behalf of the

Borrower, Holdings or any of their Subsidiaries in connection herewith, including the Confidential Memorandum and the SEC Reports, contained (when taken together, to the extent that any later document supersedes or supplements an earlier document), as of its respective date, or now contains, any untrue statement of a material fact or as of any such date omitted, or now omits, to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to the Borrower or Holdings which now has or in the future could reasonably be expected to have (so far as the Borrower or Holdings can reasonably foresee) a Material Adverse Effect other than (i) facts with respect to economic conditions, generally and (ii) facts that have been disclosed to the Purchasers in writing in connection with this transaction.

Section 4.14. Offering of Securities. None of Holdings, the Borrower, any of their Subsidiaries or any of their representatives has, directly or indirectly, offered any of the Notes or any security similar to any of them for sale to, or solicited any offers to buy any of the Notes, the Subsidiary Guarantees or any security similar to any of them from, or otherwise approached or negotiated with respect thereto with, more than 44 Persons including you, and none of Holdings, the Borrower, any of their Subsidiaries or any such representative has taken or will take any action which would subject the issuance or sale of any of the Notes to the registration requirements of Section 5 of the Securities Act or violate the provisions of any securities or Blue Sky laws of any applicable jurisdiction.

Section 4.15. Broker's or Finder's Commissions. Neither the Borrower, Holdings nor any of their Subsidiaries has engaged any broker or finder other than Bank of America NT & SA with respect to the issuance and sale of the Notes. The Borrower and Holdings agree, jointly and severally, to indemnify you and hold you harmless against any loss, cost, claim or liability (including, without limitation, reasonable attorneys fees and disbursements for the investigation and defense of claims) arising out of or relating to any claim for a fee or commission by any such actual or alleged broker or finder.

Section 4.16. Labor Matters. During the past five years there has been no strike, work stoppage, slowdown or other labor dispute or grievance involving Holdings or any of its Subsidiaries, or employees of any of such Persons, which has had or could reasonably be expected to have a Material Adverse Effect, nor to the knowledge of Holdings or the Borrower after due inquiry is any such action, dispute or grievance currently pending or threatened against Holdings or its Subsidiaries. Except as set forth on Schedule 4.16, none of Holdings or any of its Subsidiaries is a party to any collective bargaining agreement and none of them has any knowledge after due inquiry of any pending or threatened effort to organize any employees of Holdings or any of its Subsidiaries. There are currently no pending retaliatory or wrongful discharge claims or federal, state or local employment discrimination charges or complaints or administrative or judicial complaints arising therefrom pending against Holdings or any of its Subsidiaries, or any employees of any of such Persons, which has had or could reasonably be expected to have a Material Adverse Effect, nor to the knowledge of the Borrower or Holdings after due inquiry are any such charges or complaints threatened against Holdings or any of its Subsidiaries. The Borrower and its Subsidiaries are in compliance with all applicable federal, state and local statutes, laws, rules, ordinances, regulations, codes, licenses and orders relating to the employment of

labor, including, without limitation, any provisions thereof relating to wages, bonuses, collective bargaining agreements, equal pay, occupational safety and health, equal employment opportunity and wrongful or retaliatory termination of employment, except where non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 4.17. Environmental Matters. Except as disclosed in the SEC Reports or on Schedule 4.17,

(a) there is no Environmental Matter relating to Holdings or any of its Subsidiaries or any Properties of any of such Persons, which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and Holdings and the Borrower are aware of no facts that could reasonably be expected to result in any such Environmental Matter. Neither Holdings nor any of its Subsidiaries has agreed to assume by contract with any Person or consent order or other written agreement with a Governmental Body any liability of any other Person for cleanup, compliance, or required capital expenditures in connection with any Environmental Matter arising prior to the date hereof and, to the best knowledge of Holdings and the Borrower, no such liability has arisen by operation of law;

(b) the Properties presently and, to the best knowledge of Holdings and the Borrower, previously used, owned, leased, operated, managed or controlled by Holdings or any of its Subsidiaries are free of contamination from Hazardous Materials, including, without limitation, any contamination of the associated air, soil, groundwater or surface waters, except for such instances of contamination as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(c) Holdings and its Subsidiaries are currently in compliance in all material respects with all applicable Environmental Laws, are not currently in receipt of any notice of violation, are not currently in receipt of any notice of any potential liability for cleanup of Hazardous Materials and are not now subject to any investigation known to Holdings or the Borrower, or information request by a Governmental Body concerning Hazardous Materials or any Environmental Laws. Holdings and its Subsidiaries hold and are in compliance in all material respects with all governmental permits, licenses, and authorizations necessary to operate their businesses that relate to siting, wetlands, coastal zone management, air emissions, discharges to surface or ground water, discharges to any

sewer or septic system, noise emissions, solid waste disposal or the generation, use, transportation or other management of Hazardous Materials. Neither Holdings nor any of its Subsidiaries has generated, manufactured, refined, recycled, discharged, emitted, released, buried, processed, produced, reclaimed, stored, treated, transported, or disposed of any Hazardous Materials except in compliance with all applicable laws and regulations, including permit requirements (except for such instances of non- compliance as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect);

(d) no Properties of Holdings or any of its Subsidiaries are subject to any material Lien or claim for material Lien in favor of any Person as a result of any Environmental Matter or response thereto;

(e) no Hazardous Materials, including leachate and effluents, generated, disposed of, transported, managed or released by Holdings or any of its Subsidiaries have caused or are reasonably likely to cause in whole or in part any contamination or injury to any Person, Property or the environment, except for such contamination or injury as could not reasonably be expected to have, individually, or in the aggregate, a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries has handled, transported, disposed of or managed any Hazardous Material in any manner that may reasonably be expected to form the basis for any present or future claim, demand or action seeking cleanup of any site, location, or body of water, surface or subsurface, except for such claims, demands or actions as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and none of them has any material liabilities, absolute or contingent, on the date hereof with respect thereto; and

(f) to the best knowledge of Holdings and the Borrower, all facilities where any Person has treated, stored, disposed of, reclaimed, or recycled any Hazardous Material on behalf of Holdings or any of its Subsidiaries are in compliance in all material respects with all applicable Environmental Laws.

Section 4.18. Margin Regulations. None of Holdings or any of its Subsidiaries owns or now intends to acquire any "margin stock" as defined in Regulation G of the Board of Governors of the Federal Reserve System of the United States (12 CFR 207). No part of the proceeds from the sale of the Notes will be used, and no part of the proceeds of any loans repaid with the proceeds from the sale of the Notes was used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System of the United States (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve any of Holdings or any Subsidiary in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Neither Holdings, any of its Subsidiaries nor any agent acting on behalf of Holdings or any such Subsidiary has taken or will take any action which might cause this Agreement or the Notes to violate Regulation G, Regulation X, Regulation T or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or as the same may hereafter be in effect. As used in this Section, the term "purpose of buying or carrying" has the meaning assigned thereto in the aforesaid Regulation G.

Section 4.19. Compliance with ERISA. (a) No Pension Plan which is subject to Part 3 of Subtitle B of Title 1 of ERISA or Section 412 of the Code had an accumulated funding deficiency (as such term is defined in Section 302 of ERISA or Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year that such Pension Plan heretofore ended;

(b) no liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred and is outstanding with respect to any Pension Plan, and there has not been any Reportable Event, or any other event or condition, which presents a material risk of involuntary termination of any Pension Plan by the PBGC;

(c) neither any Multiemployer Plan or Plan nor any trust created thereunder, nor any trustee or administrator thereof, has, to the knowledge of Holdings or the Borrower, engaged in a prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) that could subject Holdings or any of its Subsidiaries or ERISA Affiliates to any material tax or penalty on prohibited transactions imposed under said Section 4975;

(d) no material liability has been incurred and is outstanding with respect to any Multiemployer Plan as a result of the complete or partial withdrawal by Holdings or any of its Subsidiaries or ERISA Affiliates from such Multiemployer Plan under Title IV of ERISA, nor has Holdings or any of its Subsidiaries or ERISA Affiliates been notified by any Multiemployer Plan that such Multiemployer Plan is currently in reorganization or insolvency under and within the meaning of Section 4241 or 4245 of ERISA or that such Multiemployer Plan intends to terminate or has been terminated under Section 4041A of ERISA;

(e) Holdings and its Subsidiaries and ERISA Affiliates are in compliance in all material respects with all applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder with respect to all Plans and Multiemployer Plans;

(f) as of the Closing Date, the actuarial present value of all benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under all Pension Plans that are subject to Title IV of ERISA did not exceed the fair market value of the assets allocable to such liabilities, determined as if all such Plans were terminated as of the Closing Date, and by using the Plans actuarial assumptions as set forth in the most recent actuarial report pertaining to each Plan;

(g) as of the Closing Date, none of Holdings, the Borrower or any of their Subsidiaries or ERISA Affiliates is a party to a "multiple employer plan" (as defined in 29 CFR 2530.210(c)(3)) or, except as set forth on Schedule 4.19, a Multiemployer Plan. With respect to the Multiemployer Plan listed on Schedule 4.19, as of the Closing Date, such Multiemployer Plan has no unfunded vested benefits within the meaning of Section 4213(c) of ERISA for which Holdings, the Borrower or any of their Subsidiaries or ERISA Affiliates is or could become liable;

(h) no event has occurred with respect to any Plan or with respect to any other employee benefit pension plan (as defined in Section 3(2) of ERISA) established or maintained at any time during the five-year period immediately preceding the Closing Date for the benefit of employees of Holdings or any of its Subsidiaries or ERISA Affiliates which presents a risk of material liability of Holdings or any of its Subsidiaries or ERISA Affiliates under Section 4069 of ERISA;

(i) there are no material liabilities under the Plans that are employee welfare benefit plans (as defined in Section 3(l) of ERISA) providing for medical, health, life or other welfare benefits that are not insured by fully paid non-assessable insurance policies, and no such Plan provides for continued medical, health, life or other welfare benefits for employees after they leave the employment of Holdings or any of its Subsidiaries or ERISA Affiliates (other than any such welfare benefits required to be provided under the Consolidated Omnibus Budget Reconciliation Act or other similar law); and

(j) Schedule 4.19 contains a complete and accurate list of each of the employee benefit plans (as defined in Section 3(3) of ERISA) with respect to which the Borrower or Holdings or any of their respective Subsidiaries or ERISA Affiliates is a "party in interest" as defined in Section 3 of ERISA or a "disqualified person" as defined in Section 4975 of the Code.

Section 4.20. Material Contracts. Each of the Material Contracts is valid, subsisting and in full force and effect, and neither Holdings nor any of its Subsidiaries is in breach or violation of the terms, conditions or provisions of any of the Material Contracts to which it is a party which is reasonably likely to have a Material Adverse Effect. On the Closing Date, neither Holdings nor any of its Subsidiaries will be a party to any Material Contract or be subject to any restriction contained in the charter or by-laws of any of them which has or is reasonably likely to have a Material Adverse Effect.

Section 4.21. Insurance. All policies of workers compensation, general liability, fire, property, casualty, marine, business interruption, errors and omissions, flood and other insurance carried by Holdings and its Subsidiaries are in full force and effect on the date hereof, and neither Holdings nor any of its Subsidiaries has received notice of cancellation with respect to any such policy.

Section 4.22. Status under Certain Laws. None of Holdings or any Subsidiary of Holdings is an "investment company" or a "person directly or indirectly controlled by or acting on behalf of an investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 4.23. Intentionally Deleted.

Section 4.24. Possession of Franchises, Licenses, Etc. Holdings and its Subsidiaries possess all franchises, certificates, licenses, permits, registrations, and other authorizations from national, state and local governmental or regulatory authorities, free from unusually burdensome restrictions, that are necessary for the ownership, maintenance and operation of their respective Properties and assets, and for the conduct of their respective businesses as now conducted and as described in the Confidential Memorandum, and none of Holdings or any of its Subsidiaries is in violation of any thereof in any material respect.

Section 4.25. Franchises. Except as set forth on Schedule 4.25, each of the Borrower's franchisees has entered into documents evidencing its franchising arrangement with the Borrower (including the sublease, if any, from the Borrower of the franchised premises) which, with respect to such arrangements initially entered into prior to 1979 (or renewed, on substantially similar terms and conditions since that date) were entered into (or renewed, as the case may be) in accordance with all then applicable laws and regulations including, without limitation, all applicable disclosure periods and waiting requirements and, with respect to such arrangements entered into since 1979, are substantially in the forms of the agreements attached as Exhibit G hereto which are substantially in the same form as the exhibits to the Franchise Offering Circular for Prospective Franchisees Required by the Federal Trade Commission as in effect on the date such arrangements were entered into (the "Offering Circular") and such documents have been entered into in accordance with all applicable laws and regulations, including, without limitation, all applicable disclosure requirements and waiting periods. All such franchising documents are in full force and effect and neither Holdings nor the Borrower is aware of any breaches of any such documents by the franchisees thereunder which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 4.26. Use of Proceeds. The proceeds from the sale and issuance of the Notes will be used (i) to fund capital expenditures, (ii) to refinance existing Debt of the Borrower, and (iii) for general corporate purposes.

Section 4.27. Patents and Trademarks. Holdings and each Subsidiary own or possess all the patents, trademarks, trade names, service marks, copyright, licenses and rights with respect to the foregoing necessary for the present and planned future conduct of their respective businesses, without any known conflict with the rights of others.

Section 4.28. Compliance with Laws. Neither Holdings nor any of its Subsidiaries is in violation of any federal, state or local law, statute, regulation, ordinance or rule which violation could reasonably be expected to have a Material Adverse Effect.

Section 4.29. Franchisees. Except as disclosed in the SEC Reports, during the fiscal year ended December 31, 1995, no franchisee accounted for more than 10% of Holdings' consolidated revenues from sales of products or services or royalties.

Section 4.30. Other Agreements. Simultaneously with the execution and delivery of this Agreement, the Borrower and Holdings are entering into the Other

Agreements, which are identical in all respects with this Agreement (except for the respective principal amounts of Notes to be purchased) with the other Purchasers named in Schedule I hereto. The purchases by you and said other Purchasers are to be separate and several transactions.

Section 4.31. Solvency. On the Closing Date, and after the payment of all estimated legal, investment banking, accounting and other fees related hereto, Holdings and each of its Subsidiaries will be Solvent.

Section 4.32. Foreign Assets Control Regulations. Neither the sale of the Notes by the Borrower hereunder nor the use of the proceeds thereof as contemplated hereby will violate the Foreign Assets Control Regulations, the Transaction Control Regulations, the Cuban Assets Control Regulations, the Iranian Transactions Regulations, the Iranian Assets Control Regulations, the Libyan Sanctions Regulations, the Iraqi Sanctions Regulations, or the Haitian Transaction Regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), or the restrictions on transactions with Yugoslavia contained in Executive Orders 12808 and 12810, dated May 30, 1992 and June 5, 1992, respectively .

Section 5. Representation of Purchasers.

You represent, and in making this sale to you it is specifically understood and agreed, that:

Section 5.1. Authority. You are authorized to enter into this Agreement and to perform your obligations hereunder and to consummate the transactions contemplated hereby.

Section 5.2. Investment Intent. You represent, and in entering into this Agreement the Company understands, that you are acquiring the Notes for the purpose of investment and not with a view to the distribution thereof, and that you have no present intention of selling, negotiating or otherwise disposing of the Notes; provided that the disposition of your property shall at all times be and remain within your control.

Upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the Notes shall bear a legend in substantially the following form:

This Note Has Not Been Registered under the Securities Act of 1933, as amended, and May Not Be Sold or Otherwise Transferred in the Absence of Such Registration or an Exemption Therefrom.

Section 5.3. Source of Funds. You represent that at least one of the following statements concerning each source of funds to be used by you to purchase the Notes is accurate as of the Closing Date:

(a) the source of funds to be used by you to pay the purchase price of the Notes is an “insurance company general account” within the meaning of Department of Labor Prohibited Transaction Exemption (“PTE”) 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceed ten percent (10%) of the total reserves and liabilities of such general

account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement filed with your state of domicile;

(b) all or a part of such funds constitute assets of one or more separate accounts, trusts or a commingled pension trust maintained by you, and you have disclosed to the Company the names of such employee benefit plans whose assets in such separate account or accounts or pension trusts exceed 10% of the total assets or are expected to exceed 10% of the total assets of such account or accounts or trusts as of the date of such purchase (for the purpose of this clause (b), all employee benefit plans maintained by the same employer or employee organization are deemed to be a single plan);

(c) all or part of such funds constitute assets of a bank collective investment fund maintained by you, and you have disclosed to the Company the names of such employee benefit plans whose assets in such collective investment fund exceed 10% of the total assets or are expected to exceed 10% of the total assets of such fund as of the date of such purchase (for the purpose of this clause (c), all employee benefit plans maintained by the same employer or employee organization are deemed to be a single plan);

(d) all or part of such funds constitute assets of one or more employee benefit plans, each of which has been identified to the Company in writing;

(e) you are acquiring the Notes for the account of one or more pension funds, trust funds or agency accounts, each of which is a “governmental plan” as defined in Section 3(32) of ERISA;

(f) the source of funds is an “investment fund” managed by a “qualified professional asset manager” or “QPAM” (as defined in Part V of PTE 84-14, issued March 13, 1984), provided that no other party to the transactions described in this Agreement and no “affiliate” of such other party (as defined in Section V(c) of PTE 84-14) has at this time, and during the immediately preceding one year has exercised the authority to appoint or terminate said QPAM as manager of the assets of any plan identified in writing pursuant to this clause (f) or to negotiate the terms of said QPAMs management agreement on behalf of any such identified plans; or

(g) if you are other than an insurance company, all or a portion of such funds consists of funds which do not constitute "plan assets."

The Company shall deliver a certificate on the Closing Date which certificate shall either state that (i) it is neither a "party in interest" (as defined in Title I, Section 3(14) of ERISA) nor a "disqualified person" (as defined in Section 4975(e)(2) of the Internal Revenue Code of 1986, as amended), with respect to any plan identified pursuant to paragraphs (b), (c) or (d) above, or (ii) with respect to any plan identified pursuant to paragraph (f) above, neither it nor any "affiliate" (as defined in Section V(c) of PTE 84-14) is described in the proviso to said paragraph (f). As used in this Section 5.3, the terms

"separate account," "employer securities," and "employee benefit plan" shall have the respective meanings assigned to them in ERISA and the term "plan assets" shall have the meaning assigned to it in Department of Labor Regulation 29 C.F.R. (S)2510.3-101.

Section 5.4. Investor Status. You are an "accredited investor" within the meaning of Rule 501 under the Securities Act .

Section 6. Conditions to Obligations of the Purchasers.

Your obligation to purchase and pay for the Notes to be purchased by you hereunder on the Closing Date shall be subject to the satisfaction, on or before the Closing Date, of the following conditions:

Section 6.1. Proceedings Satisfactory. All corporate and other proceedings taken or to be taken by Holdings and its Subsidiaries in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

Section 6.2. Opinion of Purchasers' Special Counsel. You shall have received from Chapman and Cutler, who are acting as special counsel for you in connection with this transaction, an opinion addressed to you and dated the Closing Date, substantially in the form of Exhibit B. Such opinion shall also cover such other matters incident to the matters herein contemplated as you may reasonably request.

Section 6.3. Opinion of Counsel to the Borrower and Holdings. You shall have received from Skadden, Arps, Slate, Meagher & Flom, special counsel to the Borrower, Holdings and the Subsidiary Guarantors, and Mark D. Weisberger, General Counsel to the Borrower, Holdings and the Subsidiary Guarantors, legal opinions addressed to you and dated the Closing Date. Such opinions shall cover the matters set forth in the form of legal opinion attached hereto as Exhibit C, and shall also cover such other matters incident to the matters herein contemplated as you may reasonably request.

Section 6.4. Representations and Warranties True, Etc.; Certificates. The representations and warranties contained in Section 4 of this Agreement shall be true on and as of the Closing Date with the same effect as if such representations and warranties had been made on and as of the Closing Date. The Borrower shall have performed all agreements on its part required to be performed under this Agreement prior to the Closing Date; there shall exist on the Closing Date no Default or Event of Default; the Borrower and Holdings shall have delivered to you an Officers Certificate, dated the Closing Date, to the effect of the foregoing clauses of this Section 6.4, and Sections 6.5, 6.6 and 6.7, and certifying that, on the Closing Date, giving effect to the transactions contemplated by this Agreement and the Other Agreements, the Borrower and its Subsidiaries could incur $1.00 of additional Debt pursuant to Section 11.2(c); and you shall have received such certificates or other evidence

as you may request to establish that the proceeds of the sale of the Notes on the Closing Date will be applied as contemplated by Section 4.26.

Section 6.5. Absence of Material Adverse Change, Etc. Since December 31, 1995, no change or changes shall have occurred to the business, operations, Properties, assets, income, prospects or condition, financial or otherwise, of Holdings and its Subsidiaries, taken as a whole, which you reasonably believe in good faith to constitute a Material Adverse Effect.

Section 6.6. Consents and Approvals. All necessary consents, approvals and authorizations of, and declarations, registrations and filings with, Governmental Bodies and nongovernmental Persons required in order to consummate the transactions contemplated herein shall have been obtained or made and shall be in full force and effect except for declarations, registrations or filings with Governmental Bodies which, in accordance with law, are to be made following the Closing Date.

Section 6.7. Absence of Litigation, Orders, Etc. Except as disclosed on Schedule 4.7 attached hereto, there shall not be pending or, to the knowledge of Holdings or the Borrower after due inquiry, threatened, any action, suit, proceeding, governmental investigation or arbitration against or affecting any of Holdings or its Subsidiaries or their respective assets or Property (and, as to any action, suit, proceeding, governmental investigation or arbitration so disclosed, there shall not have occurred since the date of this Agreement any development) which seeks to enjoin or restrain any of the transactions contemplated herein or which you reasonably believe in good faith could have a Material Adverse Effect. No Order of any court, arbitrator or Governmental Body shall be in effect which purports to enjoin or restrain any of the transactions contemplated herein or which you reasonably believe in good faith to constitute a Material Adverse Effect.

Section 6.8. Other Purchasers. The other Purchasers referred to in Section 1 shall have purchased and made payment for the Notes to be purchased by them pursuant to the Other Agreements referred to in said Section.

Section 6.9. Legal Investment. Your purchase of and payment for the Notes to be purchased by you hereunder on the Closing Date shall be permitted by the laws and regulations of the jurisdictions to which you are subject, including without limitation all applicable laws and regulations regulating investments for life insurance companies (without reference to any "basket" or "leeway" provision which permits the making of an investment without restriction as to the character of the particular investment being made); and you shall have received such certificates or other evidence as you may request to establish compliance with this condition.

Section 6.10. Amendments to Outstanding Debt Agreements. You shall have received on or prior to the Closing Date all amendments or waivers to the outstanding Debt agreements of the Borrower which are necessary to permit the compliance by the Borrower with the closing conditions set forth in this Section 6 as of the Closing Date in form and substance reasonably satisfactory to you.

Section 6.11. Fees. The fees and out-of-pocket expenses and disbursements incurred by Chapman and Cutler in connection with the preparation of this Agreement and the transactions contemplated hereby shall be paid in full on the Closing Date.

Section 6.12. PPN Number. You shall have been supplied with a private placement number for the Notes from Standard and Poor's Corporation.

Section 6.13. Subsidiary Guarantees. IHOP Realty, IHOP Properties and IHOP Restaurants shall have each executed and delivered a Subsidiary Guarantee.

Section 6.14. Intercreditor Agreement. An Intercreditor Agreement in the form of Exhibit H attached hereto shall have been duly executed and delivered by the parties thereto and shall be in full force and effect and you shall have received a true, correct, and complete copy thereof.

Section 6.15. Corporate Status and Documentation.

(a) Certificates of Incorporation. You shall have received true and correct copies of the Certificates of Incorporation of Holdings, the Borrower and the Subsidiary Guarantors, together with all amendments thereto, certified as of a recent date by the Secretary of State of the jurisdiction of incorporation of each such Person.

(b) Secretarys Certificate. You shall have received certificates dated the Closing Date of the Secretary or an Assistant Secretary of each of Holdings, the Borrower and the Subsidiary Guarantors, duly certifying that:

(i) attached thereto is a true, complete and correct copy of the by- laws of such Person, which have been in full force and effect since the date specified in such certificate and to which no amendments or modifications have been made since such date;

(ii) attached thereto is an incumbency certificate, in a format satisfactory to the Purchasers, duly executed by the Secretary or an Assistant Secretary and those other officers of such Person who have executed documents and agreements in connection with the transactions hereby contemplated; and

(iii) attached thereto are true and correct copies of the resolutions, in form and substance satisfactory to the Purchasers, adopted by the Board of Directors or authorized Executive Committee of such Person (with evidence of such authorization), evidencing, with respect to such Person, approval of the transactions contemplated by this Agreement, the Other Agreements, the Notes, the Subsidiary Guarantees and the other documents and instruments executed and delivered in connection therewith or pursuant thereto, and authorizing the appropriate officers of such Person to negotiate the form of, and to execute and deliver, this Agreement, the Other Agreements, the Notes, the Subsidiary Guarantees and such other documents and instruments (in each

case to the extent such Person is a party thereto), with such modifications as such authorized officers shall approve.

(c) Good Standing Certificates. You shall have received a certificate of recent date of the Secretary of State or other appropriate official of the jurisdiction of incorporation of Holdings, the Borrower and the Subsidiary Guarantors certifying that each such Person is in good standing in its jurisdiction of incorporation. You shall also have received certificates of recent date of the appropriate governmental officials in the jurisdiction in which Holdings, the Borrower or the Subsidiary Guarantors conducts the material portion of its business as a foreign corporation or owns a material portion of assets certifying that the Borrower, Holdings or the Subsidiary Guarantors, as the case may be, is in good standing as a foreign corporation in such jurisdiction, except where the failure to so qualify would not have a Material Adverse Effect.

Section 7. Conditions to Obligations of the Borrower.

The Borrower's obligation to issue and sell the Notes to be sold by it hereunder on the Closing Date shall be subject to the satisfaction, on or before the Closing Date, of the following conditions:

Section 7.1. Representations and Warranties True, Etc. The representations and warranties contained in Section 5 of this Agreement shall be true on and as of the Closing Date with the same effect as if such representations and warranties had been made on and as of the Closing Date.

Section 7.2. Absence of Litigation, Orders, Etc. There shall not be pending or, to the knowledge of Holdings or the Borrower after due inquiry, threatened, any

action, suit, proceeding, governmental investigation or arbitration against or affecting any of Holdings or its Subsidiaries or their respective assets or Property which seeks to enjoin or restrain any of the transactions contemplated herein. No Order of any court, arbitrator or Governmental Body shall be in effect which purports to enjoin or restrain any of the transactions contemplated herein.

Section 7.3. Other Purchasers. Notes representing no less than $30 million of initial principal amount shall have been purchased by the Purchaser and Purchasers purchasing Notes pursuant to the Other Agreements on the Closing Date.

Section 8. Financial Statements and Information.

The Borrower and Holdings will furnish to you and to any of your Purchaser Affiliates, so long as you or such Purchaser Affiliate shall be obligated to purchase or shall hold any Notes, and to each other institutional holder of any Notes (such a holder in any such case being hereinafter called an "Eligible Holder"), in duplicate:

(A) as soon as available and in any event within 45 days after the end of each of the first three quarterly accounting periods in each fiscal year of Holdings ("quarterly accounting period"),

(1) either (a) copies of Holdings' Quarterly Report on Form l0-Q for the quarterly accounting period then ended, as filed with the SEC or (b) if Holdings is not subject to Section 13 or 15(d) of the Exchange Act, copies of the consolidated balance sheet of Holdings and its Subsidiaries as of the end of the quarterly accounting period and of the related consolidated statements of operations, shareholders equity and cash flows for such accounting period, all in reasonable detail and stating in comparative form the consolidated figures as of the end of and for the corresponding date and period in the previous fiscal year, all Certified by an Appropriate Officer of Holdings; and

(2) a written statement in the form of Exhibit F-1 hereto executed by Appropriate Officers of Holdings and the Borrower setting forth computations or other pertinent information in reasonable detail showing as at the end of such quarterly accounting period (a) whether or not the financial covenants set forth in Sections 11.2 through 11.8 hereof, inclusive, have been met, accompanied by calculations setting forth the maximum amount of Funded Debt that could have been incurred pursuant to Sections 11.2(B) and 11.2(C) hereof, and the maximum amount of dividends or distributions that could have been declared or paid pursuant to Section 11.5 hereof, and (b) whether or not Liens on Property or assets of Holdings or its Subsidiaries or securing Debt of Holdings or its Subsidiaries, as the case may be, exceed the threshold set forth in Section 11.1(I) hereof, accompanied by calculations setting forth the maximum amount of additional Funded Debt secured by Liens that could have been incurred under Section 11.1(I) hereof (a "Quarterly Compliance Statement");

(B) as soon as available and in any event within 90 days after the end of each fiscal year of Holdings,

(1) either (a) copies of Holdings' Annual Report on Form 10-K and Annual Report to Shareholders, in each case, for the year then ended and as filed with the SEC together with copies of the consolidating balance sheets of Holdings and its Subsidiaries as of the end of such fiscal year and the related consolidating statements of operations, or (b) if Holdings is not subject to Section 13 or 15(d) of the Exchange Act, copies of the consolidated and consolidating balance sheets of Holdings and its Subsidiaries as of the end of such fiscal year, and of the related consolidated and consolidating statements of operations and the related consolidated statements of shareholders' equity and cash flows, together with the notes to such consolidated statements, which consolidated statements state in comparative form the respective consolidated figures as of the end of and for the previous fiscal year, and in the case of such consolidated financial statements referred to in subclauses (a) or (b), accompanied by a report thereon of Coopers & Lybrand or other independent

public accountants of recognized national standing selected by Holdings (the "Accountants"), which report shall be unqualified as to going concern and scope of audit and shall state that such consolidated financial statements present fairly the consolidated financial position of Holdings and its Subsidiaries as at the end of such fiscal year and the consolidated results of operations and cash flow for such fiscal year in conformity with GAAP, and that the examination by the Accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards. Together with each delivery of financial statements or Annual Reports required by this subparagraph (1), the Accountants shall deliver to Holdings or the Borrower (which recipient shall deliver the same to each Purchaser, Purchaser Affiliate and Eligible Holder) their report (on which the Purchasers, Purchaser Affiliates and Eligible Holders shall be entitled to rely) stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any Default or Event of Default or, if any such Default or Event of Default has occurred, specifying the nature and period of existence thereof; and

(2) a Quarterly Compliance Statement.

(C) concurrently with the financial statements or reports furnished pursuant to Subsections A and B of this Section 8, a certificate of Appropriate Officers of the Borrower and Holdings in the form of Exhibit F2, stating that, based upon such examination or investigation and review of this Agreement as in the opinion of the signer is necessary to enable the signer to express an informed opinion with respect thereto, no Default or Event of Default by Holdings, the Borrower or any of their Subsidiaries in the fulfillment of any of the terms, covenants, provisions or conditions of this Agreement exists or has existed during such period or, if such a Default or Event of Default shall exist or have existed, the nature and period of existence thereof and what action Holdings, the Borrower or such Subsidiary, as the case may be, has taken, is taking or proposes to take with respect thereto;

(D) promptly after the same are available and in any event within 15 days thereof, copies of all such proxy statements, financial statements, notices and

reports as Holdings or any of its Subsidiaries shall send or make available generally to any of their security holders, and copies of all regular and periodic reports and of all registration statements which Holdings or any of its Subsidiaries may file with the SEC or with any securities exchange;

(E) promptly (and in any event within 5 days) after becoming aware of (1) the existence of any Default or Event of Default, a certificate of Appropriate Officers of Holdings and the Borrower specifying the nature and period of existence thereof and what action the Borrower or Holdings is taking or proposes to take with respect thereto; or (2) any Debt of Holdings, the Borrower or any Subsidiary being declared due and payable before its expressed maturity,

because of the occurrence of any default (or any event which, with notice and/or the lapse of time shall constitute any such default) under such Debt or the agreement pursuant to which such Debt was issued, a certificate of an Appropriate Officer describing the nature and status of such letters and what action Holdings or such Subsidiary is taking or proposes to take with respect thereto; provided, however, that any Default or Event of Default which is deemed to have arisen upon Holdings or the Borrower's failure to promptly notify the Purchasers of another Default or Event of Default in accordance with this Section 8(E) shall be deemed to be waived so long as (i) such underlying Default or Event of Default as to which notice is required to be given (the "Underlying Default") has been completely cured; (ii) the Underlying Default, if it had not been completely cured, would not have had a Material Adverse Effect and (iii) notice of the Underlying Default is delivered within 30 days of its occurrence;

(F) promptly and in any event within 10 days after Holdings or the Borrower knows or, in the case of a Pension Plan has reason to know, that a Reportable Event with respect to any Pension Plan has occurred, that any Pension Plan or Multiemployer Plan is or may be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA, or that Holdings or any of its Subsidiaries or ERISA Affiliates will or may incur any material liability to or on account of a Pension Plan or Multiemployer Plan under Title IV of ERISA or any other material liability under ERISA has been asserted against Holdings or any of its Subsidiaries or ERISA Affiliates, a certificate of an Appropriate Officer of Holdings setting forth information as to such occurrence and what action, if any, Holdings or such Subsidiary or ERISA Affiliate is required or proposes to take with respect thereto, together with any notices concerning such occurrences which are (a) required to be filed by Holdings or such Subsidiary or ERISA Affiliate or the plan administrator of any such Pension Plan controlled by Holdings or such Subsidiary or ERISA Affiliate with the Internal Revenue Service or the PBGC, or (b) received by Holdings or such Subsidiary or ERISA Affiliate from any plan administrator of a Pension Plan not under their control or from a Multiemployer Plan;

(G) promptly after the Borrower or Holdings becomes aware of any Material Adverse Effect with respect to which notice is not otherwise required to be given pursuant to this Section 8, a certificate of an Appropriate Officer setting forth the details of such Material Adverse Effect and stating what action Holdings, the Borrower or any of their respective Subsidiaries has taken or proposes to take with respect thereto;

(H) promptly (and in any event within 15 days) after the Borrower or Holdings knows of (a) the institution of, or threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting Holdings or any of its Subsidiaries or any Property of any of them, or (b) any material development in any such action, suit, proceeding, governmental investigation or arbitration, which, in either case, is likely to have a Material Adverse Effect, a certificate of an Appropriate Officer describing the nature and status of such matter in reasonable detail;

(I) in the event that Borrower is no longer a consolidated Subsidiary of Holdings, financial statements of Borrower and its consolidated Subsidiaries at such times and in such form (together with such certifications) as are required to be delivered pursuant to Sections 8(A), (B) and (C);

(J) to the extent prepared, not later than 90 days following the end of each fiscal year of Holdings, a copy of the consolidated budget of Holdings and its Subsidiaries prepared by Holdings for the next succeeding fiscal year; and

(K) any other information, including financial statements and computations, relating to the performance of obligations arising under this Agreement and/or the affairs of Holdings, the Borrower or any of their Subsidiaries that the Purchaser or any other Eligible Holder may from time to time reasonably request and which is capable of being obtained, produced or generated by Holdings, the Borrower or such Subsidiary or of which any of them has knowledge, including, without limitation, a brief statement describing any significant events relating to Holdings, the Borrower and their Subsidiaries for any fiscal period.

It is further understood and agreed that, for the purpose of effecting compliance with Rule 144A promulgated by the SEC in connection with any resales of Notes that may hereafter be effected pursuant to the provisions of such Rule, if Holdings is not subject to Section 13 or 15(d) of the Exchange Act, each prospective purchaser of Notes designated by a holder thereof shall have the right to obtain from Holdings and the Borrower, upon the written request of such holder, the information required pursuant to Rule 144A(d)(4) under the Securities Act.

Each of Holdings and the Borrower will keep at its principal executive office a true copy of this Agreement, and cause the same to be available for inspection at said offices during normal business hours by any holder of any of the Notes or any prospective purchaser of any thereof designated by the holder thereof.

Section 9. Inspection of Properties and Books

Each of the Borrower and Holdings agrees that you or any Qualified Holder who agrees to abide by the confidentiality requirement set forth below in this Section may, so long as you or such Qualified Holder owns any Notes, after giving reasonable notice to Holdings and the Borrower, visit at your or its own expense the offices and Properties of Holdings, the Borrower or any of their Subsidiaries, and may examine and make copies of the relevant books and records, and discuss the affairs, finances and accounts of such companies with their officers and public accountants (and by this provision the Borrower and each Subsidiary hereby authorizes said accountants to discuss with you or such Qualified Holder its affairs, finances and accounts) all at reasonable times

during normal business hours as often as you or it may reasonably desire.

At any time when a Default or an Event of Default shall have occurred and be continuing, the Borrower shall be required to pay or reimburse you or any such Qualified

Holder for expenses which you or such Qualified Holder may reasonably incur in connection with any such visitation or inspection.

You and any other Qualified Holder shall use such information only for your own purposes, shall keep it confidential and shall not disclose it to any third person (other than a Purchaser Affiliate or an affiliate of a Qualified Holder or accountants engaged by you or such Qualified Holder), except for disclosures to: (i) such Qualified Holders or Purchaser Affiliates directors, trustees, partners, officers, employees, agents and professional consultants, (ii) any other Noteholder, (iii) any Person to which such Qualified Holder offers to sell such Note or any part thereof, (iv) any Person to which such Qualified Holder sells or offers to sell a participation in all or any part of such Note, (v) any Person from which such Qualified Holder offers to purchase any security of the Borrower, (vi) any federal, state or Canadian provincial regulatory authority having jurisdiction over such Qualified Holder, (vii) the National Association of Insurance Commissioners or any similar organization, (viii) any nationally recognized financial rating service that is rating or reviewing the rating of the Notes or (ix) any other Person to which such delivery or disclosure may be necessary or appropriate (a) in compliance with any law, rule, regulation or order applicable to such Qualified Holder, (b) in response to any subpoena or other legal process or informal investigative demand, (c) in connection with any litigation to which such Qualified Holder is a party, or (d) to protect such Qualified Holders investment in the Notes; provided, however, that, (1) prior to any disclosure of any such information to any Person described in clause (iii), (iv) or (v) above, such Person agrees to keep any non-public information so delivered to it confidential or (2) if you (or such Qualified Holder) are required to disclose any such information in connection with judicial or governmental proceedings, you (or such Qualified Holder) shall provide the Borrower and Holdings with prompt prior notice of such requirement. Any bona fide transferee of any Note (or any participant in your interest in the Notes), by its acceptance thereof, shall be bound by the provisions of this Section 9 to the same extent as you are bound.

Section 10. Affirmative Covenants

The Borrower and Holdings covenant and agree that so long as any of the Notes shall be outstanding:

Section 10.1. Payment of Principal, Prepayment Charge and Interest, Etc. The Borrower will duly and punctually pay the principal of, prepayment charge (if any) and interest on the Notes in accordance with the terms of such Notes and this Agreement. The Borrower and Holdings will comply with all of the covenants, agreements and conditions contained in this Agreement.

Section 10.2. Payment of Taxes and Claims. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to, pay before they become delinquent:

(A) all taxes (including excise taxes), assessments and governmental charges or levies imposed upon it or its income or profits or upon its Property, real, personal or mixed, or upon any part thereof;

(B) all claims for labor, materials and supplies which, if unpaid, might result in the creation of a Lien upon its Property; and

(C) all claims, assessments, or levies required to be paid by any of them pursuant to any agreement, contract, law, ordinance or governmental rule or regulation governing any pension, retirement, profit-sharing or any similar plan; provided, that the taxes, assessments, charges and levies described in this Section 10.2 need not be paid while being diligently contested in good faith and by appropriate proceedings so long as adequate book reserves have been established with respect thereto in accordance with GAAP. The Borrower and Holdings will timely file, and will cause their Subsidiaries to file, all tax returns required to be filed in connection with the payment of taxes required by this Section 10.2.

Section 10.3. Maintenance of Properties and Corporate Existence. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to:

(A) maintain its Property in good condition and make all renewals, repairs, replacements, additions, betterments, and improvements thereto as are necessary in the reasonable opinion of management;

(B) keep books, records and accounts in accordance with GAAP;

(C) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and powers and franchises including, without limitation thereof, any necessary qualification or licensing in any foreign jurisdiction; and

(D) comply with all applicable statutes, regulations, franchises, and orders of, and all applicable restrictions imposed by, any Governmental Body (all as now or at any time hereafter may be in effect), in respect of the conduct of its business and the ownership of its Properties (including, without limitation, applicable statutes, rules, ordinances, regulations and Orders relating to Environmental Laws), except where non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 10.4. Insurance. Holdings and the Borrower will maintain, and will cause to be maintained on behalf of each Subsidiary, insurance coverage by financially sound and reputable insurers, against such casualties and contingencies, of such types (including without limitation public liability, workmens compensation, larceny and embezzlement or other criminal misappropriation insurance) and in such amounts as are prudent, and in any event in such amounts as are adequate to cover foreseeable losses to the business of Holdings, the Borrower and their Subsidiaries. The Borrower or Holdings shall furnish to the Purchasers on or prior to the Closing Date a summary of insurance presently in force in a separate letter.

Section 11. Negative and Maintenance Covenants

The provisions of this Section 11 shall remain in effect so long as any Notes shall remain outstanding.

Section 11.1. Restrictions on Liens. Holdings and the Borrower covenant that they will not, nor will they permit any Subsidiary to, directly or indirectly, create, assume or suffer to exist any Lien upon any of their respective Properties or assets whether now owned or hereafter acquired, except for :

(A) Liens for taxes, assessments or governmental charges or claims the payment of which is not at the time required by Section 10.2;

(B) Statutory Liens of landlords, and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being diligently contested in good faith, so long as a reserve or other appropriate provision, if any, shall have been made therefore;

(C) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with obligations not due or delinquent with respect to workers compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(D) Any attachment or judgment Lien (including judgment or appeal bonds) which shall, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or which shall have been discharged within 30 days after the expiration of any such stay, or which is being diligently contested in good faith so long as a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefore;

(E) Easements, rights-of-way, restrictions and other similar rights in land which do not, individually or in the aggregate, materially detract from the value of such Property and do not interfere with the ordinary conduct of the business of Holdings, the Borrower or any of their Subsidiaries;

(F) Liens securing Debt of a Subsidiary to the Borrower or Holdings;

(G) Liens (other than Liens created pursuant to Capitalized Leases) existing on the date hereof and described in Schedule 4.8 attached hereto, securing Debt not exceeding $1,500,000 in the aggregate in principal amount;

(H) Liens pursuant to Capitalized Leases existing on the Closing Date and Liens created following the Closing Date pursuant to Capitalized Leases so long as, with respect to Liens pursuant to Capitalized Leases created following the Closing Date, the Funded Debt represented by such Capitalized Leases is permitted pursuant to Section 11.2(C); and

(I) Liens including Liens arising out of purchase money financing not otherwise permitted by the foregoing clauses of this Section 11.1 securing Debt (without duplication) of Holdings, the Borrower or any Subsidiary of Holdings or the Borrower, provided that the sum of (i) the principal amount of such Debt plus (ii) unsecured Debt (other than Additional Permitted Guarantees) of Subsidiaries of Holdings (other than the Borrower) and Subsidiaries of the Borrower not otherwise permitted under Section 11.4(A) does not exceed at any time 15% of Consolidated Tangible Net Worth.

The Liens referred to in Section 11.1(A) through (I) are herein collectively referred to as “Permitted Liens,” individually, a “Permitted Lien.”

Section 11.2. Limitation on Funded Debt. Holdings and the Borrower shall not, and shall not permit (except to the extent permitted in Section 11.4) any Subsidiary to, incur Funded Debt other than:

(A) the Notes, the Guarantee of Holdings as set forth herein and the Subsidiary Guarantees and all Funded Debt of Holdings, the Borrower and their Subsidiaries existing as of the Closing Date, as set forth on Schedule 4.8 attached hereto;

(B) any replacement, refinancing or extension of any Funded Debt, provided that the aggregate principal amount of such Funded Debt (or, if such Funded Debt is issued with an original issue discount, the original issue price of such Funded Debt) does not exceed the then outstanding principal amount of the Funded Debt so replaced, refinanced or extended (or, if the Funded Debt being replaced, refinanced or extended was issued with an original issue discount, the original issue price plus the amortized portion of the original issue discount to the date that such Funded Debt is replaced, refinanced or extended); and

(C) Additional Funded Debt of Holdings, the Borrower and their Subsidiaries, provided that after giving effect to such incurrence (including payment of interest and principal following such incurrence) and to the application of any proceeds thereof (i) the ratio of Consolidated Income Available for Fixed Charges

to Fixed Charges would be not less than that ratio required to be maintained pursuant to Section 11.8 and (ii) the aggregate consolidated Funded Debt (without duplication) of Holdings, the Borrower and their Subsidiaries would not exceed 50% of Total Capitalization, measured in each case on a pro forma basis as of the most recently ended fiscal quarter as if such incurrence had occurred on the last day of such fiscal quarter.

Section 11.3. Consolidated Tangible Net Worth. Holdings and its Subsidiaries shall not permit Consolidated Tangible Net Worth at any time to be less than the sum of $66,843,000 plus 50% of Consolidated Net Income (but only if a positive number) on a cumulative basis from June 30, 1996, to and including any date of determination hereunder.

Section 11.4. Limitation on Debt of Subsidiaries. Holdings and the Borrower shall not permit any of their Subsidiaries (other than the Borrower) to incur any Debt other than:

(A) Debt owed to Holdings or the Borrower or to a wholly-owned Subsidiary of Holdings or the Borrower in each case by a direct or indirect wholly-owned Subsidiary of the creditor thereunder; and

(B) additional Debt (other than Additional Permitted Subsidiary Guarantees), provided that the sum of the aggregate principal amount of such Debt plus the aggregate principal amount of all other Debt (without duplication) of Holdings, the Borrower and any of their Subsidiaries which is secured by Liens not permitted by Sections 11.1(A) through (H) does not exceed 15% of Consolidated Tangible Net Worth.

Section 11.5. Restricted Payments; Restricted Investments. Holdings will not, directly or indirectly, through any Subsidiary or otherwise, (a) pay or declare any dividend on any class of its capital stock (but may declare and pay dividends payable solely in capital stock or warrants, rights or options to acquire capital stock) or make any other distribution on account of any class of its capital stock; retire, redeem, purchase or otherwise acquire, directly or indirectly, any shares of any class of its capital stock or any warrants, rights or options to acquire any such shares (other than any such redemption, retirement, purchase or other acquisition in which the consideration paid by Holdings or such Subsidiary consists solely of shares of capital stock of Holdings); or make or provide for any mandatory sinking fund payments required in connection with any class of its capital stock (all of the foregoing being called “Restricted Payments”) or (b) make any Restricted Investment, unless after giving effect to any Restricted Payment or Restricted Investment the cumulative aggregate amount of all Restricted Payments and Restricted Investments made by Holdings and its Subsidiaries after June 30, 1996 would not exceed the sum of: (i) $28,843,000 plus (ii) 50% of cumulative Consolidated Net Income from June 30, 1996 through the date of determination (or if Holdings and its Subsidiaries on a consolidated basis have a cumulative Consolidated Net Loss for such period, then minus 100% of such Consolidated Net Loss), plus (iii) the net proceeds from the issuance or sale of any shares of any class of equity securities of Holdings which are not mandatorily redeemable or otherwise subject to repurchase, retirement, call, put or other reacquisition prior to or on the maturity date of the Notes (and not subject to acceleration or redemption repurchase, retirement, call, put or other reacquisition prior to the maturity date of the Notes) received after June 30, 1996; provided that at the time of any such Restricted Payment or Restricted Investment, both immediately before and immediately after giving effect thereto, (a) no Default or Event of Default shall have occurred and be continuing, and (b) Holdings, the Borrower and their Subsidiaries shall be able to incur, pursuant to Section 11.2(C)(ii) above, at least $1 of additional Funded Debt. So long as no Default or Event of Default has occurred or would

be continuing after giving effect thereto, this Section 11.5 shall not prevent (a) the payment of any dividend within 60 days after the date of its declaration if the dividend would have been permitted on the date of its declaration, or (b) the acquisition, repurchase, retirement, call, put or redemption of any shares of capital stock of Holdings out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of Holdings) of, shares of capital stock of Holdings, provided that any such acquisition, repurchase, retirement, call, put or redemption shall be deemed to be a Restricted Payment for the purpose of determining the ability of Holdings and its Subsidiaries to make future Restricted Payments.

Section 11.6. Sale of Assets. Holdings and the Borrower shall not, and shall not permit any of their Subsidiaries to, effect a Disposition of any assets unless (i) no Default or Event of Default has occurred (except in the case of subclause (a) below) and is continuing, and (ii) one of the following applies:

(a) such Disposition is in the ordinary course of business, including, without limitation, (i) sales and leases of operating restaurants and (ii) financings in connection with asset securitization programs, each in accordance with the Borrower’s ordinary course franchising or financing operations and made pursuant to the reasonable business judgment of the Borrower in accordance with past practice;

(b) in each fiscal year, Holdings, the Borrower and their respective Subsidiaries may effect Dispositions (other than Qualifying Dispositions of Excepted Properties) of assets for Fair Market Value and which (A) have an aggregate Book Value, together with all other assets disposed of in that fiscal year (other than Dispositions permitted by clause (a), (c) or (d) of this Section 11.6), of less than 10% of Gross Assets on a consolidated basis determined as at the date of such sale; (B) generate, together with all other assets disposed of in that fiscal year (other than Dispositions permitted by clause (a), (c) or (d) of this Section 11.6), net income, which is less than 10% of the Consolidated Net Income (in each case, determined as of the end of the immediately preceding fiscal year); and (C) together with all assets previously disposed of since September 30, 1996 (other than Dispositions permitted by clause (a), (c) or (d) of this Section 11.6), have an aggregate Book Value of less than 25% of Gross Assets on a consolidated basis determined as at the date of such sale, provided that after giving effect to any Disposition described in this subsection (b), Holdings, the Borrower or any of their Subsidiaries could incur at least $1 of additional Funded Debt without being in default of their obligations under Section 11.2(C)(ii);

(c) such Dispositions are made for Fair Market Value and the proceeds of such Disposition are used (i) within six months following such Disposition, to purchase assets (“Business Asset Acquisition”) used in the operations of the Borrower or (ii) to repay Debt of Holdings or its Subsidiaries which is not junior

in right of payment to the Notes; or

(d) the assets disposed of were disposed of for Fair Market Value (taking into consideration the rental rate to be paid by the Borrower in connection with the

Disposition and leaseback of the assets so disposed of) and were constructed or acquired following September 30, 1996 and are immediately leased back from the purchaser thereof by Holdings or any of its Subsidiaries; provided that no assets may be sold and leased back pursuant to this clause (d) following the third anniversary of the acquisition or construction of such assets by Holdings, the Borrower or any of their Subsidiaries.

Section 11.7. Consolidation or Merger. Holdings and the Borrower covenant that neither of them will, nor will they permit any of their respective Subsidiaries to, enter into any transaction of merger or consolidation, whether in one transaction or a series of related or unrelated transactions and whether at the same time or over a period of time, provided that:

(A) (i) the Borrower may merge with Holdings or any of Holdings other Subsidiaries, (ii) Holdings may merge with the Borrower or any of Holdings other Subsidiaries and (iii) any Subsidiary may merge with Holdings, the Borrower or any other Subsidiary, so long as, with respect to any mergers of Holdings, the Borrower or any Subsidiary Guarantor in which such party is not the surviving Person, (a) the surviving Person of such transaction shall be a solvent U.S. or Canadian corporation, and such surviving Person shall have assumed in writing all of the obligations of the Borrower, Holdings or such Subsidiary Guarantor, as the case may be, under this Agreement, the Notes and the Subsidiary Guarantees, as the case may be, a copy of which writing shall be provided to you and each holder of Notes not less than 10 Business Days prior to any such transaction and which shall be acceptable in form and substance to the Majority Holders, (b) at the time of, and immediately after giving effect to, any such consolidation or merger, no Default or Event of Default shall have occurred and be continuing, and (c) immediately after any such consolidation or merger, the surviving Person could incur an additional $1 of Funded Debt pursuant to Section 11.2(C)(ii) hereof; and

(B) Holdings or the Borrower may merge with any other Person so long as (i) the surviving Person of such transaction shall be a solvent U.S. or Canadian corporation, and such surviving Person shall have assumed in writing all of the obligations of the Borrower under the Notes and this Agreement or of Holdings under this Agreement, as the case may be, a copy of which writing shall be provided to you and each holder of Notes not less than 10 Business Days prior to any such transaction and which shall be acceptable in form and substance to the Majority Holders, (ii) at the time of, and immediately after giving effect to, any such consolidation or merger, no Default or Event of Default shall have occurred and be continuing, and (iii) immediately after any such consolidation or merger, the surviving or continuing Person could incur an additional $1 of Funded Debt pursuant to Section 11.2(C)(ii) hereof.

Section 11.8. Maintenance of Fixed Charge Coverage. Holdings and the Borrower covenant that on the last day of any quarterly accounting period of Holdings and its Subsidiaries, the ratio of Consolidated Income Available for Fixed Charges to Fixed Charges

for the period consisting of any four of the immediately preceding five quarterly accounting periods shall not be less than 1.5 to 1.

Section 11.9. Transactions with Affiliates. Each of Holdings and the Borrower covenants that it will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any Property or the rendering of any service), with any Affiliate on terms that are less favorable to Holdings, the Borrower or such Subsidiary, as the case may be, than those that would be obtainable at the time in an arms length transaction with any Person who is not such an Affiliate; provided, however, that this Section shall not prohibit the payment of compensation and benefits to directors and officers of Holdings, the Borrower and their Subsidiaries in the ordinary course of business and consistent with past practices.

Section 11.10. Acquisition of Margin Securities. Each of Holdings and the Borrower covenants that it will not, and will not permit any of its Subsidiaries to, own, purchase or acquire (or enter into any contract to purchase or acquire) any “margin stock” as defined by any regulation of the Board of Governors of the United States Federal Reserve System as now in effect or as the same may hereafter be in effect unless, prior to any such purchase or acquisition or entering into any such contract, the holders of the Notes shall have received an opinion of counsel satisfactory to the holders of the Notes to the effect that such purchase or acquisition will not cause this Agreement or the Notes to be in violation of Regulation G or any other regulation of such Board then in effect.

Section 11.11. Conduct of Business. Each of Holdings and the Borrower covenants that it will not, and will not permit any of its Subsidiaries to, engage in any business activity if, such business activity would result in a substantial change in the general nature of the business of Holdings and its Subsidiaries, taken as a whole, from that described in the Confidential Memorandum.

Section 12. Definitions

(A) For the purposes of this Agreement, the following terms shall have the following respective meanings:

“Acceleration Price” is defined in Section 13.2(A) hereof.

“Accountants” has the meaning specified in Section 8.

“Additional Permitted Subsidiary Guarantees” shall mean those Guarantees delivered by any Subsidiary Guarantor which guarantees Debt of the Borrower the

beneficiaries of which are or become a party to, and thereby agree to undertake and perform the duties, rights and obligations of a party under, the Intercreditor Agreement.

"Affiliate" shall mean any Person (other than a Subsidiary) (i) which directly or indirectly controls, or is controlled by, or is under common control with, Holdings,

(ii) which beneficially owns or holds 10% or more of any class of the Voting Stock of Holdings, (iii) 10% or more of the Voting Stock of which is beneficially owned or held by Holdings or a Subsidiary of Holdings or (iv) any officer or director of Holdings or any of its Subsidiaries. For purposes of this definition, "control" of a Person shall mean the power, direct or indirect, (i) to vote or direct the voting of a majority of the Voting Stock of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Appropriate Officer" shall mean, with respect to any corporation, such corporations President, Vice President, Chief Executive Officer, Chief Financial Officer, Treasurer or Controller.

"Audited Financial Statements" has the meaning specified in Section 4.5(a).

"BA Credit Agreement" shall mean that certain Letter Agreement dated as of June 30, 1993 among Bank of America Illinois, Holdings and the Borrower, as amended by (i) a letter dated July 15, 1993, (ii) the First Amendment to the Letter Agreement dated as of December 31, 1994, (iii) the Second Amendment to the Letter Agreement dated as of March 11, 1996, (iv) the Third Amendment to the Letter Agreement dated as of September 3, 1996, and (v) the Fourth Amendment to the Letter Agreement dated as of November 1, 1996, providing for certain credit facilities to the Borrower.

"Board" means the Board of Directors of any corporation or a committee of said corporation having authority to exercise, when the Board of Directors is not in session, the powers of the Board of Directors (subject to any designated limitations) in the management of the business and affairs of said corporation.

"Book Value" of an asset of any Person means the value of such asset as reported in the books and records of such Person in accordance with GAAP. "Borrower" means International House of Pancakes, Inc., a Delaware corporation, or any successor thereto.

"Business Asset Acquisition" is defined in Section 11.6 hereof. "Business Day" means any day except a Saturday, a Sunday or a legal holiday in Chicago, Illinois.

"Capitalized Lease" means a lease of Property which in accordance with GAAP should be capitalized on the balance sheet of any Person.

"Capitalized Lease Obligations" shall mean the aggregate rentals due and to become due under all Capitalized Leases which any Person, as a lessee, would be required to reflect as a liability on the consolidated balance sheet of such Person in accordance with GAAP.

"Certified" when used with respect to any financial information of any Person to be certified by any of its officers, indicates that such information is to be accompanied by a certificate to the effect that such financial information has been prepared in accordance with GAAP consistently applied, subject in the case of interim financial information to non-recurring material year-end audit adjustments, and presents fairly the information contained therein as at the dates and for the periods covered thereby.

"Closing Date" has the meaning specified in Section 2.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidential Memorandum" has the meaning specified in Section 4.5(a).

"Consolidated Income Available for Fixed Charges" means the sum of (a) Consolidated Net Income, (b) consolidated income tax expense of Holdings and its Subsidiaries determined in accordance with GAAP and (c) Fixed Charges.

"Consolidated Net Income or Loss" shall mean the Net Income or Loss of Holdings, the Borrower and their Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Net Worth" shall mean shareholders equity of Holdings and its Subsidiaries less intangible assets booked after the Closing Date, less Restricted Investments in excess of 10% of shareholders equity of Holdings and its Subsidiaries at any date of determination, all as determined for Holdings and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Debt" with respect to any Person means, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) the liability of such Person created by granting a Lien to which the property or assets of such Person are subject whether or not such Person has assumed or become legally liable for the payment of any obligation (provided that, if such obligation has not been assumed or become the legal liability of such Person, the amount of the liability shall be deemed to be in an amount not to exceed the Fair Market Value of the property to which the Lien relates, as determined in good faith by such Person), (iii)

Capitalized Lease Obligations of such Person, to the extent such obligations exceed accounts receivable by such Person as lessor under direct financing leases with franchisees so long as such direct financing leases are, at the time of determination to the best knowledge of the lessor thereunder, valid and enforceable against their lessees and are current as to payment and not otherwise in default to the extent that there is a reasonable likelihood that any such lease would be terminated by the lessor prior to its stated expiration and (iv) the aggregate amount of all Guarantees given by such Person with respect to any of the foregoing.

"Default" means any event or condition which, with due notice or lapse of time or both, would become an Event of Default.

"Disposition" shall mean any sale, transfer, assignment, lease, conveyance or other disposition of any asset.

"Eligible Holder" has the meaning specified in Section 8.

"Environmental Laws" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (S)(S) 9601 to 9675, the Resource Conservation and Recovery Act, 42 U.S.C. (S)(S) 6901 to 6992, the Emergency Planning and Community Right to Know Act, 42 U.S.C. (S)(S) 11001 to 11050, the Safe Drinking Water Act, 42 U.S.C. (S)(S) 300f to 300j-26, the Hazardous Materials Transportation Act, 49 U.S.C.A. (S)(S) 1801 to 1819, the Clean Air Act, 42 U.S.C. (S)(S) 7401 to 7671q, the Clean Water Act, 33 U.S.C. (S)(S) 1251 to 1387, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. (S)(S) 136 to 136y, the Noise Control Act, 42 U.S.C. (S)(S) 4901 to 4918, the Occupational Safety and Health Act, 29 U.S.C.A. (S)(S) 651 to 678, the Toxic Substances Control Act, 15 U.S.C. (S)(S) 2601 to 2671, any so-called "Superfund" or "Superlien" law, any regulation promulgated under any of the foregoing or any other Federal, state, or local statute, law, ordinance, code, rule, regulation, order, decree, common law or other requirement of any Governmental Body regulating or imposing liability or standards of conduct concerning the environment, health and safety, or any Hazardous Material.

"Environmental Matter" means any claim, investigation (known to Holdings or the Borrower), litigation, administrative proceeding, whether pending or, to the knowledge of Holdings or the Borrower, threatened, or judgment or Order, relating to any Hazardous Materials, the release thereof, or any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

"ERISA Affiliate" means any corporation or other Person which is a member of the same controlled group (within the meaning of Section 414(b) of the Code) of corporations or other Persons as Holdings or any of its Subsidiaries, or which is under common control (within the meaning of Section 414(c) of the Code) with Holdings or any of its Subsidiaries, or any corporation or other Person which is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) with Holdings or any of its Subsidiaries, or any corporation or other Person which is required to be aggregated with Holdings or any of its Subsidiaries pursuant to Section 414(o) of the Code or the regulations promulgated thereunder.

"Event of Default" has the meaning specified in Section 13.

"Excepted Properties" means the real property of Holdings, the Borrower or any of their Subsidiaries and the buildings and improvements constructed thereon at each of the following locations: (1) Store #5, Hollywood, California; (2) Store #471, Fairfax, Virginia; (3) Store #496, Leesburg, Virginia; (4) Store #690, Santa Rosa, California; and (5) Store #1436, Houston, Texas.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar U.S. statute then in effect, and a reference to a particular section thereof shall include a reference to the comparable section, if any, of any such similar U.S. statute.

"Fair Market Value" means what a willing buyer would pay to a willing seller in an arms-length transaction.

"Financial Statements" has the meaning specified in Section 4.5(a).

"Fixed Charges" means the sum of (a) Interest Expense and (b) rental expense under operating leases, all as determined for Holdings and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Funded Debt" shall mean (i) all Debt of a Person (other than Guarantees) having a final maturity of more than one year from the date of incurrence thereof (or which is renewable or extendible at the option of the obligor for a period or periods of more than one year from the date of incurrence), including all payments in respect thereof that are required to be made within one year from the date of any determination of Funded Debt, whether or not included in current liabilities, (ii) in the case of Guarantees, all Guarantees of obligations maturing more than one year after the date as of which the Guarantee is incurred, and (iii) the recourse portion, if any, of obligations under sales of notes or receivables programs.

"GAAP" means generally accepted accounting principles in the United States in effect from time to time.

"Governmental Body" means any federal, state, Canadian provincial, county, city, town, village, municipal or other governmental department, commission, board, bureau, agency, authority or instrumentality, domestic or foreign.

"Gross Assets" means the total assets and Properties of Holdings and its Subsidiaries less accumulated depreciation, as indicated on the audited balance sheets of Holdings and its Subsidiaries for the fiscal year end immediately prior to the date of any determination.

"Guarantee" means any guarantee or other contingent liability (other than any endorsement for collection or deposit in the ordinary course of business), direct or indirect, with respect to any obligations of another Person, through an agreement or otherwise, including, without limitation, (a) any other endorsement or discount with recourse or undertaking substantially equivalent to or having economic effect similar to a guarantee in respect of any such obligations and (b) any agreement (i) to purchase, or to advance or supply funds for the payment or purchase of, any such obligations, (ii) to purchase, sell or lease Property, products, materials or supplies, or transportation or services, in respect of enabling such other Person to pay any such obligation or to assure the owner thereof against loss regardless of the delivery or nondelivery of the Property, products, materials or supplies or transportation or services or (iii) to make any loan, advance or capital contribution to or other investment in, or to otherwise provide funds to or for, such other

Person in respect of enabling such Person to satisfy any obligation (including any liability for a dividend, stock liquidation payment or expense) or to assure a minimum equity, working capital or other balance sheet condition in respect of any such obligation. The amount of liability of any Person attributable to any Guarantee shall be equal to the maximum amount for which such Person could be liable under such Guarantee.

"Hazardous Material" and "Hazardous Materials" shall mean as follows:

(1) any "hazardous substance" as defined in, or for purposes of, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. (S)(S) 9601 & 9602, as may be amended from time to time, or any other so-called "superfund" or "superlien" law and any judicial interpretation of any of the foregoing;

(2) any "regulated substance" as defined pursuant to 40 C.F.R. Part 280;

(3) any "pollutant or contaminant" as defined in 42 U.S.C.A. (S) 9601(33);

(4) any "hazardous waste" as defined in, or for purposes of, the Resource Conservation and Recovery Act;

(5) any "hazardous chemical" as defined in 29 C.F.R. Part 1910;

(6) any "hazardous material" as defined in, or for purposes of, the Hazardous Materials Transportation Act; and (7) any other substance, regardless of physical form, or form of energy or pathogenic agent that is subject to any Environmental Law.

Without limiting the generality of the foregoing, the term "Hazardous Material" thus includes, but is not limited to, any material, waste or substance that contains petroleum or any fraction thereof, asbestos, or polychlorinated biphenyls, or that is flammable, explosive or radioactive that is subject to any Environmental Law.

"Holdings" means IHOP Corp., a Delaware corporation, or any successor thereto.

"IHOP Properties" means IHOP Properties, Inc., a California corporation which is a wholly-owned indirect Subsidiary of the Borrower.

"IHOP Realty" means IHOP Realty Corp., a Delaware corporation which is a wholly-owned Subsidiary of the Borrower.

"IHOP Restaurants" means IHOP Restaurants, Inc., a Delaware corporation which is a wholly-owned Subsidiary of the Borrower.

"Intercreditor Agreement" means the Intercreditor Agreement dated as of November 1, 1996 among the 1992 Noteholders (as defined therein), the Purchasers, Bank of America Illinois and additional creditors which may become a party thereto from time to time, substantially in the form attached hereto as Exhibit H.

"Interest Expense" shall mean interest expense, determined for Holdings and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Interest Payment Date" shall mean any date on which the payment of interest on any Note becomes due and payable.

"Internal Revenue Service" means the United States Internal Revenue Service and any successor or similar agency performing similar functions.

"Investment" when used with reference to any investment of Holdings, the Borrower or any of their Subsidiaries, means any investment so classified under GAAP (and, specifically, shall not include trade receivables which are classified as current assets under GAAP), and, whether or not so classified, includes (a) any loan or advance made by Holdings, the Borrower or any of their Subsidiaries to any other Person, and (b) any ownership or similar interest in any other Person; and the amount of any Investment shall be the original principal or capital amount thereof less all cash returns of principal or equity thereof (and without adjustment by reason of the financial condition of such other Person).

"Lien" means any security interest, mortgage, pledge, lien, claim, charge, encumbrance, conditional sale or title retention agreement, lessors interest under a Capitalized Lease or analogous instrument, in, of or on any of a Persons Property (whether held on the date hereof or hereafter acquired), or any signed or filed financing statement which names such Person as the debtor, or the execution of any security agreement or the like authorizing any other Person as the secured

party thereunder to file such a financing statement; provided that neither (a) the interest of a lessee or a sublessee in its capacity as lessee or sublessee under a lease or sublease entered into by Holdings, the Borrower or any of their Subsidiaries in the ordinary course of business nor (b) the rights of franchisees in their capacities as franchisees to use and possession of certain properties and rights pursuant to franchise documentation entered into by Holdings, the Borrower or any of their Subsidiaries in the ordinary course of business shall be deemed to constitute a Lien for purposes hereof.

"Majority Holders" means the holders of at least a majority in principal amount of the Notes at the applicable time outstanding.

"Material Adverse Effect" means any change or changes or effect or effects that individually or in the aggregate are or are likely to be materially adverse to (i) the assets, business, operations, income, prospects or condition (financial or otherwise) of Holdings and its Subsidiaries taken as a whole or the Borrower and its Subsidiaries taken as a whole, (ii) the transactions contemplated by this Agreement, or (iii) taken as a whole, the ability of

the Borrower and Holdings to fulfill their respective obligations under this Agreement and the Notes .

"Material Contracts" means all supply agreements, requirements contracts, leases, customer agreements, franchise agreements, license agreements, distribution agreements, joint venture agreements, asset purchase agreements, stock purchase agreements, merger agreements, agency or advertising agreements and other contracts, agreements and commitments to which Holdings or any of its Subsidiaries are parties, and which are material to the respective businesses, assets or operations of Holdings and its Subsidiaries.

"Multiemployer Plan" means a multiemployer plan as defined in Section 3(37) or Section 4001(a)(3) of ERISA or Section 414(f) of the Code contributed to by Holdings or any of its Subsidiaries or ERISA Affiliates.

"Net Income" of any Person, with respect to any period, shall mean the net income or net loss of such Person after excluding the sum of (i) any net loss or any undistributed net income of any Person other than a Subsidiary of such Person, (ii) the net income or net loss of any Subsidiary of such Person earned or incurred prior to the date on which it became a Subsidiary of such Person, (iii) the gain or loss (net of any tax effect) resulting from the sale of any capital assets other than in the ordinary course of business, and (iv) extraordinary or nonrecurring gains or losses (net of any tax effect), all as determined for the relevant period in accordance with GAAP.

"Note" has the meaning specified in Section 1.

"Offering Circular" has the meaning specified in Section 4.25.

"Officers Certificate" shall mean a certificate executed on behalf of Holdings, the Borrower or any of their Subsidiaries, in each case by an Appropriate Officer thereof.

"Order" means any order, writ, injunction, decree, judgment, award, determination or written direction or demand of any court, arbitrator or Governmental Body.

"Other Agreements" shall mean the agreements which are identical in all respects with this Agreement (except for the respective principal amounts of the Notes to be purchased) and executed and delivered to the other Purchasers named in Schedule I hereto simultaneously with the execution and delivery of this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation, and any successor agency or Governmental Body performing similar functions.

"Pension Plan" means an employee pension benefit plan, as defined in
Section 3(2) of ERISA, excluding any Multiemployer Plans, maintained by or contributed to by Holdings or any of its Subsidiaries or ERISA Affiliates.

"Permitted Lien" is defined in Section 11.1.

"Person" means and includes an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

"Plan" and "Plans" means any employee benefit plan as defined in Section 3(3) of ERISA, excluding a Multiemployer Plan, established or maintained for the benefit of employees of Holdings or any of its Subsidiaries or ERISA Affiliates.

"Present Value Amount" means at any time with respect to any Notes being prepaid in whole or in part pursuant to Section 3.2 hereof or being declared or becoming due and payable pursuant to Section 13.2(A) or (B) hereof, the sum of the Present Values of (A) the aggregate amount of the principal being so prepaid or being declared or becoming due and payable plus (B) each amount of interest which would have been payable on the amount of such principal being prepaid or being declared or becoming due and payable (assuming that all payments and prepayments of principal and interest would have been made in accordance with the terms of this Agreement and the Notes and that interest accrued and unpaid on such principal to the date of prepayment or the date such principal is declared or becomes due and payable has been paid). "Present Value," for any amount of principal or interest, shall be computed on a semiannual

basis at a discount rate equal to the Treasury Yield plus 50 basis points. The "Treasury Yield" shall be determined by reference to (i) the yields reported, as of 10:00 a.m. (New York City time) on the Business Day next preceding the prepayment date or the date any such principal is declared or becomes due and payable, on the display designated as "Page 500" on the Telerate Service (or such other display as may replace Page 500 on the Telerate Service) for actively traded U.S. Treasury securities having a constant maturity equal to the then remaining Weighted Average Life to Maturity of the principal being prepaid or being declared or becoming due and payable, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the most recent Federal Reserve Statistical Release H.15 (519) which has become available not more than two Business Days prior to the date of prepayment or the date such principal becomes or is declared due and payable (or, if such Statistical Release is no longer published, any publicly available source of similar market data acceptable to the Majority Holders), and shall be the most recent yield on actively traded U.S. Treasury securities adjusted to a constant maturity equal to the then remaining Weighted Average Life to Maturity of the principal being prepaid or being declared or becoming due and payable. If the Weighted Average Life to Maturity (so computed) is not equal to the constant maturity of a U.S. Treasury security for which a yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one- twelfth of a year) from the yields of U.S. Treasury securities for which such yields are given, except that if the Weighted Average Life to Maturity (so computed) is less than one year, the yield on actively traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

"Pro Rata Portion" shall mean with respect to any Noteholder, the ratio of the principal balance outstanding on the Note or Notes held by that Noteholder on the date of determination to the aggregate principal balance outstanding on all the Notes on the date of determination.

"Property" with respect to any Person, means any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible, of such Person.

"Purchaser Affiliate" shall mean any Person (i) which directly or indirectly controls, or is controlled by, or is under common control with, a Purchaser, (ii) which beneficially owns or holds 5% or more of any class of the Voting Stock of a Purchaser, or (iii) 5% or more of the Voting Stock of which is beneficially owned or held by a Purchaser; provided, however, that a director, officer or employee of a Purchaser shall not be deemed to control, to be controlled by, or to be under common control with, a Purchaser for purposes hereof solely by reason of such status. For purposes of this definition, "control" of a Person shall mean the power, direct or indirect, (i) to vote or direct the voting of a majority of the Voting Stock of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. For the purposes of this Agreement, the Purchasers shall not be deemed to be Affiliates of Holdings or any of its Subsidiaries.

"Qualified Holder" shall mean, as of any date of determination, any original Purchaser or Purchaser Affiliate and any direct or indirect successor, assign or transferee of any Purchaser or Purchaser Affiliate holding Notes representing at least 10% of the aggregate principal amount of all Notes at the time outstanding.

"Qualifying Disposition" shall mean a sale and leaseback of an Excepted Property; provided that (a) upon the sale thereof, the Excepted Property is immediately leased back from the purchaser thereof by Holdings or any of its Subsidiaries and (b) the Excepted Property must be sold and leased back within the third anniversary of the original acquisition or construction thereof by Holdings, the Borrower or any of their Subsidiaries.

"quarterly accounting period" is defined in Section 8(A) hereof.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder for which the 30-day notice requirement applies.

"Restricted Investments" shall mean all Investments made by Holdings, the Borrower or their Subsidiaries in or to any Person except (i) Investments in notes of franchisees and receivables of franchisees in the ordinary course of business other than notes and receivables held in settlement of franchise obligations, and in Property of Holdings or its Subsidiaries to be used in the ordinary course of business, (ii) Investments in Subsidiaries, (iii) Investments in obligations issued or unconditionally guaranteed by the U.S. or any agency thereof, in each case maturing within one year from the date of acquisition thereof; (iv) Investments in obligations issued by any political subdivision of the U.S. or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc. or some other mutually agreeable rating system if either of these entities no longer exists; (v) commercial paper maturing no more than 270 days from the date of creation thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc. or some other mutually agreeable rating system if either of these entities no longer exists; (vi) certificates of deposit, repurchase agreements or bankers acceptances maturing within one year from the date of acquisition thereof issued by commercial banks which are rated "A-" or better by either Standard & Poor's Corporation or Moody's

Investors Services, Inc. (or by some other mutually agreeable rating system if either of these entities no longer exists) located in the U.S. and Canada and have combined capital, surplus and undivided profits of not less than $100,000,000; (vii) Investments in mutual funds and money market accounts, which funds or accounts are traded on a national exchange or are managed by a commercial bank and which invests solely in Investments which satisfy the criteria set forth in the foregoing clauses (iii) through (vi); and (viii) other Investments existing on the Closing Date and set forth on Schedule 12 hereto.

"SEC" means the Securities and Exchange Commission and any succeeding agency, authority, commission or Governmental Body.

"SEC Reports" means, collectively, (a) the annual report on Form 10-K as filed by Holdings with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, for the fiscal year ended December 31, 1995 and (b) the quarterly reports on Form 10-Q as filed by Holdings with the SEC pursuant to Section 13 or

15(d) of the Exchange Act, for the quarterly periods ended March 31, 1996, and June 30, 1996.

“Securities Act” means, as of any date, the Securities Act of 1933, as amended, or any similar federal statute then in effect, and a reference to a particular section thereof shall include a reference to the comparable section, if any, of any such similar Federal statute.

“Solvent” means, when used with respect to any Person, that:

(a) the present fair salable value of such Persons assets is in excess of the total amount of such Persons liabilities;

(b) such Person is able to pay its debts as they become due; and

(c) such Person does not have unreasonably small capital to carry on such Persons business as theretofore operated and all businesses in which such Person is about to engage.

“Subsidiaries List” is defined in Section 4.6 hereof.

“Subsidiary” shall mean, with respect to any Person, any corporation or other entity (a) organized under the laws of the United States, the District of Columbia or Canada or any state or political subdivision of any thereof, (b) all or substantially all of whose assets and business operations are located or conducted within the United States or Canada and (c) of which at least a majority of the outstanding Voting Stock is at the time directly or indirectly owned or controlled by such Person or by one or more of such Persons wholly- owned Subsidiaries.

“Subsidiary Guarantees” shall mean the Subsidiary Guarantees executed and delivered by the Subsidiary Guarantors in the form of Exhibit D-1, Exhibit D-2 and Exhibit D-3.

“Subsidiary Guarantors” shall mean collectively IHOP Realty, IHOP Properties and IHOP Restaurants.

“Total Capitalization” shall mean the sum of (i) Funded Debt of Holdings, the Borrower and their Subsidiaries and (ii) Consolidated Tangible Net Worth.

“Unaudited Financial Statements” has the meaning specified in Section 4.5(a).

“U.S.” means the United States of America.

“Voting Stock” with respect to any Person shall mean capital stock of such Person of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of members of the Board (or Persons performing similar functions) of such Person.

“Weighted Average Life to Maturity” means, with respect to any Debt, as at any time of determination, the number of years obtained by dividing the then Remaining Dollar-years of such Debt by the then outstanding principal balance of such Debt (before giving effect to any prepayment to be made at the time of such determination). For such purposes, the “Remaining Dollar-years” of any Debt shall be determined by (1) multiplying (a) the amount of each required payment of principal of such Debt (including each required installment payment or mandatory prepayment thereof, if any, and payment of the principal balance thereof at final maturity, but assuming no optional prepayments thereof are made) by (b) the number of years (calculated to the nearest one-twelfth) which will elapse between the time of determination and the date the respective required payment or mandatory prepayment of principal is due, and (2) adding all of the products so obtained.

(B) Accounting Terms. All accounting terms used in this Agreement shall be applied on a consolidated basis for Holdings, the Borrower and their Subsidiaries, unless otherwise specifically indicated herein. Any accounting terms not specifically defined herein shall have the meanings customarily given them in accordance with GAAP.

Section 13. Events of Default.

Section 13.1. Events of Default; Remedies. If any of the following events shall have occurred and be continuing (whatever the reason for such event and whether it shall be voluntary or involuntary or by operation of law or otherwise), it shall constitute an “Event of Default”:

(A) the Borrower shall default in the due and punctual payment or prepayment of all or any part of the principal of, or prepayment charge (if any) on, any Note when and as the same shall become due and payable, whether at stated maturity, by acceleration, by notice of prepayment or otherwise;

(B) the Borrower shall default in the due and punctual payment or prepayment of any interest on any Note or any other sum or amount due under any Note or this Agreement when and as such interest, sum or amount shall become due and payable, and such default shall continue for a period of five (5) Business Days;

(C) the Borrower shall default in the performance or observance of any covenant, agreement or condition contained in Section 8(E) and Sections 11.1 through

11.11 hereof, inclusive;

(D) the Borrower shall default in the performance or observance of any other covenant, agreement or condition contained in this Agreement and such default shall continue for a period of 30 days following the earlier to occur of (i) notice of such default from any holder of a Note or (ii) the date on which any Authorized Officer of Holdings, the Borrower or any of their Subsidiaries otherwise becomes aware of the existence of such default;

(E) any event shall occur or any condition shall exist in respect of any Debt of Holdings, the Borrower or their Subsidiaries in excess of $2,000,000 in the aggregate for all such Debt (other than the Funded Debt evidenced by this Agreement and the Notes), which constitutes a breach, default or event of default under any agreement or document securing or relating to any such Debt (following all applicable notice or grace periods), the effect of which is to cause, or to permit any holder or holders of such Debt or an agent or trustee to cause, the acceleration of the maturity of such Debt;

(F) final order, decree or judgment for the payment of money shall be rendered by a court of competent jurisdiction against Holdings, the Borrower or any of their Subsidiaries, and Holdings, the Borrower or such Subsidiary, as the case may be, shall not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof, within 60 days from the date of entry thereof and within said period of 60 days, or such longer period during which execution of such order, decree or judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, and such order, decree or judgment together with all other such orders, decrees or judgments then existing shall exceed in the aggregate $3,000,000 (net of insurance proceeds actually received, if any);

(G) any representation, warranty, certification or statement made by or on behalf of the Borrower or Holdings in this Agreement or by or on behalf of any Subsidiary Guarantor in the Subsidiary Guarantees or in any certificate, instrument, financial statement or other document now or hereafter delivered hereunder or thereunder or pursuant to or in connection with any provision hereof or thereof shall prove to be false or incorrect or breached in any material respect on the date as of which made;

(H) a proceeding or case shall be commenced, without the application or consent of Holdings, the Borrower or any of their Subsidiaries in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding up of any thereof or composition or readjustment of the debts of any of them, or (2) similar relief in respect of Holdings, the Borrower or any of their Subsidiaries under any law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 90 days; or an order for relief shall be entered in an involuntary case under the applicable bankruptcy laws against Holdings, the Borrower or any of their Subsidiaries; or action under the laws of the jurisdiction of organization of any of Holdings, the Borrower or any of their Subsidiaries analogous to any of the foregoing shall be taken with respect to any of Holdings, the Borrower or any of their Subsidiaries and shall continue undismissed, or unstayed and in effect, for a period of 90 days;

(I) Holdings, the Borrower or any of their Subsidiaries shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its Property, (2) be generally unable to pay its debts as such debts become due, (3) make a general assignment for the benefit of its creditors, (4) commence a voluntary case under the applicable bankruptcy laws (as now or hereafter in effect), (5) file a petition seeking to take advantage of any other law providing for the relief of debtors, (6) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such bankruptcy laws, (7) admit in writing its inability to pay its debts generally as such debts become due, (8) take any action under the laws of its jurisdiction of organization analogous to any of the foregoing, or (9) take any requisite action for the purpose of effecting any of the foregoing;

(J) a custodian, liquidator, trustee or receiver is appointed for Holdings, the Borrower or any of their Subsidiaries or for all or a substantial portion of the Property of any of them, without the application or consent of Holdings or any such Subsidiary, and is not discharged within 90 days after such appointment; or

(K) if any of the Subsidiary Guarantees or the Guarantee of Holdings contained in Section 16.14 hereof shall cease to be in full force and effect or any of Holdings or the Subsidiary Guarantors or any Person acting by or on behalf of either of them shall deny or disaffirm their respective obligations under such Guarantees.

Section 13.2. Acceleration of Notes. (A) Upon the occurrence of an Event of Default described in Subsection (A) or (B) of Section 13.1 with respect to any Note, the holder of any such Note may, by written notice to the Borrower, declare such Note to be, and the same shall forthwith become, immediately due and payable, at a price (the "Acceleration Price") equal to the sum of (i) the greater of the principal amount being declared immediately due and payable or the Present Value Amount, plus (ii) all accrued but unpaid interest on the principal amount being declared immediately due and payable, all without presentment, demand, notice, protest or other requirements of any kind, all of which are hereby expressly

waived. If any holder of any Note shall exercise the option specified in this Subparagraph (A), the Borrower shall forthwith give written notice thereof to the holders of all other outstanding Notes and each such holder may (whether or not such notice is given or received), by written notice to the Borrower, declare the principal of all Notes held by it to be, and the same shall forthwith become, immediately due and payable, at a price equal to the Acceleration Price.

(B) Upon the occurrence of any Event of Default described in Subsection 13.1(C), (D), (E), (F), (G) or (K) of Section 13.1, the Majority Holders may, by written notice to the Borrower, declare all of the Notes to be, and the same shall forthwith become, immediately due and payable, at a price equal to the Acceleration Price, without any presentment, demand, notice, protest or other requirement of any kind, all of which are hereby expressly waived.

(C) Upon the occurrence of an Event of Default described in Subsections (H), (I) and (J) of Section 13.1, all of the Notes shall automatically become immediately due and payable, at a price equal to the Acceleration Price, without presentment, demand, notice, protest or other requirements of any kind, all of which are hereby expressly waived.

Section 13.3. Rescission of Acceleration. The provisions of Section 13.2 are subject, however, to the condition that if, at any time after any Note shall have become due and payable pursuant to Section 13.2, (i) the Borrower shall pay all arrears of interest on the Notes and all payments on account of the principal of and, to the extent permitted by law, prepayment charge (if any) on the Notes which shall have become due otherwise than by acceleration (with interest on all such overdue principal and prepayment charge, if any, and, to the extent permitted by law, on overdue payments of interest, at the applicable rate per annum provided for in the Notes or this Agreement in respect of overdue amounts of principal, prepayment charge and interest), and (ii) the Borrower shall pay to the Noteholders all amounts that are then due and owing pursuant to this Agreement, and (iii) all Events of Default (other than nonpayment of principal of, prepayment charge (if any) and accrued interest on the Notes, due and payable solely by virtue of acceleration) shall be remedied or waived by the Majority Holders, and (iv) no judgment or decree has been entered by any court for the payment of any amounts due and owing under the Notes or pursuant to this Agreement or the Subsidiary Guarantees, then, and in every such case, the Majority Holders, by written notice to the Borrower, may rescind and annul any such acceleration and its consequences with respect to the Notes; but no such action shall affect any subsequent Default or Event of Default or impair any right consequent thereon.

Section 13.4. Suits for Enforcement. If any Event of Default shall have occurred and be continuing, the holder of any Note may proceed to protect and enforce its rights, either by suit in equity or by action at law, or both, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, and the holder of any Note may proceed to enforce the payment of all sums due upon such Note, and such further amounts as shall be sufficient to cover the costs and expenses of collection (including, without limitation, reasonable counsel fees and disbursements), or to enforce any other legal or equitable right of the holder of such Note.

Section 13.5. Remedies Cumulative. No remedy herein conferred upon you or the holder of any Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

Section 13.6. Remedies Not Waived. No course of dealing between the Borrower and you or the holder of any other Note and no delay or failure in exercising any rights hereunder or under any Note in respect thereof shall operate as a waiver of any of your rights or the rights of any holder of such Note.

Section 14. Registration, Exchange, and Transfer of Notes.

The Borrower will keep at its principal executive office a register, in which, subject to such reasonable regulations as it may prescribe, but at its expense (other than transfer taxes, if any), the Borrower will provide for the registration and transfer of Notes. Whenever any Note or Notes shall be surrendered either at the principal executive office of the Borrower, or at the place of payment named in the Note, for transfer or exchange, accompanied (if so required by the Borrower) by a written instrument of transfer in form reasonably satisfactory to the Borrower duly executed by the holder thereof or by such holders attorney duly authorized in writing, the Borrower will execute and deliver in exchange therefor a new Note or Notes in such denominations (multiples of $100,000) as may be requested by such holder, of like tenor and in the same aggregate unpaid principal amount as the aggregate unpaid principal amount of the Note or Notes so surrendered. Any Note issued in exchange for any other Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, and neither gain nor loss of interest shall result from any such transfer or exchange. Any transfer tax or governmental charge relating to such transaction shall be paid by the holder requesting the exchange. The Borrower and any of its agents may treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of the principal of, prepayment charge (if any) and interest and other amounts on such Note and for all other purposes whatsoever, whether or not such Note be overdue.

Section 15. Lost, Stolen, Damaged and Destroyed Notes.

At the request of any holder of any Note, the Borrower will issue and deliver at its expense, in replacement of any Note or Notes lost, stolen, damaged or destroyed, upon surrender thereof, if mutilated, a new Note or Notes in the same aggregate unpaid principal amount, and otherwise of the same tenor, as the Note or Notes so lost, stolen, damaged or destroyed, duly executed by the Borrower. The Borrower may condition the replacement of a Note or Notes reported by the holder thereof as lost, stolen, damaged or destroyed, upon the receipt from such holder of an indemnity or security reasonably satisfactory to the Borrower; provided, that if such holder shall be you or your nominee or another Eligible Holder or its nominee, your or such Eligible Holders unsecured agreement of indemnity shall be sufficient for purposes of this Section.

Section 16. Miscellaneous.

Section 16.1. Home Office Payment. Notwithstanding anything to the contrary in this Agreement or in the Notes, the Borrower agrees that, so long as you or any nominee designated by you shall hold any Notes, the Borrower shall cause all payments of principal, prepayment charge (if any) and interest on the Notes to be made to you in the manner and to the address specified in Schedule I hereto, or in such other manner or to such other address as you may designate in writing. You agree that prior to the sale, transfer or disposition of any Note you will make a notation thereon of the portion of the principal amount paid or prepaid and the date to which interest has been paid thereon or surrender the same in exchange for a new Note or Notes of the same tenor and of authorized

denominations in aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered, duly executed by the Borrower. Borrower shall enter into an agreement similar to that contained in this Section with any other Eligible Holder (or nominee thereof).

Section 16.2. Amendment and Waiver. (A) Any term, covenant agreement or condition of this Agreement or of the Notes may, with the consent of the Borrower, be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more substantially concurrent written instruments signed by the Majority Holders, except that

(1) no such amendment or waiver shall (a) change the principal of, or the rate of interest on, any of the Notes, (b) change the time of payment of all or any portion of the principal of or interest on or any prepayment charge payable with respect to any of the Notes, (c) modify any of the provisions of this Agreement or of the Notes with respect to the payment or prepayment of the principal thereof or prepayment charge or interest thereon, (d) change the percentage of Notes required with respect to any such amendment or to effectuate any such waiver, (e) modify any provision of this Section or (f) modify any provision of Section 13.1 or 16.14 hereof or of any of the Subsidiary Guarantees, without in each case the specific prior written consent of the holders of all of the Notes at the time outstanding; and

(2) no such waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon.

(B) Any amendment or waiver pursuant to Subsection (A) of this Section 16.2 shall apply equally to all holders of the Notes at the time outstanding and shall be binding upon them, upon each future holder of any Note, and upon the Borrower, in each case whether or not a notation thereof shall have been placed on any Note.

(C) Notwithstanding any other provision contained in this Section 16.2 or elsewhere in this Agreement to the contrary, Notes which at any time are held by Holdings, the Borrower or by any or their Subsidiaries or Affiliates shall not be deemed outstanding for purposes of any vote, consent, approval, waiver or other action required or permitted to be taken by the holders of Notes, or by any of them, under the provisions of this Section 16.2

or Section 13 of this Agreement, and none of Holdings, the Borrower or any such Subsidiary or Affiliate shall be entitled to exercise any right as a holder of Notes with respect to any such vote, consent, approval or waiver or to take or participate in taking any such action at any time.

(D) The parties hereto agree that no amendments or waivers pursuant to this Section 16.2 shall be granted unless each holder of Notes has had the opportunity to participate in conferences and discussions with respect to any such amendments or waivers, and has received the same information, drafts, notices, memoranda and other written communications pertaining to such amendment or waiver as are received by any other Purchaser or Eligible Holder.

Section 16.3. Expenses. The Borrower agrees, whether or not the transactions hereby contemplated shall be consummated, to pay and save you harmless against any and all liability for the payment of all reasonable out-of- pocket expenses arising in connection with this Agreement, the Subsidiary Guarantees and the other instruments and the transactions hereby contemplated, including without limitation all such expenses incurred with respect to the enforcement of any provision of any such agreement or instrument, any proposed amendments or waivers (whether or not the same shall be signed or shall become effective) under or in respect of any such agreement or instrument and the consideration of any legal questions relevant thereto, all expenses incurred in connection with the reproduction of such agreements and instruments and all stamp and other similar taxes (together in each case with interest and penalties, if any) which may be payable in respect of the execution and delivery of such agreement or instruments, or the issuance, delivery or acquisition by you of any Note or otherwise pursuant to this Agreement, the Subsidiary Guarantees, and expenses incurred in obtaining a private placement number from Standard & Poor's Corporation and a rating from the National Association of Insurance Commissioners, and the fees and disbursements of Chapman and Cutler and of any special or local counsel in connection with preparation of such agreements and instruments and the transactions hereby and thereby contemplated (including, without limitation, in connection with any such enforcement, amendment, waiver or consideration of legal questions), and the fees and disbursements of the Accountants. The obligations of the Borrower under this Section 16.3 shall survive the payment or transfer of any Note, the enforcement of any provision hereof or thereof, any such amendments or waivers and any such consideration of legal questions.

Section 16.4. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by or on behalf of any party to this Agreement or otherwise in connection herewith, shall (i) survive the execution and delivery of this Agreement and the delivery of the Notes to you and shall continue in effect as long as any of the Notes is outstanding and thereafter as provided in Section 16.3, and (ii) be deemed to be material to your decision to enter into this transaction and to have been relied upon by you, regardless of any investigation made by you or on your behalf.

Section 16.5. Successors and Assigns. All representations, warranties, covenants and agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto

whether so expressed or not, except that you shall not be obligated to purchase any Note from any issuer other than the Borrower. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of any Notes purchased pursuant hereto, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement has been made by you or your successor or assign.

Section 16.6. Notices. All communications provided for hereunder shall be in writing and delivered by hand or sent by first class mail or sent by telex or telecopy (with such telex or telecopy to be confirmed promptly in writing sent by first class mail), sent (i) if to you, to the address or telex or telecopy number set forth by you for such communications on Schedule I hereto, or to such other address or telex or telecopy number as you may have designated to the

Borrower in writing; (ii) if to any other holder of any Notes, to the address or telex or telecopy number (if any) of such holder as set forth in the register maintained pursuant to Section 15; and (iii) if to the Borrower or Holdings, to IHOP Corp., 525 North Brand Boulevard, Glendale, California 91203- 1903, Attention: Mark D. Weisberger, Vice President – Legal, Secretary and General Counsel; facsimile # (818) 240-0270; or to such other address or addresses or telex or telecopy number or numbers as the Borrower may most recently have designated in writing to the holders of Notes by such notice. All such communications shall be deemed to have been given or made when so delivered by hand or sent by telex (answer back received) or telecopy, or three Business Days after being so mailed.

Section 16.7. Governing Law. This Agreement and the Notes shall be construed in accordance with and shall be governed by the laws of the State of Illinois (without giving effect to the choice of law principles of such state).

Section 16.8. Submission to Jurisdiction; Waiver of Service and Venue. (A) Each of Holdings and the Borrower consents and agrees to the jurisdiction of any state or federal court sitting in the County of Cook, State of Illinois, and waives any objection based on venue or forum non conveniens with respect to any action instituted therein, and agrees that any dispute concerning the relationship between the Purchaser or holder of Notes, on the one hand, and the Borrower or Holdings, on the other hand, or the conduct of any party in connection with this Agreement or otherwise shall be only in the courts described above.

(B) Each of Holdings and the Borrower hereby waives personal service of any and all process upon it and consents that all such service of process may be made by hand delivery or mail to Holdings and the Borrower at its address set forth in, and in accordance with, Section 16.6. Each of Holdings and the Borrower hereby consents to service of process as aforesaid.

(C) Nothing in this Section 16.8 shall affect the right of the Purchaser or any holder of Notes to serve legal process in any other manner permitted by law or affect the right of the Purchaser or any holder of Notes

to bring any action or proceeding against Holdings or the Borrower or their respective property in the courts of any other jurisdiction.

Section 16.9. Indemnification. In consideration of the execution and delivery of this Agreement by you, the Borrower and Holdings hereby agree, jointly and severally, to defend, indemnify, exonerate and hold you and each of your and its officers, directors, employees and agents (herein collectively called the "Indemnitees") free and harmless from and against any and all actions, causes of action, suits, losses, liabilities and damages, and expenses in connection therewith, including, without limitation, reasonable counsel fees and disbursements (herein collectively called the "Indemnified Liabilities"), incurred by the Indemnitees or any of them as a result of, or arising out of or relating to:

(A) any transaction financed or to be financed in whole or in part directly or indirectly with proceeds from the sale of any of the Notes, or

(B) any Environmental Matter, any Environmental Law or the actual or alleged existence or release of any Hazardous Material, except for any such Indemnified Liabilities arising on account of any Indemnitees gross negligence or willful misconduct, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, Holdings and the Borrower hereby agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

In addition to the foregoing, all payments required to be made by the Borrower or Holdings under this Agreement, by the Subsidiary Guarantors under the Subsidiary Guarantees or by the Borrower under the Notes shall be made to the holder of the Notes free and clear of, and without deduction for, any and all present and future taxes, withholdings, levies, duties, interest, penalties and other governmental charges of any nature whatsoever of Canada ("Withholding Taxes"), excluding those Withholding Taxes which are imposed by any jurisdiction or political subdivision thereof as a result of the relevant holder of the Notes (a) carrying or deemed to be carrying on a trade or business thereof or having or being deemed to have a permanent establishment therein, (b) being organized under the laws of such jurisdiction or any political subdivision thereof, (c) being or being deemed resident in such jurisdiction, or which would not have been imposed but for a failure of such Person to satisfy relevant authority that such Person was not a Person mentioned in (a), (b) or (c) above.

If the Borrower or Holdings or any Subsidiary Guarantor is obligated to make any such withholding or deduction from any such payment, it shall simultaneously pay to the relevant holder of the Notes such additional amount or amounts as shall be necessary to ensure that the payment that is made (including all such additional amounts) equals the amount which would have been received or receivable by the relevant holder of the Notes hereunder in the absence of such withholding or deduction. Upon request by the holder of the Notes, the Borrower or Holdings or any Subsidiary Guarantor shall furnish to such holder a receipt for any such Withholding Taxes paid by the Borrower or Holdings or any Subsidiary Guarantor pursuant to this Section, or, if no such Withholding Taxes are payable

with respect to any payments required to be made by the Borrower or Holdings under this Agreement, by any Subsidiary Guarantor under the Subsidiary Guarantees or by the Borrower under the Notes, either a certificate from each appropriate taxing authority or an opinion of counsel, in either case stating that such payment is exempt from or not subject to such Withholding Taxes. If any such Withholding Taxes are paid by the holder of the Notes, the Borrower or Holdings or any Subsidiary Guarantor will, upon demand of the holder of the Notes, jointly and severally indemnify the holder of the Notes for such payments, together with any interest, penalties and expenses in connection therewith plus interest thereon at the rate specified in the Notes (calculated as if such payments constituted overdue amounts of principal as of the date of the making of such payments).

The obligations of the Borrower and Holdings under this Section 16.9 shall survive the payment or transfer of any Note and the enforcement of any provision

hereof or thereof.

Section 16.10. Integration and Severability. This Agreement embodies the entire agreement and understanding among you, the Borrower and Holdings, and supersedes all prior agreements and understandings relating to the subject matter hereof. In case any one or more of the provisions contained in this Agreement or in any instrument contemplated hereby for such date, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein, and any other application thereof, shall not in any way be affected or impaired thereby.

Section 16.11. Payments Due on Days not Business Days. Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, that payment shall be made on the next succeeding Business Day and the extension of time shall be included in the computation of interest due thereon.

Section 16.12. Further Assurances. Each of the Borrower and Holdings covenants that, so long as you shall hold any of the Notes, it shall, and shall cause its Subsidiaries to, cooperate with you and execute such further instruments and documents as you shall reasonably request to carry out to your satisfaction the transactions contemplated by this Agreement.

Section 16.13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same instrument.

Section 16.14. Guarantee of Holdings.

(a) Guarantees. Holdings, in consideration of the Purchasers entering into this Agreement and purchasing Notes, unconditionally and irrevocably guarantees to the Purchaser and each and every holder from time to time of any of the Notes the due and punctual payment of all sums which may become due or be stated in the Notes or in this Agreement to become due under the terms and provisions of the Notes and this Agreement in respect of the principal of and prepayment charge, if any, and interest on the Notes

(including interest on any overdue principal, prepayment charge, if any, and, to the extent permitted by applicable law, on any overdue interest), whether at stated maturity, by acceleration, by notice of prepayment or otherwise, and all other sums which may become due from the Borrower or be stated to be or become so due under the Notes or this Agreement. Holdings further guarantees to the Purchasers and each holder as aforesaid the due performance and observance by the Borrower of all covenants, agreements and conditions on the Borrower's part to be performed under this Agreement and any other document from time to time delivered by the Borrower pursuant to this Agreement. Holdings further guarantees to the Purchasers and each holder as aforesaid payment of all other amounts payable by the Borrower under this Agreement or the Notes, including costs, expenses (including fees and expenses of counsel) and taxes (such principal, prepayment charge, if any, interest and other obligations guaranteed as aforesaid being hereinafter collectively called the "Obligations") and to the extent lawful agrees to pay any and all expenses (including fees and expenses of counsel) incurred by each holder of any Note in enforcing any rights in connection with this Section.

(b) Waiver of Notice of Acceptance, Etc. Holdings hereby waives notice of acceptance of this Agreement by any holder of a Note, of any action taken or omitted in reliance hereon or of any default in the payment of any of the Obligations or in the performance of any covenants and agreements of the Borrower contained in this Agreement or the Notes, and any diligence, presentment, demand, protest, dishonor or notice of any kind.

(c) Guarantees Absolute. The Guarantees of Holdings under this Agreement constitute present and continuing Guarantees of payment and not of collectibility of the Obligations, and shall be absolute, primary, present and unconditional, and to the extent permitted by applicable law, the Obligations shall not be subject to any counterclaim, setoff, reduction or defense based upon any claim Holdings may have against the Borrower, or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected or impaired by any thing, event, happening, matter, circumstance or condition whatsoever (whether or not Holdings shall have any knowledge or notice thereof or shall consent thereto), including, without limitation: (1) any amendment or other modification of or supplement to any provision of this Agreement or the Subsidiary Guarantees or any of the Notes, or any assignment or transfer thereof, including without limitation any renewal or extension of the terms of payment of any of the Notes or the granting of time in respect of any payment thereof, or any furnishing or acceptance of security or any release of any security furnished or accepted for any of the Notes or in respect of the Obligations of Holdings hereunder; (2) any waiver, consent, extension, granting of time, forbearance, indulgence or other action or inaction under or in respect of this Agreement or the Subsidiary Guarantees or any of the Notes, or any exercise or nonexercise of any right, remedy or power in respect hereof or thereof; (3) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceedings with respect to Holdings, the Borrower, the Subsidiary Guarantors or any other Person, or the properties or creditors of any of them; (4) the occurrence of any Event of Default or event which, with the giving of notice and/or lapse of time, would become an Event of Default, or any invalidity or any unenforceability of, or any

misrepresentation, irregularity or other defect in, this Agreement or any of the Notes or any other agreement; (5) any transfer of any assets to or from Holdings, any Subsidiary Guarantor or the Borrower, including without limitation any transfer or purported transfer to Holdings, any Subsidiary Guarantor or the Borrower from any Person, any invalidity, illegality of, or inability to enforce, any such transfer or purported transfer, any consolidation or merger of Holdings, any Subsidiary Guarantor or the Borrower with or into any other corporation or entity, or any change whatsoever in the objects, capital structure, constitution or business of Holdings, any Subsidiary Guarantor or the Borrower or any Affiliate or Subsidiary of Holdings, any Subsidiary Guarantor or the Borrower; (6) any disposition by Holdings of any capital stock of the Borrower; (7) any failure on the part of the Borrower, any Subsidiary Guarantor or any

other Person to perform or comply with any term of the Notes, this Agreement, any Subsidiary Guarantee or any other agreement; (8) any suit or other action brought by any stockholder or creditor of, or by, Holdings, the Borrower, any Subsidiary Guarantor or any other Person for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of the Notes, this Agreement, any Subsidiary Guarantee or any other agreement; (9) any lack or limitation of status or power, incapacity or disability of Holdings or the Borrower or of any officer, director or agent of Holdings or the Borrower or any of their respective stockholders; (10) the cessation from any cause whatsoever (other than payment of the Obligations) of liability of the Borrower; (11) the termination of, or release or compromise of this Agreement, any of the Notes, any Subsidiary Guarantee or any other agreement (other than as a result of payment of the Obligations); (12) any lack or limitation of the genuineness, validity, regularity or enforceability of the Notes, this Agreement, the Other Agreements, any Subsidiary Guarantee any other documents and agreements executed or delivered in connection therewith or pursuant thereto, or any other agreement; (13) any failure by any holder of Notes to take any steps to preserve their rights with respect to the Obligations; (14) any election by any holder of Notes, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. (S) 101 et seq.) (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code; (15) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of any of the Holders claims for repayment of the Obligations; or (16) any other thing, event, happening, matter, circumstance or condition whatsoever, not in any way limited to the foregoing, which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(d) Obligations of the Borrower Independent. The obligations of Holdings and the Borrower under the Notes and the other Sections of this Agreement (other than this Section 16.14) are independent of the Obligations of Holdings under this Section 16.14, and a separate action or actions may be brought or prosecuted against Holdings irrespective of whether action is brought against the Borrower and/or any other Guarantor or whether the Borrower and/or any other Guarantor is joined in any action or actions.

(e) Waiver of Certain Rights. Holdings expressly waives any right it may have to require any Person seeking enforcement of its Obligations under this Section 16.14 and the Guarantee in respect of any Note to (1) proceed against the Borrower or any other Person, (2) proceed against or exhaust any security or (3) pursue any other remedy in the power of

the Person seeking such enforcement. The Borrower waives the right to have any security first applied to the discharge of the Obligations. The Purchasers and the other holders from time to time of the Notes may, at their election, exercise any right or remedy they may have against the Borrower or Holdings or the Company, including without limitation the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or limiting in any way the liability of Holdings hereunder, except to the extent the Obligations have been paid. Holdings waives any defense arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other rights or remedy of Holdings against the Borrower, or any such security, whether resulting from such election by the holders of the Notes or otherwise.

(f) Reinstatement. Holdings agrees that its obligations under this Agreement shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower or Holdings or any Subsidiary Guarantor is rescinded or must be otherwise restored by any holder of any Note, whether as a result of any proceedings in bankruptcy or reorganization or otherwise. Holdings further agrees that, without limiting the generality of such obligations, if an Event of Default shall have occurred and be continuing and you or the holder of any Note is prevented by applicable law from exercising any remedy under this Agreement or under any of the Notes, the holders of the Notes shall be entitled to receive from Holdings upon demand therefor, the sums which would have otherwise been due from the Borrower had such remedies been exercised.

(g) Waiver of Subrogation. Holdings waives and releases any claim (within the meaning of 11 U.S.C. (S) 101) which it may have against the Borrower and agrees not to assert or take advantage of any subrogation rights or any right to proceed against the Borrower for reimbursement. It is expressly understood that the waivers and agreements of Holdings set forth above constituted additional and cumulative benefits given to the Purchasers as further inducement for the purchase of the Notes.

(h) Waiver of Certain Rights. Holdings hereby expressly waives any and all benefits under California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433, and California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726.

Section 16.15. Waiver of Right to Trial by Jury;. The Borrower, Holdings and the Purchaser hereby waive any right to trial by jury of any claim, demand, action or cause of action (i) arising under this Agreement or any other instrument, document or agreement executed or delivered in connection herewith or (ii) in any way connected with or related or incidental to the dealings of the parties hereto or any of them in respect to this Agreement or any other instrument, document or agreement executed or delivered in connection herewith or the transactions related hereto, in each case whether now existing or hereafter arising, and whether sounding in contract or tort or otherwise. Holdings, the Borrower and the Purchaser hereby agree and consent that any such claim, demand, action or cause of action shall be decided by court trial without a jury and that any party may

file an original counterpart or a copy of this Agreement with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

In Witness Whereof, the undersigned have signed their names this 8th day of November, 1996.

International House of Pancakes, Inc.

By: */s/ Richard K. Herzer*
Name: Richard K. Herzer
Title: President

IHOP Corp.

By: */s/ Richard K. Herzer*
Name: Richard K. Herzer
Title: President

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

IHOP Corp.

By: */s/ Richard K. Herzer*
Richard K. Herzer, President

International House of Pancakes, Inc.

By: */s/ Richard K. Herzer*
Richard K. Herzer, President

Accepted as of the date first
above written:

Jackson National Life Insurance Company
By: PPM AMERICA, INC., as Agent

By: */s/ David Brett*
Name: David Brett
Title: V.P.

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY

By: */s/ Keith D. Robbins*
Name: Keith D. Robbins
Title: Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: */s/ Edwin H. Garrison Jr.*
Name: Edwin H. Garrison Jr.
Title: First Vice President

SECURITY FIRST LIFE INSURANCE COMPANY

By: */s/ R.J. Ritchie*
Name: R.J. Ritchie
Title: Director, U.S. Fixed Income

By: */s/ Ruth Ann McConkey*
Name: Ruth Ann McConkey
Title: Manager, U.S. Fixed Income

MANNER OF PAYMENT AND COMMUNICATIONS TO PURCHASERS

This Schedule I shows the names and addresses of the Purchasers under the foregoing Senior Note Purchase Agreement and the Other Agreements referred to therein, and the respective principal amount of the Notes purchased, the name under which the Notes will be registered and the purchase price thereof to be purchased by each.

Purchaser	Registered Name Appearing on the Note	Principal Amount of the Note	Purchase Price of the Note
Jackson National Life Insurance Company	Jackson National Life Insurance Company	$ 21,000,000	$ 21,000,000
Phoenix Home Life Mutual Insurance Company	Phoenix Home Life Mutual Insurance Company	$ 7,000,000	$ 7,000,000
United of Omaha Life Insurance Company	United of Omaha Life Insurance Company	$ 4,000,000	$ 4,000,000
Security First Life Insurance Company	Security First Life Insurance Company	$ 3,000,000	$ 3,000,000

SCHEDULE I
(to Senior Note Purchase Agreement)

NAME OF NOTEHOLDER`

JACKSON NATIONAL LIFE INSURANCE COMPANY
5901 Executive Drive
Lansing, Michigan 48909

Taxpayer I.D. Number: 38-1659835

MANNER OF PAYMENT

All payments on account of the Note shall be made by bank wire or transfer of immediately available funds (specifying International House of Pancakes, Inc., 7.42% Senior Notes Due 2008, PPN 459668 A@ 8 and the application of the payment as between interest, principal and premium) to:

NORTHERN CHGO (ABA #0710-0015-2)
26-91241 Jackson National Life Insurance Company for credit to: Jackson National Life Insurance Company Account Number 5186041000
Ref: (IHOP Corp.)
PVTOPL, Date of Payment, principal and interest breakdown. Attn: Sharon Stifter

ADDRESS FOR COMMUNICATIONS FOR NOTICES OF PAYMENTS AND CONFIRMATION OF WIRE TRANSFERS AND ALL OTHER COMMUNICATIONS

PPM America, Inc.

225 West Wacker Drive, Suite 1200

Chicago, Illinois 60606

Attention: Private Placements (312) 634-2500

NAME OF NOTEHOLDER

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY
One American Row
Hartford, CT 06115

Taxpayer I.D. Number: 06-0493340

MANNER OF PAYMENT

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (specifying International House of Pancakes, Inc., 7.42% Senior Notes Due 2008, PPN 459668 A@ 8 and the application of the payment as between interest, principal and premium) to:

Chase Manhattan Bank, N.A.
ABA #021 000 021
New York, New York

Account Number: 900 9000 200 Account Name: Income Processing Reference: Phoenix Home Life Account #G05143 OBI=IHOP Corp., PPN 459668 A@ 8, Rate=7.42%, Due=2008 (include principal and interest breakdown and premium, if any)

ADDRESS FOR COMMUNICATIONS FOR NOTICES OF PAYMENTS AND CONFIRMATION OF WIRE TRANSFERS AND ALL OTHER COMMUNICATIONS

Phoenix Home Life Mutual Insurance Company
c/o Phoenix Duff & Phelps, Inc. 56 Prospect Street
P.O. Box 150480
Hartford, CT 06115-0480
Attention: Private Placements Division Telecopier Number: (860) 403-5451

NAME OF NOTEHOLDER

UNITED OF OMAHA LIFE INSURANCE COMPANY
Mutual of Omaha Plaza
Omaha, Nebraska 68175
Attention: Investment Division/Securities Accounting Telefacsimile: (402) 351-2913
Confirmation: (402) 351-2583

Taxpayer I.D. Number: 47-0322111

MANNER OF PAYMENT

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (specifying International House of Pancakes, Inc., 7.42% Senior Notes Due 2008, PPN 459668 A@ 8 and the application of the payment as between interest, principal and premium) to:

First Bank, N.A. (ABA #1040-0002-9) 17th and Farnam Streets
Omaha, Nebraska

For credit to: United of Omaha Life Insurance Company Account Number 1-487-1447-0769

ADDRESS FOR COMMUNICATIONS FOR NOTICES OF PAYMENTS AND CONFIRMATION OF WIRE TRANSFERS AND ALL OTHER COMMUNICATIONS

All notices to be addressed as first provided above.

NAME OF NOTEHOLDER

SECURITY FIRST LIFE INSURANCE COMPANY
c/o London Life Insurance Company
255 Dufferin Avenue
London, Ontario N6A 4K1

Attention: Manager U.S. Fixed Income (Private Placements) Securities Department

Taxpayer I.D. Number: 540696644

MANNER OF PAYMENT

All payments on account of the Notes to be by bank wire or transfer of immediately available funds (specifying International House of Pancakes, Inc., 7.42% Senior Notes Due 2008, PPN 459668 A@ 8 and the application of the payment as between interest, principal and premium) to:

Bank of New York
1 Wall Street
New York, New York 10286

Re: Account Name: Security First Group Corporate Bond Account Account Number: 328175
ABA #: 021000018

ADDRESS FOR COMMUNICATIONS FOR NOTICES OF PAYMENTS AND CONFIRMATION OF WIRE TRANSFERS AND ALL OTHER COMMUNICATIONS

All notices to be addressed as first provided above.

SCHEDULE 4.5

INTERIM CHANGES

1. Additional Debt in the amount of $18,600,000 incurred pursuant to the BA Credit Agreement.

SCHEDULE 4.6

IHOP CORP.

LIST OF DIRECT AND INDIRECT SUBSIDIARIES

ENTITY	OWNERSHIP PERCENTAGE	STATE OF INCORPORATION
International House of Pancakes, Inc.	100% owned by IHOP Corp.	Delaware
IHOP Realty Corp.	100% owned by International House of Pancakes, Inc.	Delaware
IHOP Restaurants, Inc.	100% owned by International House of Pancakes, Inc.	Delaware
III Industries of Canada, Inc.	100% owned by International House of Pancakes, Inc.	Canada
Blue Roof Advertising	100% owned by International House of Pancakes, Inc.	California
Copper Penny Corporation	100% owned by International House of Pancakes, Inc.	Delaware

IHOP Properties, Inc.	100% owned by Copper Penny Corporation	California

SCHEDULE 4.7

LITIGATION SUMMARY

NONE.

SCHEDULE 4.8

EXISTING CURRENT AND FUNDED DEBT AND LIENS

Mortgage Note by and between IHOP Realty Corp. and Pizza Hut of America for Property in La Grange, Illinois (IHOP #1281)	$	396,891
Lease Agreement between IHOP Corp. and Hewlett-Packard for Financial system		21,303
Lease Agreement between IHOP CORP. and Hewlett-Packard for Financial system		60,363
Lease Agreement between IHOP CORP. and Hewlett-Packard for Financial system		8,428
Lease Agreement between IHOP CORP. and Hewlett-Packard for Financial system		68,202
Master Lease Agreement between IHOP CORP. and Forrest Financial Corporation and assignee: First Bank, N.A. for Financial system		171,780
Master Lease Agreement between IHOP CORP. and Forrest Financial Corporation and assignee: First Bank, N.A. for Financial system		344,780
Obligations Under Letters of Credit (Various)		0
Installment Payment Agreement between IHOP Corp. and Ed Beck & Associates and assignee: Sterling Bank & Trust, FSB		299,500
Senior Notes due November 2002		32,000,000
Bank Revolving Credit Agreement due June 1999 (to be repaid from the proceeds from the sale and issuance of the Notes)		0
TOTAL	$	33,371,247

SCHEDULE 4.9

CONSENTS AND APPROVALS

None.

SCHEDULE 4.11

TAXES

Current Audits:		
State of Wisconsin	1991-1994	Income Taxes
State of Virginia	1992-1995	Income Taxes
State of New York	1994-1995	Income Taxes
County of Maricopa, AZ	1994-1996	Personal Property Taxes

County of San Bernardino, CA	1990-1995	Personal Property Taxes
County of Fresno, CA	1993-1996	Personal Property Taxes

CONSENTS TO WAIVER OR EXTENSION OF THE STATUTE OF LIMITATIONS:

State of Wisconsin 1991 - Extended 3/31/97

SCHEDULE 4.16

LABOR MATTERS

The Agreement between the Borrower and Hotel Employees Union Local 340 which relates to IHOP restaurant no. 648 expired by its terms on October 31, 1993. The Borrower and the Union representatives are currently negotiating a new agreement on substantially similar terms.

SCHEDULE 4.17

ENVIRONMENTAL MATTERS

None.

SCHEDULE 4.19

COMPLIANCE WITH ERISA

San Mateo Hotel Employees and Restaurant Employees Trust, a health and welfare benefit plan.

SCHEDULE 4.25

FRANCHISES

1. License Agreement for All Japan

2. Area Franchise Agreement (Florida and Southern Counties of Georgia)

3. License Agreement for British Columbia, Canada

SCHEDULE 12

RESTRICTED INVESTMENTS AT CLOSING DATE

DESCRIPTION	AMOUNT
Ex-Franchisee Notes Receivable (various)	$ 761,345
Current Franchisee Note Receivable	125,565
Total Restricted Investments	$ 886,910

EXHIBIT A

FORM OF NOTE

**THIS NOTE HAS NOT BEEN REGISTERED
UNDER THE SECURITIES ACT OF 1933, AS AMENDED,
AND MAY NOT BE SOLD OR OTHERWISE
TRANSFERRED IN THE ABSENCE OF SUCH
REGISTRATION OR AN EXEMPTION THEREFROM.**

INTERNATIONAL HOUSE OF PANCAKES, INC.

7.42% Senior Note

Due November 1, 2008

No. R

$

Chicago, Illinois
November 8, 1996
PPN: 459668 A@ 8

INTERNATIONAL HOUSE OF PANCAKES, INC., a company incorporated under the laws of the State of Delaware (the "Borrower"), for value received, hereby promises to pay to (the "Lender") or registered assigns, $, payable in annual installments of $ (subject to adjustment pursuant to Section 3 of the Note Agreement, as hereinafter defined) commencing on November 1, 2000, and on every November 1, thereafter through November 1, 2007 with a final payment of the remaining outstanding principal balance payable at maturity on November 1, 2008 and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of 7.42% per annum, from the date hereof until maturity, payable semi-annually on the 8th day of each May and November in each year commencing May 8, 1997, and at maturity. The Borrower agrees to pay interest on overdue principal and prepayment charge, if any, and (to the extent legally enforceable) on any overdue installment of interest, at a rate equal to the greater of 9.42% or the rate of interest announced publicly from time to time by Bank of America Illinois in Chicago, Illinois, as its "prime rate" after the due date, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the Lender in the manner and pursuant to the instructions indicated on Schedule I to the Note Agreement, as hereinafter defined, or in such other manner or pursuant to such other instructions as shall be designated in writing in accordance with the terms of the Note Agreement, in currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is issued pursuant to the terms and provisions of the Senior Note Purchase Agreement, dated as of November 1, 1996 (the "Note Agreement"), entered into by the

---

Borrower, IHOP Corp., a Delaware corporation of which the Borrower is a wholly- owned Subsidiary ("Holdings"), and the Lender. Reference is hereby made to the Note Agreement for a statement of such terms and provisions.

This Senior Note is guaranteed by (i) Holdings, as set forth in Section 16.14 of the Note Agreement, (ii) IHOP Realty Corp., a Delaware corporation and a wholly-owned indirect Subsidiary of the Borrower, pursuant to a Subsidiary Guarantee of even date herewith, (iii) IHOP Properties, Inc., a California corporation and a wholly-owned Subsidiary of the Borrower, pursuant to a Subsidiary Guarantee of even date herewith, and (iv) IHOP Restaurants, Inc., a Delaware corporation and a wholly-owned Subsidiary to the Borrower, pursuant to a Subsidiary Guarantee of even date herewith.

This Note may be declared due prior to its maturity date and certain prepayments may be made thereon, in the events, on the terms and conditions, and in the amounts set forth in the Note Agreement.

This Note is not subject to prepayment or redemption at the option of the Borrower prior to its maturity date except in the event, on the terms and conditions, and in the amounts set forth in the Note Agreement.

This Note is registered on the books of the Borrower and is transferable only by surrender thereof at the principal office of the Borrower at 525 North Brand Boulevard, Glendale, California 91203-1903, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal and interest on this Note shall be made only to or upon the order in writing of the registered holder.

The Note Agreement and this Note shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of Illinois.

INTERNATIONAL HOUSE OF PANCAKES, INC.

By _____
Its _____

EXHIBIT B

November 8, 1996

To the Parties listed on the
Schedule attached hereto:

Re: $35,000,000 7.42% Senior Notes
Due 2008
of

INTERNATIONAL HOUSE OF PANCAKES, INC.

Ladies and Gentlemen:

We have acted as your special counsel in connection with your separate purchases on the date hereof of $35,000,000 aggregate principal amount of the 7.42% Senior Notes due 2008 (the "Notes") of International House of Pancakes, Inc., a Delaware corporation (the "Company"), issued under and pursuant to the separate and several Senior Note Purchase Agreements each dated as of November 1, 1996 (collectively, the "Note Agreement"), among the Company, IHOP Corp., a Delaware corporation ("Holdings") and each of you.

In that connection, we have examined the following:

(a) The Note Agreement;

(b) A copy of the Certificate/Articles of Incorporation of each of the Company and Holdings and all amendments thereto certified by the Secretary of State of the State of Delaware and the Certificates of the Secretary of State of the State of Delaware evidencing that each of the Company and Holdings is in good standing in such state (the "Good Standing Certificate");

(c) A copy of the By-laws of each of the Company and Holdings, as amended to the date hereof, and a copy of the resolutions adopted by the Board of Directors of each of the Company and Holdings with respect to the authorization of the Note Agreement, the issuance, sale and delivery of the Notes and related matters, each as certified by the (Assistant) Secretary of the Company and of Holdings;

(d) The opinion of Skadden, Arps, Slate, Meagher, Flom, counsel to the Company and Holdings, dated the date hereof and delivered responsive to Section 6.3 of the Note Agreement;

(e) The Notes delivered on the date hereof;

(f) Such certificates of officers of the Company, Holdings and of public officials as we have deemed necessary to give the opinions hereinafter expressed; and

(g) Such other documents and matters of law as we have deemed necessary to give the opinions hereinafter expressed.

We believe that the opinion referred to in clause (d) above is satisfactory in scope and form and that you are justified in relying thereon. Our opinion as to matters referred to in paragraphs 1 and 2 below is based solely upon an examination of the Certificate/Articles of Incorporation, the By-laws and the Good Standing Certificate of each of the Company and Holdings and the general business law of the State of Delaware. We have also relied, as to certain factual matters, upon appropriate certificates of public officials and officers of the Company and Holdings and upon representations of the Company, Holdings and you delivered in connection with the issuance and sale of the Notes.

Based upon the foregoing, we are of the opinion that:

1. The Company is a corporation, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and the corporate authority to execute and deliver the Note Agreement and to issue the Notes.

2. Holdings is a corporation, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and the corporate authority to execute and deliver the Note Agreement.

3. The Note Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. The Note Agreement has been duly authorized by all necessary corporate action on the part of Holdings, has been duly executed and delivered by Holdings

and constitutes the legal, valid and binding contract of Holdings enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

5. The Notes have been duly authorized by all necessary corporate action on the part of the Company, and the Notes being delivered on the date hereof have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting

creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

6. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

Our opinion is limited to the laws of the State of Illinois, the general business corporation law of the State of Delaware and the Federal laws of the United States and we express no opinion on the laws of any other jurisdiction.

Respectfully submitted,

CHAPMAN AND CUTLER

SCHEDULE I

Jackson National Life Insurance Company

Phoenix Home Life Mutual Insurance Company

United of Omaha Life Insurance Company

First Security Life Insurance Company

EXHIBIT C

[Opinion of counsel of Holdings, the Borrower and the Subsidiary Guarantors addressed to each of the Purchasers]

1. Holdings, the Borrower and each of their Subsidiaries are corporations duly incorporated, validly existing and in good standing under the laws of their respective jurisdictions of incorporation, and each has the requisite corporate power and authority to own, lease and operate its respective Properties and to carry on its respective businesses as presently owned and conducted, and each is duly qualified and in good standing in the jurisdictions in which the character of the Properties owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

2. The Purchase Agreements, the Notes and the Subsidiary Guarantees have been duly authorized, executed and delivered by Holdings, the Borrower and the Subsidiary Guarantors, to the extent each is a party thereto and such documents constitute the legal, valid and binding agreements of Holdings, the Borrower and the Subsidiary Guarantors, to the extent each is a party thereto, enforceable against Holdings, the Borrower and the Subsidiary Guarantors, to the extent each is a party thereto, in accordance with their terms.

3. The issuance and sale of the Notes, the execution and delivery of, and performance by Holdings and the Borrower of their respective contractually required obligations and undertakings under, the Purchase Agreements and the execution and delivery of, and performance by the Subsidiary Guarantors of their contractually required obligations and undertakings under, the Subsidiary Guarantees, do not conflict with or result in any breach of any provision of, constitute a default under, or result in the creation or imposition of any Lien upon any of the respective Properties of Holdings, the Borrower or the Subsidiary Guarantors or any of their Subsidiaries pursuant to the provisions of the charter documents of any of them, or any agreement, order, decree, indenture, judgment or other instrument or document to which any of them is a party or by which any of them or their respective Properties may be bound.

4. There are no proceedings pending or threatened against Holdings, the Borrower or any of their Subsidiaries in any court or before any Governmental Body or arbitration board or tribunal which could materially and adversely affect the Properties, business, profits or condition (financial or otherwise) of Holdings, the Borrower or any of their Subsidiaries or the ability of Holdings or the Borrower to perform their respective obligations under the Purchase Agreements or the Notes or the ability of the Subsidiary Guarantors to perform their obligations under the Subsidiary Guarantees.

5. The issuance, sale and delivery of the Notes and the Subsidiary Guarantees under the circumstances contemplated by the Purchase Agreements constitute an exempt transaction under the registration provisions of the Securities Act of 1933, as amended, and do not under existing law require the registration of the Notes or the Subsidiary Guarantee under the Securities Act of 1933, as amended, or the qualification of an indenture in respect thereof under the Trust Indenture Act of 1939, as amended.

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6. Assuming that the proceeds of the issuance and sale of the Notes are utilized as set forth in Section 4.26 of the Purchase Agreements, neither the issuance of the Notes nor the use of the proceeds from the sale thereof will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations G, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

7. No consent, approval, authorization, or order of, or other action by or filing with, any Governmental Body is required in connection with the execution, delivery or performance of the Purchase Agreements or the Subsidiary Guarantees, the issuance of the Notes or compliance by Holdings, the Borrower and the Subsidiary Guarantors, to the extent each is a party thereto with the terms and provisions thereof.

8. None of Holdings, the Borrower nor any of their Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any franchising arrangement, material lease, agreement, indenture or loan document to which it is a party, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default.

9. None of Holdings, the Borrower nor any of their Subsidiaries is, nor are any of them directly or indirectly controlled by or acting on behalf of any Person which is, an "investment company" within the meaning of the Investment Company Act of 1940, and none of Holdings, the Borrower nor any of their Subsidiaries is subject to any law, statute, rule or regulation limiting its ability to incur indebtedness for money borrowed.

10. All of the shares of issued and outstanding capital stock of the Borrower are owned of record and, to our knowledge, beneficially, by Holdings and all of the shares of issued and outstanding capital stock of the Subsidiary Guarantors are owned of record and, to our knowledge, beneficially, by the Borrower, in each case free and clear of Liens.

THE GUARANTEE AGREEMENT OF

IHOP REALTY CORP. (EXHIBIT D-1 TO

THE SENIOR NOTE PURCHASE AGREEMENT)

IS CONTAINED IN ITS ENTIRETY

AS DOCUMENT NO. 2 HEREIN.

THE GUARANTEE AGREEMENT OF

IHOP PROPERTIES, INC. (EXHIBIT D-2 TO

THE SENIOR NOTE PURCHASE AGREEMENT)

IS CONTAINED IN ITS ENTIRETY

AS DOCUMENT NO. 3 HEREIN.

THE GUARANTEE AGREEMENT OF

IHOP RESTAURANTS, INC. (EXHIBIT D-3 TO

THE SENIOR NOTE PURCHASE AGREEMENT)

IS CONTAINED IN ITS ENTIRETY

AS DOCUMENT NO. 4 HEREIN.

IHOP#

EXHIBIT E

LEASE

between

IHOP REALTY CORP.,
a Delaware corporation,
Lessor

and

INTERNATIONAL HOUSE OF PANCAKES, INC.,
a Delaware corporation,
Lessee

,

LEASE
between
IHOP REALTY CORP.,

a Delaware corporation, Lessor,
and
INTERNATIONAL HOUSE OF PANCAKES, INC.,
a Delaware corporation, Lessee

TABLE OF CONTENTS

IHOP #

LEASE

AGREEMENT OF LEASE, made this day of , 1992, by and between IHOP REALTY CORP., a Delaware corporation, having its principal place of business at 525 N. Brand Boulevard, Third Floor, Glendale, California 91203-1903 (hereinafter called "Lessor"), and INTERNATIONAL HOUSE OF PANCAKES, INC., a Delaware corporation, having its principal place of business at 525 N. Brand Boulevard, Third Floor, Glendale, California 91203-1903 (hereinafter called "Lessee").

WITNESSETH:

ARTICLE I
DEMISED PREMISES; TERM

Section 1.1. Demised Premises. For and in consideration of the rents, taxes, insurance and other charges and expenses to be paid by Lessee, and in consideration of the performance by Lessee of the covenants herein set forth, Lessor does hereby grant, demise and lease to Lessee all that certain real property consisting of approximately ( ) square feet of land, together with the Improvements (as defined in Article 4.1 hereinbelow) constructed thereon and the rights appurtenant thereto, located and situate in the City of , County of , State of , and more particularly described in Exhibit A attached hereto and, by this reference, incorporated herein (hereinafter referred to as the "Demised Premises").

Section 1.2. Term. The term of this Lease shall commence on the date of the first payment of rent pursuant to Article 2.1 hereinbelow and shall terminate twenty-five (25) years thereafter.

Section 1.3. Options to Extend Term. Provided it shall not then be in default under this Lease (beyond any applicable cure period), Lessee shall have the option to extend said term for an additional period of five (5) years by giving notice to Lessor of its intention to exercise said option at least ninety (90) days prior to the expiration of the original term. Provided it shall not then be in default under this Lease (beyond any applicable cure period), Lessee shall have the option to extend said term for an additional period of five (5) years (less one day) by giving notice to Lessor of its intention to exercise that option at least ninety (90) days prior to the expiration of the first extended term. All of the terms and conditions of this Lease shall apply during each of the aforedescribed extended terms, except those pertaining to the initial construction of the Improvements (as defined in Article 4.1 hereinbelow) and expired options to extend the term of this Lease.

Section 1.4. Short Form of Lease. Upon the commencement date of the term hereof in accordance with Article 1.2 hereinabove, the parties agree to execute and record a short form of this Lease, which shall incorporate the provisions of Articles XVII and XIX hereinbelow. In no event shall the parties record a long form lease.

ARTICLE II
RENT

Section 2.1. Minimum Monthly Rental. Lessee agrees to pay to Lessor during the full term hereof a minimum monthly rental of Dollars ($) (hereinafter referred to as the "Minimum Monthly Rental"), payable in advance on the first day of each calendar month. Said Minimum Monthly Rental shall commence thirty (30) days after the date of completion of the Improvements (as defined in Article 4.1 hereinbelow) to be erected an the Demised Premises or when Lessee opens for business, whichever date is earlier. If the first day upon which rent becomes payable is other than the first day of any calendar month, the rent for the balance of said month shall be payable by Lessee at a daily rate based upon the Minimum Monthly Rental.

Section 2.2. Percentage Rent. In addition to the Minimum Monthly Rental agreed to be paid by Lessee, Lessee shall pay to Lessor, at the time and in the manner specified in this Lease, an additional rental in an amount (hereinafter referred to as "Percentage Rent") equal to five percent (5%) of the amount of Lessee's gross sales made in, upon or from the business on the Demised Premises during each calendar year of the term hereof, less (a) the aggregate amount of the Minimum Monthly Rental previously paid by Lessee for said calendar year, (b) all real property taxes and general and special assessments levied against the Demised Premises as provided in Article 3.1 hereinbelow and paid by Lessee or accrued, (c) all expenses for exterior maintenance and upkeep of the building and adjacent walkways and landscape areas, (d) all premiums for insurance required hereby, and (e) all similar costs and expenses, if any, arising under the term of the CC&Rs (as defined in Article 20.1 hereinbelow). If the amount of any such deductions in any year exceeds the amount of Percentage Rent payable for said year, then such excess shall be carried forward and applied to reduce the amount of Percentage Rent payable in any succeeding year or portion thereof should this Lease terminate prior to the expiration of a full year. The term "exterior maintenance and upkeep" is not to be construed to include any janitorial or regular maintenance service which is to be provided by Lessee or its assignee without deduction or offset, but rather is intended to include repairs and maintenance for wear and tear. The Percentage Rent shall be paid quarterly (as herein provided) based upon gross sales during such quarterly period. In the event the quarterly payments of Percentage Rent do not in the aggregate equal the Percentage Rent when calculated on an annual basis, then, in such event, an adjustment shall be made within forty-five (45) days after the end of each year of the term hereof, and the party owing money shall promptly pay the amount owed to the other party. Percentage Rent shall be paid quarterly on the twenty-fifth (25th) day of the month immediately following the quarterly period

in which the gross sales are made. Notwithstanding expiration or sooner termination of this Lease, Lessee shall pay to Lessor the Percentage Rent on the twenty-fifth (25th) day of the month immediately following expiration or sooner termination for the last quarterly period of the term of this Lease or fraction thereof. For the purposes of computing Percentage Rent for the first and last quarterly periods of the term or extended term of this Lease, if either is less than a full calendar quarter, the prorated Minimum Monthly Rental and other expenses enumerated above for such fractional period shall be deducted from the percentage of sales realized during such fractional period.

Section 2.3. Statements of Gross Sales. Together with the quarterly Percentage Rent, Lessee shall furnish to Lessor a statement in writing, certified by Lessee to be correct, showing the total gross sales made in, upon or from said restaurant during the said calendar quarter or portion thereof.

Section 2.4. "Gross Sales" Defined. The term "gross sales" as used herein shall include the entire receipts of each kind and nature from sales and services made in, upon or from the said restaurant, whether upon credit or for cash, whether operated by Lessee or by a sublessee or sublessees, or by a concessionaire or concessionaires, excepting therefrom any rebates and/or refunds to customers, and the amount of all sales tax or similar tax receipts which have to be accounted for by Lessee or by any sublessee or concessionairo to any government or governmental agency. Sales upon credit shall be deemed cash sales and shall be included in the gross sales for the period during which the merchandise is delivered to the customer, whether or not title to the merchandise passes with delivery. The term "gross sales" shall not include sales from coin operated vending machines.

Section 2.5. Verification of Gross Sales; Audit. Lessee shall keep full, complete and proper books, records and accounts of its daily gross sales, both for cash and on credit, of each separate department and concession at any time operated in the Demised Promises. Lessor and its agents and employees. upon reasonable notice, shall have the right at any and all times, during regular business hours, to examine and inspect all of the books and records of Lessee (including any sales tax reports) pertaining to the business of Lessee conducted in, upon or from the Demigod Promises, which Lassos shall produce upon demand by Lessor or Lessor's agents for the purpose of investigating and verifying the accuracy of any statement of gross sales. Lessor may once in any lease year cause an audit of the gross sales of Lessee to be made by an independent certified accountant of Lessor's selection, and if the statement of gross sales previously made to Lessor by Lessee shall be found to be understated by more than five percent (5%), Lessee shall immediately pay to Lessor the cost of such audit, not to exceed Five Hundred Dollars ($500), as well as the additional rental shown to be payable by Lessee to Lessor; otherwise the cost of such audit shall be paid by Lessor. If the statement of gross sales previously made to Lessor by Lessee shall otherwise be found to be incorrect, then the party found to be owing money shall promptly pay over such sums to the other party. It is understood and agreed that the Percentage Rent provisions apply only to sales made in, upon or from the business to be operated upon the Demised Promises and do not apply to sales of any other business.

ARTICLE III
TAXES AND ASSESSMENTS

Section 3.1. Taxes and Assessments. Lessee shall pay, as additional rent, all real estate taxes and assessments (or installments thereof) coming due during the term hereof under any general or special assessments created or imposed during the term hereof, sewer rent and water charges, gas power, electric current and all other taxes and charges in the same or similar categories (sometimes hereinafter referred to collectively as "impositions" and individually as "imposition") levied or imposed upon the Demised Premises or improvements (as defined in Section 4.1 hereinbelow), or arising from the use and

occupancy or possession of the Demised Premises or the Improvements (as defined in Section 4.1 hereinbelow), it being the intention of the parties that the Minimum Monthly Rental to be received by Lessor shall be a net rental to Lessor and not subject to any deductions whatsoever arising from the use and occupancy of the Demised Premises by Lessee. Lessee shall pay such additional rent directly to the taxing authorities, utility companies or other entities to whom such charges may be payable, and shall, upon written request therefor, furnish to Lessor reasonably satisfactory evidence of the payment of the same. In the event that Lessee fails to make any such payment within the period (or grace period) provided for the payment thereof, Lessor may, at its option, pay the same, and Lessee shall immediately reimburse Lessor therefor.

Section 3.2. Installment Payments. If any assessment is payable at the option of a taxpayer in installments, Lessee may pay it in equal annual installments as they respectively become due; provided, however, that in no event shall Lessee be required to reimburse Lessor for any installments attributable to any period after the expiration of the term of this Lease.

Section 3.3. Personal Property Taxes. Lessee shall also pay all personal property tax levied upon the personal property on the Demised Premises during the term of this Lease.

Section 3.4. Proration. All of the above impositions (except utility or other charges attributable solely to Lessee's use) for the first year of the term hereof shall be prorated between the parties as of the commencement date hereof, and during the last year of the term hereof, shall be prorated as of the termination date.

Section 3.5. Contest. Lessee, at its own expense, may contest any impositions in any manner permitted by law, in Lessee's name, and, whenever necessary, in Lessor's name. Lessor will cooperate with Lessee and execute any documents or pleadings required for such purpose. Such contest may include appeals from any judgment(s), decree(s) or order(s) until a final determination is made by a court or governmental department or authority having final jurisdiction in the matter. Before commencing any such contest, Lessee shall obtain a surety bond sufficient to cover the amount of the possible imposition which would be due if the decision were adverse to Lessee.

ARTICLE IV

**CONSTRUCTION OF IMPROVEMENTS; REPAIR AND MAINTENANCE;
ALTERATIONS AND IMPROVEMENTS**

Section 4.1. Construction of Improvements. Lessor has heretofore constructed upon the Demised Premises, at Lessor's sole cost and expense, an air conditioned restaurant together with a paved parking lot and a free-standing sign in accordance with plans and specifications, as approved by all governmental agencies having jurisdiction therefor, the master plans for which have been heretofore approved by the parties hereto (hereinafter referred to as the "Improvements").

Section 4.2. Repair and Maintenance. Lessee agrees that during the term hereof it will make, at its own expense, all necessary repairs to the Improvements upon the Demised Premises, including all parking areas and sidewalks, and that it will keep the Demised Premises and the Improvements thereon in good condition and repair throughout the entire term of this Lease.

Section 4.3. Alterations and Improvements. Lessee shall have the right at any time and from time to time during the term of this Lease, at its own expense, to make changes or alterations, structural or otherwise, to the Improvements on the Demised Premises and to erect, construct or install upon the Demised Premises buildings and improvements in addition to or in substitution for those now or hereafter located thereon, and to demolish and remove the Improvements or any other structures hereafter located on the Demised Premises for the purposes of replacing the same; provided, however, that the fair market value of all improvements on the Demised Premises following each such change, alteration, construction or installation shall be at least equal to the fair market value of all improvements on the Demised Premises immediately prier to such change, alteration, construction or improvement. Lessee shall make no structural changes or alterations at any given time of a cost in excess of Ten Thousand Dollars ($10,000) without first having secured the consent of Lessor, which consent shall not be unreasonably delayed or withheld.

**ARTICLE V
LIENS**

Section 5.1. Discharge of Liens; Contest. Except as hereinafter provided, Lessor reserves the fee in the Demised Premises and specifically does not consent by virtue of this Lease that said fee or the remainder interest of Lessor in the Demised Premises shall be subject to any lien for labor or materials furnished to Lessee in the repair or improvement of the Demised Premises. While the parties intend hereby that the interest of Lessor hereunder cannot be subjected to any lien on account of Lessee's use of or actions with respect to the Demised Premises and that any future modifications of law to the contrary would constitute an impairment of vested rights hereunder, nevertheless, should a court of competent jurisdiction hold that, or should a valid statute be enacted whereby, any interest of Lessor in the Demised Premises at any time hereafter shall be subjected to any such lien, then Lessee shall, within thirty (30) days after written notice to Lessee of the existence and perfection of said lien, cause said lien to be bonded or discharged and shall otherwise save Lessor harmless on account thereof; provided, however, that if Lessee desires in good faith to contest the validity or correctness of any such lien, it may do so and Lessor shall cooperate to whatever extent shall be necessary, provided only that Lessee must indemnify Lessor against any loss, liability or damage on account thereof.

**ARTICLE VI
USE OF PREMISES**

Section 6.1. Permitted Use. Lessee, its sublessees or assignees, shall use the Demised Premises for the purpose of conducting thereon the business of a restaurant or a coffee shop

and for incidental purposes related thereto, or for any other legally permissible business or commercial venture; provided, however, that Lessee shall not use the Demised Premises in such manner as to knowingly violate the CC&Rs (as defined in Section 20.1 hereinbelow) or any applicable law, rule, ordinance or regulation of any governmental body.

**ARTICLE VII
LIABILITY INSURANCE**

Section 7.1. Lessee's Insurance. Lessee agrees that on or before the commencement of the term of this Lease it will obtain for the mutual benefit of Lessor and Lessee public liability insurance covering the Demised Premises from an insurance company authorized (or admitted) to do business in the state in which the Demised Premises are located. Said policy or policies shall be for an amount of at least Two Million Dollars ($2,000,000) Combined Single Limit for the death or injury to one (1) or more persons or property damage, which said policy or policies of insurance shall name Lessor as an additional assured thereunder, and Lessee agrees to maintain same at Lessee's sole cost and expense in full force and effect during the entire term of this Lease. Lessee shall furnish Lessor with a copy of such insurance coverage, or with a certificate of the company issuing such insurance, certifying that the same is in full force and effect. Lessee may, at its option, bring its obligations to insure hereunder under any so-called blanket policy or policies of insurance; provided, however, that the interests of Lessor shall be as fully protected thereby as if Lessee obtained individual policies of insurance.

**ARTICLE VIII
BANKRUPTCY**

Section 8.1. Continuation of Lease. If at any time during the term hereof proceedings in bankruptcy, insolvency or other similar proceedings shall be instituted

by or against Lessee, whether or not such proceedings result in an adjudication against Lessee, or should a receiver of the business or assets of Lessee be appointed, such proceedings or adjudications shall not affect the validity of this Lease, so long as the Minimum Monthly Rental and additional rent reserved hereunder continues to be paid to Lessor and the other terms, covenants and conditions of this Lease on the part of Lessee to be performed, are performed, and in such event this Lease shall continue to remain in full force and effect in accordance with the terms herein contained.

ARTICLE IX
ASSIGNMENT AND SUBLETTING

Section 9.1. Assignment. Lessee may not assign this Lease, in whole or in part, without first obtaining the prior written consent of Lessor, which consent shall not be unreasonably delayed or withheld; provided, however, that Lessee may, without such consent, assign this Lease, in whole or in part, as security or otherwise to any national or state chartered bank or lending institution or corporation controlled by, controlling, or under common control with Lessee, it being understood that Lessee shall remain liable

hereunder, or to any surviving corporation resulting from a merger or consolidation of Lessee with any other corporation, or to any corporation which purchases or otherwise acquires all or substantially all of the assets of Lessee. Any consent to any assignment shall not be deemed to be a consent to any subsequent assignment. Any assignment by Lessee other than in accordance with this Article IX shall be void.

Section 9.2. Subletting. Lessee or its assignee shall have and is hereby given the unqualified right and privilege, at its option, of subletting the Demised Premises, in whole or in part, subject to all of the rents, terms and conditions of this Lease. It is specifically understood and agreed by and between Lessor and Lessee that any subletting which Lessee or its assignees make, as permitted herein, shall in no event relieve Lessee of the obligations of Lessee hereunder, and that the right of subletting shall be that of Lessee or its assignees only, and shall not extend to any subtenant.

ARTICLE X
REMEDIES IN THE EVENT OF DEFAULT

Section 10.1. Remedies. In the event of any breach of this Lease by Lessee which shall not have been cured within fifteen (15) days after Lessee shall have received notice of such breach (or if such breach is not in payment of money, if within such period Lessee shall not have commenced to cure said breach and shall not thereafter continue its efforts with due diligence), then Lessor may, at Lessor's option and without limiting Lessor in the exercise of any other rights or remedies which Lessor may have at law or in equity by reason of such default or breach, with or without notice of demand:

(A) without terminating this Lease, reenter the Demised Premises with or without process of law and take possession of the same and expel or remove Lessee and all other parties occupying the Demised Premises, and at any time and from time to time to relet the Demised Premises or any part thereof for the account of Lessee, for such term, upon such conditions and at such rental as Lessor may deem proper. In such event Lessor may receive and collect the rent from such reletting and apply it against any amounts due from Lessee hereunder (including, without limitation, such expenses as Lessor may have incurred in recovering possession of the Demised Premises, placing the same in good order and condition, altering or repairing the same for reletting, and all other expenses, commission and charges, including attorney's fees, which Lessor may have paid or incurred in connection with such repossession and reletting). Lessor may execute any Lease made pursuant hereto in Lessor's name or in the name of Lessee, as Lessor may see fit, and the lessee thereunder shall be under no obligation to see to the application by Lessor of any rent collected by Lessor, nor shall Lessee have any right to collect any rent thereunder. Whether or not the Demised Premises are relet, Lessee shall pay to Lessor all amounts required to be paid by Lessee up to the date of Lessor's reentry, and thereafter Lessee shall pay to Lessor, until the end of the term hereof, the amount of all rent and other charges required to be paid by Lessee hereunder, less the proceeds of such reletting as provided above. Such payments by Lessee shall be due at such times as are provided elsewhere in this Lease, and Lessor need not wait until the termination of this Lease to recover them by

legal action or otherwise. Lessor shall not, by any reentry or other act, be deemed to have terminated this Lease or the liability of Lessee for the total rent hereunder unless Lessor shall give Lessee written notice of Lessor's election to terminate this Lease.

(B) terminate this Lease by giving written notice to Lessee of Lessor's election to so terminate, reenter the Demised Premises with or without process of law and take possession of the same and expel or remove Lessee and all other parties occupying the Demised Premises. In such event, Lessor shall thereupon be entitled to recover from Lessee:

(i) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) the worth at the time of award of the amount by which (A), the unpaid rent which would have been earned after termination until the time of award, exceeds (B), the amount of such rental loss Lessee proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which (A), the unpaid rent for the balance of the term after the time of award, exceeds (B), the amount of such rental loss that Lessee proves could be reasonably avoided; plus

(iv) any other amount reasonably necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom.

As used in Subsections (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in Subsection (iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

ARTICLE XI
PROPERTY INSURANCE

Section 11.1. Lessee to Obtain "All Risk" Insurance. Lessee will, at Lessee's own cost and expense, carry and maintain fire insurance with extended coverage endorsement with an insurance company authorized (or admitted) to do business in the state in which the Demised Premises are located, for the mutual benefit of Lessee, Lessor, and its mortgagee, if any, on all buildings erected upon the Demised Premises in an amount equal to at least one hundred percent (100%) of the full replacement cost thereof, excluding foundation and excavating costs. As often as any such policy or policies shall expire or terminate, renewal or additional policies shall be procured by Lessee in like manner and to like extent. Proceeds of any such policies, in the event of fire or other casualty, shall be payable to Lessor and

Lessee, as their respective interests may appear, and in accordance with the terms of Article XII hereinbelow. Lessee shall furnish Lessor with a copy of such insurance coverage, or with a certificate of the company issuing such insurance, certifying that the same is in full force and effect.

Section 11.2. Blanket Policy. Lessee may, at its option, bring its obligations to insure under this Article XI within the coverage of any so-called blanket policy or policies of insurance which it may now or hereafter carry, by appropriate amendment, rider endorsement, or otherwise; provided, however, that the interests of Lessor shall thereby be as fully protected as they would otherwise be if this option to Lessee to use blanket policies were not permitted.

ARTICLE XII
DAMAGE AND DESTRUCTION

Section 12.1. Abatement of Rent. Notwithstanding any statute or rule of law of the state in which the Demised Premises are located to the contrary, in the event of any damage or destruction to the Improvements, or any part thereof, by fire or other casualty, this Lease shall continue in full force and effect, except that until either such damage or destruction shall be repaired, or in the alternative this Lease shall be terminated as hereinafter provided in this Article XII, all rent, additional rent and other charges payable hereunder by Lessee shall abate so that Lessee shall be required to pay only a fraction thereof, the numerator of which shall be the fair rental value of the Demised Premises and Improvements thereto after such damage or destruction, and the denominator of which shall be the fair rental value of the Demised Premises and Improvements thereto immediately prior to such damage or destruction; provided, however, if the damage or destruction is such that Lessee's business at the Demised Premises cannot reasonably or lawfully be continued after the date of said damage or destruction, said rent, additional rent and other charges hereunder shall abate entirely.

Section 12.2. Restoration of Improvements — Insured Loss. If the damage or destruction of the Improvements was caused by a peril or perils covered under a standard fire insurance policy, with "extended coverage" endorsement, then Lessee shall proceed, within a reasonable period of time after the date of the occurrence of such damage or destruction, to repair, restore and replace said Improvements and shall have available to it any proceeds from the property insurance to be maintained by Lessee pursuant to Section 11.1 hereinabove.

Section 12.3. Restoration of Improvements — Uninsured Loss. If the damage or destruction of the Improvements was not caused by a peril or perils covered under a standard fire insurance policy, with "extended coverage" endorsement, then Lessor may, within thirty (30) days after the occurrence of said damage or destruction, pay to Lessee such amount as shall be required by Lessee to make such repair, restoration and replacement. Lessee shall then proceed with due diligence to so repair, restore and replace said Improvements. In the event Lessor shall elect not to pay such amount, Lessor shall give Lessee written notice thereof within thirty (30) days after the occurrence of said damage or

destruction, and Lessee shall then have fifteen (15) days to elect to pay such amount itself and to serve Lessor with written notice of its said election. In the event Lessee elects to pay such amount, then, in such event, Lessee shall, at its option, be permitted to extend the term hereof for a period sufficient, if required, to result in Lessee having a minimum term, including any available options to extend, of ten (10) years remaining after the date of completion of the repairs, replacement or restoration; said extended term to be under the same terms and conditions in effect just prior to the expiration of the preceding term. In the event Lessee elects to extend said term pursuant to this Article XII, it shall serve Lessor with written notice thereof within the same fifteen (15) day period during which Lessee has the right to elect to pay the aforementioned amount. In the event neither party shall elect to pay such amount, then, upon the expiration of the fifteen (15) day period during which Lessee has the right to elect to pay such amount, this Lease shall terminate.

Section 12.4. Extension of Lease. In the event this Lease continues in full force and effect and is not terminated or otherwise extended pursuant to the provisions of this Article XII, and there has been an abatement of rent, the then current term of this Lease shall be extended by the total number of months during which there was such an abatement; however, in no event shall the abatement of rent exceed six (6) months duration in connection with each instance of damage or destruction during the term or extended term hereof.

ARTICLE XIII
CONDEMNATION

Section 13.1. Complete Taking. If at any time during the term of this Lease, or any extension thereof, the whole of the Demised Premises shall be taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain, including any such taking by "inverse condemnation," then this Lease shall terminate as of the date that title shall vest in the condemnor, and the rent and additional rent payable hereunder shall be adjusted and paid to the date of such termination.

Section 13.2. Partial Taking. If at any time during the term of this Lease, or any extension thereof, any part of the building, or twenty percent (20%) or more of the designated parking spaces, or any part of a driveway or other access way reasonably necessary for access to the business upon the Demised Premises shall be so taken, Lessee shall have the right to terminate this Lease as of the date that title shall vest in the condemnor, by giving written notice of such termination to Lessor within ninety (90) days after notice to Lessee of the date of such vesting. In such event, the rent and additional rent payable hereunder shall be adjusted and paid to the date of such termination.

Section 13.3. Allocation of Condemnation Award. In the event of such a condemnation of the whole or in part of the Demised Premises, Lessor shall have the unqualified right to pursue its remedies against the condemnor for the full value of Lessor's fee interest and other property interests in and to the Demised Premises. Similarly, Lessee shall have the unqualified right to pursue its remedies against the condemnor for the full

value of Lessee's leasehold interest and other property interest in and to the Demised Premises. If the laws of the state in which the Demised Premises are located allow or require the recovery from the condemnor to be paid into a common fund or to be paid to Lessor only, and if such recovery is so paid into such common fund or to Lessor only, then in that event the recovery so paid shall be apportioned between the parties according to the value of their respective property interests as they existed on the date of such condemnation. The provisions of this Article 13.3 shall survive any termination of this Lease pursuant to the provisions of Articles 13.1 or 13.2 hereinabove.

Section 13.4. Rent Reduction in Case of Partial Taking. If at any time during the term of this Lease, or any extension thereof, a part of the Demised Premises shall be taken by condemnation, and Lessee shall not be entitled to or shall not exercise its right to terminate, this Lease shall continue in full force and effect, except that the net Minimum Monthly Rental shall be reduced as of the date of vesting in the condemnor so that Lessee shall pay, for the remainder of the term, only such portion of the Minimum Monthly Rental as the rental value of the part remaining after condemnation bears to the rental value of the entire Demised Premises at the date of condemnation. Lessor shall have the obligation to pay for the cost of and to perform the construction, repair, alteration or restoration of the remaining part of the Demised Premises so the same shall constitute a complete unit suitable for the use made by Lessee immediately prior to said condemnation.

ARTICLE XIV
QUIET ENJOYMENT AND TITLE

Section 14.1. Covenant of Quiet Enjoyment. Lessee, subject to the terms of this Lease, upon paying the Minimum Monthly Rental and additional rent and performing the other terms, covenants and conditions of this Lease, shall and may peaceably and quietly have, hold, occupy, possess and enjoy the Demised Premises during the term of this Lease.

Section 14.2. Right to Possession. Lessor covenants, warrants and represents that the Demised Premises are now unoccupied and tenant-free, and that absolute, tenant-free possession of the Demised Premises will be delivered to Lessee on the date of the commencement of the term hereof.

Section 14.3. Superior Encumbrances. Lessor further covenants, warrants and represents that there are no liens, mortgages or encumbrances on the Demised Premises superior to the rights of Lessee under this Lease, except as set forth in Article 20.1 hereinbelow and for the lien of a first mortgage which may have been heretofore or may hereafter be made by Lessor.

Section 14.4. Ownership; Authority; Restrictions. Lessor further covenants, warrants and represents that Lessor is the owner in fee of the Demised Premises and alone has the full right to lease the Demised Premises for the term and/or extended term as aforesaid; that there are no existing restrictions or encumbrances affecting the Demised Premises which would prohibit the use and occupancy thereof as a restaurant; and that the Demised Premises are not subject to any zoning laws or regulations which would prohibit or restrict the

construction, maintenance and operation of a restaurant. It is expressly understood and agreed that these covenants by Lessor constitute a warranty by Lessor, and that in case Lessor is not the owner or has not the right aforesaid, or in case there are any such restrictions, (a) this Lease, at the option of Lessee, shall become null and void and no rent shall accrue for the term aforesaid or for any part thereof, and (b) Lessee may pursue any remedy available at law or in equity to recover damages or other relief.

ARTICLE XV
TRADE FIXTURES

Section 15.1. Ownership; Removal. Lessor and Lessee acknowledge, consent and agree that all furniture, fixtures, and equipment installed in or on or located in or about the Improvements or other parts of the Demised Premises, whether affixed to the Demised Premises or otherwise (hereinafter referred to as the "Trade Fixtures"), are being leased by Lessor to Lessee under the terms of that certain Equipment Master Lease of even date herewith between Lessor, as

lessor, and Lessee, as lessee, and the Trade Fixtures shall at all times remain the property of Lessor and the same may not be removed by Lessee at any time during the term hereof or upon the expiration or earlier termination of the term hereof.

ARTICLE XVI
SUBORDINATION

Section 16.1. Subordination. Provided that Lessor furnishes to Lessee an agreement in writing and in recordable form from any present or future mortgagee or holder of a deed of trust or other encumbrance with respect to the Demised Premises, that:

(A) such person shall not for any reason disturb the possession, use or enjoyment of the Demised Premises by Lessee, its successors and assigns, so long as all of the obligations of Lessee are fully performed in accordance with the terms of this Lease; and

(B) such person shall permit application of the insurance proceeds and condemnation proceeds in accordance with Articles XII and XIII hereinabove, respectively, in the event of damage or destruction to the Improvements or condemnation of the improvements or any part of the Demised Premises,

Lessee agrees to subordinate its rights hereunder to the lien of such mortgage, deed of trust or other encumbrance which may now or hereafter affect the Demised Premises. Provided such agreement is obtained, Lessee shall, upon demand, promptly execute and deliver to Lessor any instrument which may be necessary to effectuate such subordination.

ARTICLE XVII
RIGHT OF FIRST REFUSAL

Section 17.1. Purchase. If at any time after the date of the mutual execution of this Lease and prior to the date of the expiration of the term or extended term of this Lease, Lessor shall desire to sell the Demised Premises or the property of which the Demised Premises are a part, Lessee shall have the right of first refusal as follows: Lessor shall give to Lessee a notice in writing specifying the terms and conditions upon which it desires to sell the Demised Premises and offering to sell same to Lessee upon said terms and conditions. Within ten (10) days after receipt of said notice, Lessee shall either accept or reject said offer. If Lessee shall reject said offer, then for a period of ninety (90) days after the expiration of said ten (10) day period Lessor shall be free to sell to any other person upon the terms and conditions specified in said notice. If the sale is to be made on terms and conditions other than so specified, then the right to purchase shall again be offered to Lessee as set forth above. The rejections of any one or more such offers by Lessee shall not affect its right of first refusal as to any other sales by Lessor or its successors or assigns.

Section 17.2. Lease. If at any time after the date of the mutual execution of this Lease and prior to the date of the expiration of the term or extended terms of this Lease, Lessor shall desire to lease the Demised Premises for a term commencing after the expiration of the term or extended term hereof, Lessee shall have the right of first refusal as follows: Lessor shall give to Lessee a notice in writing specifying the terms and conditions upon which it desires to lease the Demised Premises and offering to lease same to Lessee upon said terms and conditions. Within ten (10) days after receipt of said notice, Lessee shall either accept or reject said offer. If Lessee shall reject said offer, then for a period of ninety (90) days after the expiration of said ten (10) day period Lessor shall be free to lease to any other person upon the terms and conditions specified in said notice. If the lease is to be made on terms and conditions other than so specified, then the right to lease shall again be offered to Lessee as set forth above. The rejections of any one or more such offers by Lessee shall not affect its right of first refusal as to any other proposed leases by Lessor or its successors or assigns.

Section 17.3. Incorporation in Short Form of Lease. The provisions of Articles 17.1 and 17.2 hereinabove shall be included in the short form of this Lease provided in Article 1.4 hereinabove.

ARTICLE XVIII
REMOVAL OF DISTINCTIVE FEATURES

Section 18.1. Removal; Repairs. Lessor agrees that upon the expiration of the term of this Lease, or any extension thereof, or upon the earlier termination thereof as provided for herein, Lessee shall have the unqualified right to remove from the Demised Premises and the Improvements thereon all signs or other distinctive features of Lessee's operation. Lessee shall, at its expense, repair any damage to the building caused by such removal. In addition, Lessee, at its sole cost and expense, shall have the right, but not the obligation, to paint the Improvements in a neutral color. Lessor agrees that Lessor will not thereafter

cause, permit or suffer the Improvements to be painted the colors or combination of colors associated with the operations of Lessee or its corporate affiliates.

ARTICLE XIX
PROHIBITION AGAINST COMPETITION
AND PROTECTION FOR EXPOSURE

Section 19.1. Lessor's Covenant. Lessor agrees that during the term or extended term of this Lease it will not permit, lease, allow or use, either by itself or any tenants thereof, directly or indirectly, any portion of the property of which the Demised Premises are a part or any property within one (1) mile of the Demised Premises now or hereafter owned or controlled by Lessor for any kind of restaurant, diner, coffee shop, luncheonette or any other business involving "on the

premises consumption of food or beverage."

Section 19.2. Lessee's Remedies for Breach. The covenant of Lessor contained in Article 19.1 hereinabove is a material inducement for Lessee to enter into this Lease, and upon any breach by Lessor of said covenant, which breach is not cured within thirty (30) days after written notice thereof by Lessee to Lessor, Lessee shall have the right to pursue all of its rights available at law or in equity, including cancellation of this Lease, a suit for damages, and/or a suit for injunctive relief (it being understood that the enumeration of the foregoing rights and remedies shall not preclude the exercise of any other rights or remedies which might be available at law or in equity).

Section 19.3. Incorporation in Short Form of Lease. The provisions of Articles 19.1 and 19.2 hereinabove shall be included in the short form of this Lease provided in Article 1.4 hereinabove.

ARTICLE XX
TITLE CONSIDERATIONS

Section 20.1. CC&Rs; Lender's Lien. Lessee hereby acknowledges, consents and agrees that the Demised Premises and this Lease shall be subject and subordinate to all of those covenants, conditions, restrictions, easements and other matters specified on Exhibit B attached hereto and, by this reference, incorporated herein (hereinbefore and hereinafter collectively referred to as the "CC&Rs"), as well as the lien of any mortgage, deed to secure debt, or deed of trust, as the case may be, securing the obligations of Lessor under the terms of any credit agreement between Lessor, as borrower, and any third party, as lender, that may heretofore or hereafter be secured against the Demised Premises. Additionally, Lessee hereby agrees to perform and abide by all of the terms, covenants, conditions, obligations and undertakings of Lessor under the CC&Rs.

ARTICLE XXI
HAZARDOUS SUBSTANCE OR WASTE

Section 21.1. Mutual Indemnity. Lessor hereby represents and warrants that, to the best of its knowledge, there does not exist on, in or under the Demised Premises (including the parking area) any "hazardous substance" or "hazardous waste" as those term are used under the various federal and state environmental laws (hereinafter referred to as the "Hazardous Substance/Waste"); and in the event such Hazardous Substance/Waste is discovered at any time during the term of this Lease or extensions thereof under circumstances where it is reasonably clear that such Hazardous Substance/Waste became present on or before the commencement of the term hereof, Lessor shall indemnify, defend (with counsel reasonably satisfactory to Lessee), and hold and save Lessee and its sublessees harmless from and against all claims, liabilities, actions, judgments, responsibilities and damages of every kind and nature arising from or related to the presence of said Hazardous Substance/Waste; and in the event such Hazardous Substance/Waste is discovered at any time during the term of this Lease or extensions thereof, or any time thereafter, under circumstances where it is reasonably clear that such Hazardous Substance/Waste became present at any time after the commencement of the term hereof until the expiration or earlier termination of this Lease, Lessee shall indemnify, defend (with counsel reasonably satisfactory to Lessor) and hold and save Lessor harmless from and against all claims, liabilities, actions, judgments, responsibilities and damages of every kind and nature arising from or related to the presence of said Hazardous Substance/Waste during said period.

ARTICLE XXII
REAL ESTATE COMMISSIONS

Section 22.1. Payment; Mutual Indemnity. Each party represents to the other party that it has not dealt with any real estate broker or other person acting in a similar capacity who might be entitled to a commission or finder's fee in this transaction; and each party hereby indemnifies the other party and agrees to hold the other party harmless from any commission and/or finder's fee claims arising through actions of the indemnifying party in derogation of the representations contained herein.

ARTICLE XXIII
NOTICES AND DEMANDS

Section 23.1. To Lessor. Any notices or demands required or permitted by law or any provisions of this Lease shall be in writing, and, if the same is to be served upon Lessor, may be deposited in the United States mail, registered or certified, with return receipt requested, postage prepaid, and addressed to Lessor at the address first above stated or at such other address as Lessor may designate in writing, or in lieu of mailing any such notice or demand, the same may be personally delivered to said party at such address. At all times, Lessor may designate in writing any person(s), firs(s) or corporation(s) to receive all notices and demands, and service upon any one of those persons, firms or corporations as so designated shall constitute sufficient service upon Lessor.

Section 23.2. To Lessee. Any such notice or demand to be served upon Lessee shall be in writing and in duplicate, and shall be served either personally to the attention of the Legal Department at 525 N. Brand Boulevard, Third Floor, Glendale California 91203-1903, or by deposit in the United States mail, registered or certified, return receipt requested, postage prepaid, addressed to Lessee, attention of Legal Department, at P.O. Box 29018, Glendale, California 91209-9018, or any other address that Lessee may designate in writing.

ARTICLE XXIV
ATTORNEYS' FEES

Section 24.1. Paid to Prevailing Party. In the event any action or proceeding is commenced with respect to any claim or controversy by the parties hereto arising from the breach, interpretation, or enforcement of this Lease or the exhibits attached hereto, the prevailing party or parties in such action or proceeding shall receive and be entitled to, in addition to any and all other relief, all costs and expenses, including reasonable attorneys' fees, incurred by it in such action or proceeding.

ARTICLE XXV
GENERAL PROVISIONS

Section 25.1. Binding on Successors. All of the covenants, agreements, provisions and conditions of this Lease shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

Section 25.2. Severability. If any term or provision of this Lease or the application thereof to any persons or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 25.3. Entire Agreement. This Lease and the exhibits attached hereto contain the entire agreement between the parties and shall not be modified in any manner except by an instrument in writing executed by the parties hereto or their respective successors in interest.

Section 25.4. Captions. The captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Lease or the intention of the parties hereto, nor do they in any way affect this Lease.

Section 25.5. Gender and Number. Words of any gender in this Lease shall be held to include any other gender, and words in the singular number shall be held to include the plural when the sense requires.

Section 25.6. Approvals. Wherever Lessor's approval or consent is required herein, such approval or consent shall not be unreasonably delayed or withheld.

Section 25.7. No Waiver. No waiver by Lessor or Lessee of any breach of any provision of this Lessee shall be deemed a waiver of any breach of any other provision hereof or of any subsequent breach by Lessee or Lessor of the same or any other provision.

Section 25.8. Holdover. In the event Lessee shall hold over after the term of this Lease with the consent, express or implied, of Lessor, such holding over shall be construed to be a tenancy only from month to month, and Lessee shall pay the rent, additional rent and other sums as herein required for such further time as Lessee may continue its occupancy. The foregoing does not affect Lessor's right of reentry or any rights of Lessor hereunder or as otherwise provided by law.

Section 25.9. Time of Essence. Time is of the essence of this Lease and the exhibits attached hereto and every provision herein and therein.

Section 25.10. Governing Law. This agreement shall be governed by and construed in accordance with the laws of the state in which the Demised Premises are located.

Section 25.11. Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

Section 25.12. No Third Party Rights. The terms and provisions of this Lease shall not be deemed to confer any rights upon, nor obligate any parties hereto to, any person or entity other than the parties hereto.

Section 25.13. Unexecuted Lease. The submission of this Lease for review or execution does not constitute a reservation of or option for the rights conferred herein. This Lease shall become effective as a lease only upon execution and delivery thereof by both Lessor and Lessee.

Section 25.14. Lessor's Right of Entry. Lessor reserves the right to enter upon the Demised Premises at any time during business hours to inspect same or for the purpose of exhibiting same to prospective purchasers, mortgagees, and, during the last six (6) months of the term hereof or any extensions thereof, to prospective lessees. Lessor may post any customary sign stating "for lease" or "for sale" during the last six (6) months of the term or extended term hereof.

Section 25.15. Estoppel Certificates. Lessor and Lessee agree that within fifteen (15) days following the written request by either, or both, to the other, to execute and deliver to the requesting party a certificate (a) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, and the date to which the rent and other charges hereunder are paid in advance, if any, and (b) acknowledging that there are not, to

the certifying party's knowledge, any uncured defaults hereunder on the part of the requesting party, or so specifying such defaults, if any, as are claimed by

the certifying party.

Section 25.16. Due Authorization. Each person executing this Lease on behalf of Lessor and Lessee, respectively, warrants and represents that the partnership, joint venture or corporation, as the case may be, for whom he or she is acting, has duly authorized the transactions contemplated herein and the execution of this Lease by him or her.

Section 25.17. Relationship of Parties. Nothing contained in this Lease shall be deemed to constitute a partnership or joint venture between Lessor and Lessee, and Lessor and Lessee's relationship herein shall only be deemed to be one of landlord and tenant.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

Lessor:

IHOP REALTY CORP., a Delaware corporation

By:

Its:

Lessee:

INTERNATIONAL HOUSE OF PANCAKES,
INC., a Delaware corporation

By:

Its:

IHOP#

State of California)
)
County of Los Angeles)

On , , before me, , personally appeared , of IHOP REALTY CORP., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to se that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
)
County of Los Angeles)

On ,. , before me, , personally appeared , of INTERNATIONAL HOUSE OF PANCAKES, INC., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument

WITNESS my hand and official seal.

Signature _____ **(Seal)**

EXHIBIT F-1

FORM OF QUARTERLY COMPLIANCE STATEMENT

THE UNDERSIGNED, , of International House of Pancakes, Inc., a Delaware corporation (the "Borrower"), and , of IHOP Corp., a Delaware corporation ("Holdings"), pursuant to Section 8(A)(2) of the several Senior Note Purchase Agreements, dated as of November 19, 1992 (the "Purchase Agreements"), among the Borrower, Holdings, and the Purchasers listed in Schedule I thereto, do hereby certify as follows (capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreements):

(a) as at the end of the quarterly accounting period ending , the financial covenants set forth in Sections 11.2 through 11.8 of the Purchase Agreements, inclusive, have [have not] been met, and the maximum amount of dividends or distributions that could have been declared or paid pursuant to Section 11.5 of the Purchase Agreements is $, and attached hereto as Exhibit A are computations and other pertinent information demonstrating the accuracy of the matters set forth in this clause (a);

(b) attached hereto as Exhibit B are calculations setting forth the maximum amount of Funded Debt that could have been incurred as at the end of the quarterly accounting period ending , pursuant to Sections 11.2(B) and 11.2(C) of the Purchase Agreements;

(c) as at the end of the quarterly accounting period ending , the Liens on Property or assets of Holdings or its Subsidiaries or securing Debt of Holdings or its Subsidiaries, as the case may be, do [do not] exceed the threshold set forth in Section 11.1(I) of the Purchase Agreements, and attached hereto as Exhibit C are computations and other pertinent information demonstrating the accuracy of the matters set forth in this clause (c); and

(d) attached hereto as Exhibit D are calculations (and materials in support of the basis therefor) setting forth the maximum amount of additional Funded Debt secured by Liens that could have been incurred under Section 11.1(I) of the Purchase Agreements.

IN WITNESS WHEREOF, the undersigned have signed their names this day of , .

INTERNATIONAL HOUSE OF PANCAKES, INC.

By:_____
Name:_____
Title:_____

IHOP CORP.

By:_____
Name:_____
Title:_____

EXHIBIT F-2

FORM OF COMPLIANCE CERTIFICATE

THE UNDERSIGNED, , of International House of Pancakes, Inc., a Delaware corporation (the "Borrower"), and , of IHOP Corp., a Delaware corporation ("Holdings"), pursuant to Section 8(C) of the several Senior Note Purchase Agreements, each dated as of November 1, 1996 (the "Purchase Agreements"), among the Borrower, Holdings and the Purchasers listed in Schedule I thereto, do hereby certify as follows (capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreements):

Based upon such examination or investigation and review of the Purchase Agreements as in the opinion of the undersigned is necessary to enable the undersigned to express an informed opinion with respect thereto, no Default or Event of Default by Holdings, the Borrower or any of their Subsidiaries in the fulfillment of any of the terms, covenants, provisions or conditions of the Purchase Agreements exists or has existed during the period ending [, other than Default[s] or Event[s] of Default arising under Section[s] of the Purchase Agreements, as more fully described on Annex A hereto].*

IN WITNESS WHEREOF, the undersigned have signed their names this day of , .

INTERNATIONAL HOUSE OF PANCAKES, INC.

By:_____
Name:_____
Title:_____

IHOP CORP.

By:_____
Name:_____
Title:_____

* In the event such a Default or Event of Default exists or has existed, Annex A to this certificate shall specify the nature and period of existence thereof and what action Holdings, the Borrower or such Subsidiary, as the case may be, has taken, is taking or proposes to take with respect thereto.

EXHIBIT G

IHOP#

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into as of this day of , 199 , by and between INTERNATIONAL HOUSE OF PANCAKES, INC. (hereinafter referred to as "Franchisor") and , a (hereinafter referred to as "Franchisee") with reference to the following facts:

A. Franchisor has developed and is continuing to develop certain unique systems, products, methods, techniques and other trade secrets (hereinafter referred to as the "Systems") for operating restaurants selling pancakes and various other food products under the names "The International House of Pancakes" and "International House of Pancakes Restaurant" (hereinafter sometimes referred to as "IHOP"). The System, conducted in accordance with the provisions of this Agreement and Franchisor's Operations Manual, Operations Bulletins, and all notices, amendments and supplements relating thereto (collectively referred to herein as "Operations Bulletins") will enable such businesses to compete more effectively in their respective marketplaces;

B. Franchisor now owns and hereafter will develop or purchase valuable trademarks, service marks, trade names, logotypes and other commercial symbols used to identify the System (hereinafter referred to as the "Trademarks"); and

C. Franchisee desires to obtain a franchise to use the System and the Trademarks associated therewith in connection with the operation of a restaurant (hereinafter referred to as the "Franchised Restaurant") under the names "The International House of Pancakes" and "International House of Pancakes Restaurant" at the Franchised Location, as hereinafter defined, and Franchisor is willing to grant said franchise upon the terms and subject to the conditions hereinafter set forth.

WHEREFORE, IT IS AGREED:

I
GRANT OF FRANCHISE

1.01 Use of System. Franchisor hereby grants to Franchisee and Franchisee hereby accepts a franchise for the operation of one Franchised Restaurant at the Franchised Location (as hereinafter defined and described) during the term hereof in accordance with the provisions of this Agreement and any ancillary documents pertaining hereto.

II
FRANCHISED LOCATION AND EXCLUSIVE TERRITORY

2.01 Franchised Location.

Franchisor hereby grants and Franchisee hereby accepts a franchise to operate one Franchised Restaurant at the following location (hereinafter the "Franchised Location"):

Franchisee acknowledges and agrees that selection of the Franchised Location is the sole responsibility of the Franchisee, and that if Franchisor shall have, in its sole and absolute discretion, provided any assistance to Franchisee in evaluating or selecting the Franchised Location, such assistance shall not be construed as a warranty, guaranty or other assurance of any kind that such Franchise Location will necessarily be a successful or profitable site.

2.02 Exclusive Territory.

So long as Franchisee faithfully performs and observes each and all of the obligations and conditions to be performed and observed by Franchisee under or in connection with this Agreement, Franchisor, during the term of this Agreement, shall not own, operate, franchise or license any "International House of Pancakes" restaurant within that area which is either described in Exhibit "A" attached hereto or outlined on a map attached hereto as Exhibit "A" (hereinafter "Franchised Area"). Franchisee acknowledges and agrees that Franchisor, or its direct or indirect parent, subsidiary, or affiliated corporations, may now or hereafter own, operate, franchise and license both within and without the Franchised Area other restaurants under different trademarks, and trade names, or

service marks, including Copper Penny Family Coffee Shop, and that such other restaurants offer products similar to those which are or may be offered by the Franchised Restaurant.

III
TERM AND RENEWAL

3.01 Initial Term.

(a) If Franchisee is taking over the operation of a Restaurant operated or developed by Franchisor or Franchisor's parent corporation or any of its subsidiaries (each, an "Affiliate") or participating in the Novation Program, the expiration of the initial term of this Agreement (hereinafter referred to as the "Initial Term") shall be:

(Check One)

☐ 25 years from the date hereof; or

☐ From the date hereof, to and until , which date is one day prior to the expiration of the lease (hereinafter referred to as the "Master Lease") between Franchisor or, if applicable, the Affiliate from which Franchisee is subleasing (the "Leasing Affiliate"), and Franchisor's or the Leasing Affiliate's landlord.

(b) If Franchisee is constructing or converting the Franchised Restaurant pursuant to a lease between Franchisee and its master landlord, the expiration of the Initial Term shall be:

(Check One)

☐ 25 years from the date hereof; or

☐ From the date hereof, to and until , which date is one day prior to the expiration of Franchisee's lease with Franchisee's master landlord.

(c) The Initial Term is subject to earlier termination pursuant to the provisions of this Agreement and is subject to the leasehold contingencies set forth in paragraph 3.04. If Franchisee is participating in the

Conversion Program, Franchisee may have the option, if provided in paragraph 5.01(b), to terminate this Franchise Agreement at an earlier date, provided that Franchisee fulfills all conditions to such early termination set forth in Paragraph 5.01(b).

3.02 Renewal Term.

Subject to the provisions of Paragraph 3.04, if there are fewer than ten years remaining on the term of the Master Lease for the Franchised Location, including any options to renew or extend the term thereof, at the time of Franchisee's execution of this Agreement, the franchise granted hereunder may be renewed upon the expiration of the Initial Term at the option of Franchisee for one additional term (hereinafter the "Renewal Term") of a duration determined in accordance with Paragraph 3.02(f) upon and subject to the following terms and conditions:

(a) Franchisor or the Leasing Affiliate, as applicable, shall notify Franchisee within 30 days of Franchisor's or the Leasing Affiliate's acceptance of any renewal, extension or new Master Lease for the Franchised Location and shall submit with said notice a copy of a sublease or amendment to sublease conforming to the provisions of Paragraph 3.04(b);

(b) Franchisee shall notify Franchisor or the Leasing Affiliate, as applicable, in writing of its intention to exercise the option for the Renewal Term and shall execute and return, as applicable, to Franchisor or the Leasing Affiliate the sublease or amendment to sublease within 15 days of receipt of the notice and sublease or amendment to sublease pursuant to Paragraph 3.02(a). If Franchisee fails or refuses to enter into such sublease or amendment to sublease within 15 days of receipt of such notice and sublease or amendment to sublease, this Agreement shall terminate upon the expiration of the then effective sublease or the original Master Lease, whichever occurs first, without giving effect to the exercise of any option or any renewal, extension or new Master Lease pertaining to this paragraph 3.02.

(c) At the time of Franchisee's election to renew said term and at the time of the commencement of the Renewal Term Franchisee shall have fully performed all of its obligations under this Agreement, all ancillary documents relating thereto and all other agreements which may then be in effect between Franchisee and Franchisor and/or each Affiliate;

(d) Where applicable, Franchisee shall pay an additional Initial Franchise Fee pursuant to Paragraph 5.01(c)(ii);

(e) Franchisee shall, at its sole expense, prior to the commencement of the Renewal Term, refurbish and remodel the Franchised Restaurant including expenditures for capital improvements, and otherwise bring it into conformity with the standards, as respects building design, furniture, fixtures, signs, equipment and color schemes, as may then be applicable for new franchises being granted by Franchisor for the operation of Franchised Restaurants, and provide evidence satisfactory to Franchisor or Franchisee's financial ability to refurbish and remodel the Franchised Restaurant;

(f) The Renewal Team shall be for a period ending one day prior to the expiration of, as applicable, Franchisor's or the Leasing Affiliate's renewal, extension or new Master Lease of the Franchised Location, but in no event shall the combined terms of the Initial Term and Renewal Term Exceed 25 years.

3.03 Option Term.

Subject to the provisions of Paragraph 3.04, the franchise granted hereunder may be renewed upon the expiration of the Initial Term or Renewal Term (if applicable) at the option of Franchisee for one additional term of a duration determined in accordance with Paragraph 3.03(f)(hereinafter the Option Term") upon and subject to the following terms and conditions:

(a) Franchisee shall notify Franchisor in writing of its wish and intention to renew the term of the franchise granted hereunder not less than 180 days and not more than 210 days prior to the expiration of the Initial Term or Renewal Term (if applicable);

(b) At the time of Franchisee's election to renew said term and at the time of the commencement of the Option Term Franchisee shall have fully performed all of its obligations under this Agreement, all ancillary documents relating hereto and all other agreements which may then be in effect between Franchisee and Franchisor and/or each Affiliate;

(c) Prior to the expiration of the Initial Term or Renewal Term, if applicable, Franchisee shall execute the most recent form of agreement used by Fanchisor for granting franchises for the operation of Franchised Restaurants; except that, notwithstanding the terms of such agreement then being used by Franchisor, the initial franchise fee set forth in said agreement will be waived, and there will be no further right of renewal;

(d) Franchisee shall execute and return to Franchisor or the Leasing Affiliate, as applicable, a sublease or amendment to sublease within 15 days of receipt thereof from Franchisor or the Leasing Affiliate; Franchisor or the Leasing Affiliate, as applicable, shall prepare such sublease or amendment to sublease conforming to the provisions of Paragraph 3.04(b) and submit same to Franchisee at the later of 30 days prior to the expiration of Franchisee's Initial Term (or Renewal Term if applicable) or 15 days after Franchisor's or the Leasing Affiliate's exercise of any option to renew or extend Franchisor's or the Leasing Affiliate's Master Lease or execution by Franchisor or the Leasing Affiliate of any renewal, extension or new Master Lease of the Franchised Location. If Franchisee fails or refuses to enter into such sublease or amendment to sublease with 15 days of receipt thereof from Franchisor or the Leasing Affiliate, as applicable, this Agreement shall terminate upon the expiration of the then effective sublease or Master Lease, whichever occurs first, without giving effect to the exercise of any option or any renewal, extension or new Master Lease pertaining to this Paragraph 3.03.

(e) Franchise shall, at its sole expense, prior to the commencement of the Option Term, refurbish and remodel the Franchised Restaurant, including expenditures for capital improvements, and bring the Franchised Restaurant into conformity with the standards, as respects building design, furniture, fixtures, signs, equipment and color schemes, as may then be applicable for new franchises being granted by Franchisor for the operation of Franchised Restaurants, and provide evidence satisfactory to Franchisor of Franchisee's financial ability to refurbish and remodel the Franchised Restaurant.

(f) The Option Term shall be for a period not to exceed ten years, ending one day prior to the expiration of, as applicable, Franchisor's, the Leasing Affiliate's or Franchisee's Master Lease or any renewal, extension or new Master Lease of the Franchised Location, but in no event shall the combined terms of the Initial Term, Renewal Term (if applicable) and Option Term exceed 35 years.

3.04 Lease Contingencies, Term Extension and Subordination.

(a) Notwithstanding the Terms set forth in Paragraphs 3.01, 3.02 and 3.03, this Agreement (and any other agreement entered into pursuant to the provisions of Paragraphs 3.01, 3.02 or 3.03) shall automatically terminate (1) upon the earlier termination of, as applicable, Franchisor's or the Leasing Affiliate's Master Lease, if any, or any lease or sublease, as applicable, for the Franchised Location, or (2) upon the occurrence of any event which prevents or prohibits Franchisee from occupying the Franchised Location or Franchised Restaurant; provided, however, that Franchisee shall not do anything which will cause such Master Lease, lease or sublease to be terminated or otherwise amended or modified without the prior written consent of Franchisor or the Leasing Affiliate, as applicable, which consent may be withheld for any reason in its sole discretion.

(b) (i) If Franchisee subleases the Franchised Location from Franchisor or the Leasing Affiliate, and the stated term of Franchisor's or the Leasing Affiliate's Master Lease expires at any time prior to or concurrently with the expiration of Franchisee's Initial Term, (or, if applicable, Franchisee's Renewal Term, if same has already come into effect), Franchisor or the Leasing Affiliate, as applicable, shall determine in its sole discretion whether to exercise any option to renew or extend Franchisor's or the Leasing Affiliate's Master Lease, if any renewal or extension option is available for exercise by Franchisor or the Leasing Affiliate. If, as applicable, no such renewal or extension option is available to Franchisor or the Leasing Affiliate under its Master Lease, but an opportunity to extend or renew the Master Lease or enter into a new Master Lease for the Franchised Location is available to Franchisor or the Leasing Affiliate, Franchisor or the Leasing Affiliate shall determine in its sole discretion whether to accept any such renewal, extension or new Master Lease. In no event shall Franchisor or the Leasing Affiliate, as applicable, be obligated to exercise or accept any such option, renewal, extension or new Master Lease. Any such option (if exercised) or renewal, extension or new Master Lease (if accepted by Franchisor or the Leasing Affiliate, as applicable) shall hereinafter be referred to in this Paragraph 3.04(b) as the "New Master Lease."

(ii) Should Franchisor or the Leasing Affiliate, as applicable, as a condition to or in consideration for the New Master Lease, be required to or otherwise agree

to increases in base rental, percentage rental, taxes and/or "other expenses" in excess of those previously required of Franchisee as lessee, under the Master Lease, Franchisor or the Leasing Affiliate, as applicable, shall have the right to increase in a like dollar amount, any, all, or any combination of the base rental, percentage rental, taxes and/or "other expenses", respectively, to be paid by Franchisee to Franchisor or the Leasing Affiliate pursuant to the sublease or amendment to sublease to be executed by Franchisee under Paragraphs 3.02(b) and 3.03(d), respectively. Any such increase(s) in Franchisee's base rental, percentage rental, taxes and/or "other expenses" shall be equal in dollar amount to the increase(s) therein required of Franchisor or the Leasing Affiliate, as applicable, as lessee in connection with the New Master Lease. By way of illustration, if the original Master Lease called for a minimum monthly rental of $1,000.00, and the New Master Lease called for a minimum monthly rental of $2,000.00, with no change in the amount of percentage rental, the Franchisee's Sublease minimum rental would increase by $1,000.00 per month payable on a weekly basis. "Other expenses" may include, by way of example and without limitation, a onetime payment to Franchisor's or the Leasing Affiliate's Master Landlord in consideration for the New Master Lease, new or increased administrative fees or common area maintenance charges, and/or capital expenditures or expenses for remodeling, refurbishment, expansion, renovation, repair or decoration of the interior, exterior or surrounding areas of the Franchised Location. Any such obligations shall be in addition to those required under Paragraph 3.02(e) and 3.03(e) above; in the event of any conflict between work to be performed under Paragraph 3.02(e) or 3.03(e), on the one hand, and this Paragraph 3.04(b), on the other hand, the resolution thereof shall be determined by Franchisor or the Leasing Affiliate, as applicable, in its sole discretion.

(c) Franchisee expressly agrees that any lease or sublease to which it is a party with Franchisor or the Leasing Affiliate, as applicable, and Franchisee's rights thereunder, shall be subject to all of the terms, conditions, and covenants of any Master Lease, mortgages, deeds of trust, or any other encumbrances now placed, charged or enforced against the Franchised Location or any land, buildings or improvements included thereon, or of which the Franchised Location is a part, or any portion or portions thereof and to any first deed of trust encumbrance hereafter encumbering the Franchised Location or any portion thereof or the use of said Franchised Location or any portion thereof, provided, however, that (a) the beneficiary or beneficiaries of such first deed of trust encumbrance are one or more banks, insurance companies, savings and loan associations, real estate investment trusts or other similar institutional lenders, (b) the aggregate amount of indebtedness the repayment of which is secured by such first deed of trust encumbrance does not exceed ninety percent (90%) of the fair market value of said premises as determined by the lender or lenders providing such financing or refinancing, and (c) the repayment of such indebtedness is amortized over a term not to exceed 40 years and is repayable on any annual, semi-annual, quarterly or monthly basis. All other terms of such indebtedness, including, but not by way of limitation, the precise amount thereof and the interest rate with respect to thereto, shall be as determined solely by Franchisor or the Leasing Affiliate or Franchisor's or the Leasing Affiliate's Master Landlord, if applicable, and such beneficiary or beneficiaries in their sole and absolute discretion. Franchisee shall execute and deliver to Franchisor or the Leasing Affiliate, as applicable, such documents and take such further action as Franchisor or the Leasing Affiliate in its sole and absolute discretion may deem necessary or advisable to effect or maintain such subordination within ten days after written request of Franchisor or the Leasing Affiliate or such beneficiary or beneficiaries to do so. Franchisee further shall execute at any time, and from time to time, such documents as may be required to effectuate such subordination, and, as applicable, upon Franchisee's or the Leasing Affiliate's failure to execute any such documents at Franchisor's or the Leasing Affiliate's request, Franchisor or the Leasing Affiliate shall be, and hereby is, appointed Franchisee's attorney- in-fact to do so. This power of attorney granted by Franchisee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee.

3.05 Notice of Expiration Required by Law.

If applicable law requires that Franchisor give notice to Franchisee prior to the expiration of the Initial Term, Renewal Term or Option Term, this Agreement shall remain in effect on a month-to-month basis until the notice requirements of such applicable law have been met.

IV
RESTAURANT CONSTRUCTION AND REFURBISHING

4.01 Standard Plans and Specifications.

(a) If the Franchised Restaurant has not been constructed as of the date hereof and is to be constructed by Franchisee, Franchisor or its Affiliate shall furnish to Franchisee, at no cost to Franchisee, Franchisor's standard plans and specifications for the erection of a Restaurant and for equipment and signs but excluding site plans. Franchisee shall, at its sole expense, make such modifications in such plans and prepare site plans so as to bring the plans and the Franchised Restaurant and the entire Franchised Location into compliance with such building codes and local zoning provisions as may be applicable and required from time to time. No change or addition shall be made in or to the plans or specifications furnished by Franchisor or its Affiliate without Franchisor's or its Affiliate's, as applicable, prior written consent and approval, which consent and approval shall not be unreasonably withheld.

(b) If the Franchised Restaurant is to be converted to any International House of Pancakes restaurant by Franchisee, Franchisor or its Affiliate will furnish to Franchisee, at no cost to Franchisee, Franchisor's

specifications for the conversion of a restaurant. Franchisee shall then develop plans, at its sole cost and expense, for submission to Franchisor or its Affiliate for its written approval. Any further modifications to the plans or deviations from the provided specifications are subject to the prior written approval of Franchisor or its Affiliate, as applicable.

4.02 Construction.

(a) If the Franchised Restaurant has not been constructed as of the date hereof and is to be constructed by Franchisee, Franchisee shall, at its sole cost and

expense, acquire the Franchised Location through purchase or lease, and promptly erect, or cause to be erected, a Restaurant on the Franchised Location in conformity with the plans and specifications furnished to Franchisee, pursuant to Paragraph 4.01. Franchisee shall break ground for construction of the Franchised Restaurant not later than six months after the execution of this Agreement by Franchisor, and shall thereafter use its best efforts to promptly complete construction and have all fixtures, furnishings, machinery and equipment installed, and parking areas completed, inventory delivered, business and other permits obtained and personnel employed and all other necessary things attended to so that the Restaurant shall be open for business to the public as expeditiously as possible.

(b) If the Franchised Restaurant is to be converted to an International House of Pancakes restaurant by Franchisee, Franchisee shall, at its sole cost and expense, acquire the Franchised Location through purchase or lease, and promptly convert the restaurant building on the Franchised Location in conformity with the specifications furnished to Franchisee, pursuant to paragraph 4.01(b) above. Franchisee shall use its best efforts to promptly complete the conversion of the Restaurant so that the same shall be open for business to the public within 16 weeks after the execution of this Agreement.

4.03 Maintaining and Refurbishing of Restaurant.

(a) Franchisee shall at all times during the term hereof maintain at its sole expense the interior and exterior of the Franchised Restaurant and the entire Franchised Location, including the parking lot, in fist class condition and repair, and in compliance with the Operations Bulletins and all local rules, ordinances and regulations; provided, however, that to the extent this provision is inconsistent with any preexisting lease or sublease between Franchisor or the Leasing Affiliate, as applicable, and Franchisee, the terms of such lease or sublease shall be controlling.

(b) Every five years during the entire term hereof, at Franchisee's sole costs and expense, Franchisee shall refurbish, remodel and improve the Restaurant in accordance with Franchisor's then current standards as set forth in the Operations Bulletins then in effect. Franchisee shall commence the first such refurbishing, remodelling and improving on the anniversary date occurring five years from the date hereof. Each subsequent refurbishing, remodelling and improving shall commence five years from the date on which the last such refurbishing, remodelling and improving was commenced. Franchisee shall complete any such refurbishing, remodelling and improving as expeditiously as possible, but in any event within 30 days of commencing same.

(c) Franchisor or its Affiliate may, on one or more occasions, waive or defer for such period of time as Franchisor may deem appropriate, Franchisee's obligation to refurbish, remodel and improve any such Restaurant, if Franchisor or its Affiliate determines in its reasonable judgement that any such restaurant or restaurants are, on the date scheduled for commencement of such refurbishing, remodelling or improving, substantially in conformity with Franchisor's then current standards as aforesaid.

4.04 Lease Requirements and Franchisor's Succession Rights.

(a) If Franchisee leases the Franchised Location or the Franchised Restaurant from a third party, the lease shall expressly provide, unless Franchisor waives these requirements in its sole discretion, that (i) in the event of any breach or claim by the Landlord thereunder of any breach by Franchisee, said Landlord shall be obligated to notify Franchisor in writing at least 30 days prior to the termination of said lease, whereupon Franchisor or an Affiliate shall have the right, but not the obligation, to cure such breach and succeed to Franchisee's rights thereunder, and (ii) in the event of the termination of this Agreement as a result of Franchisee's breach hereof, and upon Franchisor's or such Affiliate's written election to Franchisee to be made within ten days after the date of said termination, Franchisor or such Affiliate shall have the right to succeed to Franchisee's rights under the lease. In the event Franchisor or such Affiliate elects to succeed to Franchisee's rights under the lease, as aforesaid, Franchisee shall assign to Franchisor or such Affiliate all of its right, title and interest in and to said lease, whereupon the Landlord thereunder shall attorn to Franchisor or such Affiliate as the tenant thereunder. Franchisee shall execute and deliver to Franchisor or such Affiliate such assignment and take such further action as Franchisor or such Affiliate, as applicable, in its sole and absolute discretion, may deem necessary or advisable to effect such assignment, within ten days after written demand by Franchisor or such Affiliate to do so, and upon Franchisee's failure to do so, Franchisor or such Affiliate shall be, and hereby is, appointed Franchisee's attorney in fact to do so. This power of attorney granted by Franchisee to Franchisor or such Affiliate is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee. Any sum expended by Franchisor or such Affiliate to cure Franchisee's breach of the lease shall be deemed additional sums due Franchisor or its Affiliate hereunder and shall be paid by Franchisee to Franchisor or its Affiliate upon demand. The covenants of Franchisee contained in this Paragraph 4.04(a) shall survive the termination of this Agreement.

(b) Franchisee shall deliver the Franchisor a complete copy of such lease at least ten days prior to the execution thereof by Franchisee and the Landlord.

V
INITIAL FRANCHISE FEE

5.01 Initial Franchise Fee (check one):

☐ (a) If Franchisee is constructing or has arranged for the construction of the Franchised Restaurant in connection with the execution of this Agreement, Franchisee shall pay to Franchisor, as an Initial Franchise Fee, the sum of Fifty Thousand Dollars ($50,000), payable as follows:

$ of the Initial Franchise Fee shall be payable upon execution of this Agreement. The balance, if any, shall be payable in equal weekly installments with interest computed at percent (%) per annum, or the maximum rate allowed by law, whichever is lower, on the unpaid balance, evidenced by a promissory note. The first payment on the balance shall be due on the second Wednesday following the date the Franchised Restaurant opens for business with subsequent payments due on each succeeding Wednesday until paid in full.

☐ (b) If Franchisee is converting or has arranged to convert the Franchised Restaurant in connection with the execution of this agreement, Franchisee shall pay

to Franchisor, as an Initial Franchise Fee, the sum of $50,000, payable as follows:

$ of the Initial Franchise Fee shall be payable upon execution of this agreement. The balance, if any, shall be payable in equal weekly installments with interest computed at the rate of percent (%) per annum, or the maximum rate allowed by law, whichever is lower, on the unpaid balance, evidenced by a promissory note. The first payment on the balance shall be due on the second Wednesday following the date the Franchised Restaurant opens for business with subsequent payments due on each succeeding Wednesday until paid in full. Franchisee shall have the option to terminate this Franchise Agreement at the end of the first years of the Initial Term, upon written notice to Franchisor not less than 60 days prior to the expiration of the first years of the Initial Term. As a condition to the exercise by Franchisee of such option to terminate this Franchise Agreement, Franchisee shall pay to Franchisor in full all sums due Franchisor from Franchisee, under this agreement or otherwise, as of the end of the first years of the Initial Term, Franchisee shall convert the Franchised Restaurant from an International House of Pancakes restaurant to some other type of restaurant at Franchisee's sole cost and expense, and Franchisee shall comply fully with the provisions of Paragraph 15.01 below. Further, in the event Franchisee elects to exercise Franchisee's option to terminate this Franchise Agreement prior to the expiration of the Initial Term as herein provided and if Franchisee shall have fully performed all conditions to such early termination, Franchisor shall waive any portion of the Initial Franchise Fee remaining unpaid as of the date of termination for the period after the end of the first years of the Initial Term.

☐ (c) (i) If Franchisee is taking over the operation of a Franchisor or Affiliate operated or developed IHOP restaurant, Franchisee shall pay to Franchisor, as an Initial Franchise Fee, the sum of $, payable as follows:

$ of the Initial Franchise Fee shall be payable upon execution of this Agreement. The balance, if any, shall be payable in equal weekly installments, with interest computed at the rate of percent (%) per annum, or the maximum rate of interest allowed by law, whichever is lower, on the unpaid balance, evidenced by a Promissory Note. The first payment on the balance shall be due on the second Wednesday following the date hereof, with subsequent payments due on each succeeding Wednesday until paid in full.

☐ (ii) If there are fewer than ten years remaining on the term of the Master Lease for the Franchised Location at the time of execution hereof, in the event (1) Franchisor or the Leasing Affiliate, as applicable, accepts any renewal, extension or new Master Lease of the Franchised Location and (2) Franchisee exercises its option to extend the Initial Term of this Agreement pursuant to Paragraph 3.02, Franchisee shall pay to Franchisor for the Renewal Term an additional Franchise Fee of $ for each year of said extended period not to exceed the additional total sum of $, payable as follows:

$ shall be payable on the first day of the Renewal Term, and the balance, if any, shall be payable in equal weekly installments (or in the event the extension is for less than five years, for the number of weeks of the Renewal Term) with interest computed at the rate of percent (%) per annum, or the maximum rate of interest allowed by law, whichever is lower, on the unpaid balance, evidenced by a Promissory Note. The first payment on the balance shall be due on the second Wednesday following

, the expiration date of the Initial Term, with subsequent payments due on each succeeding Wednesday until paid in full.

☐ (d) If, prior to the execution hereof, Franchisee was a party to an executory IHOP franchise or license agreement relating to the Franchised Location, there shall be no Initial Franchise Fee payable pursuant to the execution of this Agreement, but any balance which remains unpaid in respect of the franchise fee previously incurred by Franchisee shall remain payable on the terms previously agreed, as shall Franchisee's general account balance and other obligations to Franchisor.

☐ (e) If Franchisee currently is a party to an executory IHOP Area Development Agreement pursuant to which the Franchised Location is in the Exclusive Territory defined therein, there shall be no additional Initial Franchise Fee payable pursuant to the execution of this Agreement, but any balance which remains unpaid in respect of the franchise fee previously incurred by Franchisee pursuant to the Area Development Agreement shall remain payable on the terms previously agreed, as shall Franchisee's other obligations to Franchisor.

VI
CONTINUING ROYALTY, DEFINITION OF GROSS SALES AND RECORD KEEPING

6.01 Continuing Royalty.

In addition to the Initial Franchise Fee required to be paid by Franchisee to Franchisor hereunder, Franchisee shall pay in United States Dollars to Franchisor a Continuing Royalty as follows:

☐ (a) An amount equal to four and one-half percent (4.5%) of Franchisee's weekly Gross Sales, as hereinafter defined, or

☐ (b) An amount equal to the percentage of Franchisee's weekly Gross Sales, as hereinafter defined, as set forth in the schedule attached hereto, for a period of weeks following the date hereof and thereafter an amount equal to four and one-half percent (4.5%) of Franchisee's Weekly Gross Sales for the balance of the term of this Franchise Agreement.

6.02 Payments.

Payments of said Continuing Royalty for each weekly period and the Advertising Fee provided for in Paragraph 7.01 shall be due on Wednesday of each week following the end of the prior week in which such Gross Sales were earned. All such payments shall be accompanied by a statement in such form and detail as shall be from time to time required by Franchisor from its Franchisees, showing how such Continuing Royalty was computed for such week, and accompanied by the cash register or all electronic point-of-sale system tapes of the Franchised Restaurant for such week and, on a monthly basis, by a copy of Franchisee's monthly sales tax reports. Such weekly payments shall include, where applicable, any payments due pursuant to Paragraph 5.01.

6.03 Definition of Gross Sales.

The term "Gross Sales", as used in this Agreement, shall mean the total revenues derived by Franchisee in and from the Franchised Restaurant, whether for cash sales of food and other merchandise or otherwise, or charge sales thereof, or revenues from any source arising out of the operation of the Franchised Restaurant, deducting therefrom: (a) all refunds and allowances, if any; (b) any sales or excise taxes which are separately

stated and which Franchisee collects from customers and pays to any federal, state or local taxing authority; and (c) any amounts deposited in any vending machines or pay telephones which are located in or about the Franchised Restaurant, if said vending machines and/or pay telephones are leased and not owned by Franchisee, in which case only the commissions received by Franchisee in connection therewith shall be included in the total revenues.

6.04 Records.

(a) Franchisee shall record all sales on individual pre-printed machine serial numbered guest checks with the IHOP logo purchased from a Franchisor approved, licensed vendor, and shall keep and maintain accurate records thereof. Franchisee shall cause all such sales to be registered upon a non-resettable cash register or electronic point-of-sale system of a type specified by Franchisor, having a lock-in running total, and shall, at any time at Franchisor's sole discretion, provide to Franchisor or its authorized representatives, a key to permit reading of the running total of the cash register. Any cash register or electronic point-of-sale system must at all times meet each and all of Franchisor's standard specifications and requirements then in effect for same.

(b) Franchisee shall keep and preserve for a period of not less than 36 months after the end of each calendar year or any longer period as may be required by applicable law, all business records, including cash register receipts, cash register tape readings, standardized numbered guest checks, sales tax or other tax returns, bank books, duplicate deposit slips, and other evidence of Gross Sales and business transactions in accordance with Franchisor's requirements promulgated from time to time. Franchisor or an Affiliate shall have the right at any time, notwithstanding the terms contained in paragraph 10.07, to enter Franchisee's premises to inspect (including the right to inspect units and to take readings of all registers, documenters, pre- checkers and point of sale systems at any time), audit, verify sales and make or request copies of books of account, bank statements, documents, records, tax returns, papers and files of Franchisee relating to gross sales and business transacted and, upon request by Franchisor, Franchisee shall make any such materials available for inspection by Franchisor or an Affiliate at Franchisee's premises. Such audit and/or sales verification may include the on-site presence of one or more personnel of Franchisor or an Affiliate for seven full consecutive days. If Franchisor should cause an audit to be made and the gross sales and business transacted as shown by Franchisee's statements should be found to be understated by any amount, Franchisee shall immediately pay to Franchisor or its Affiliate, if applicable, the additional amount payable as shown by such audit, plus interest thereon at the highest rate of interest allowed by law, and if they are found to be understated by two percent (2%) or more, Franchisee shall also immediately pay to Franchisor the cost of such audit shall be paid by Franchisor. If Franchisee should at any time cause an audit of Franchisee's business to be made by a public accountant, Franchisee shall furnish Franchisor with a copy of said audit, without any cost or expense to Franchisor.

(c) Franchisee shall allow Franchisor and any Affiliate access to the state, federal and local income tax returns of Franchisee and Franchisee hereby waives any privilege pertaining thereto.

(d) Within 30 days after the expiration of each three month period, Franchisee shall furnish Franchisor with a profit and loss statement of the Franchised Restaurant for such previous quarter and within 90 days after the end of each calendar year, Franchisee shall furnish Franchisor with a profit and loss statement and balance sheet of the Franchised Restaurant for the previous calendar year. All such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles ("GAAP") consistently applied from applicable period to period and shall be certified by Franchisee's Chief Executive Officer or Chief Financial Officer, if Franchisee is a corporation, limited liability company, general partnership, limited partnership, liability partnership or other entity approved by Franchisor ("Business Entity"), as being true and correct, and as being prepared in accordance with GAAP consistently applied period to period. All such financial statements shall also comply with any specific requirements as Franchisor may from time to

time designate. Franchisee hereby irrevocably consents to the inspection of said financial statements by Franchisor or any Affiliate and to Franchisor's use of said financial statements, at Franchisor's election, in Franchisor's offering circular for the offer and sale of franchises. Unless otherwise expressly stated herein to the contrary, references herein to "Owner" shall include the shareholders, general partners, limited partners, members, and other owners of the Business Entity, as applicable, and references to "Stock" include all corporate shares (whether common, preferred or otherwise) in the case of a corporation, all membership interests in the case of a limited liability company, all partner's interests in a partnership (whether general or limited), and in all cases all voting rights in the Business Entity.

ADVERTISING

7.01 National Advertising Fee.

(a) In addition to all other payments provided for herein, Franchisee shall pay in United States dollars a fee (hereinafter "National Advertising Fee") to Franchisor in an amount equal to one percent (1%) of the weekly Gross Sales of the Franchised Restaurant.

(b) The National Advertising Fee to be paid by Franchisee shall be placed in a National Advertising Fund which Franchisor shall create and shall administratively segregate on its books and records as hereinafter provided. The National Advertising Fund shall consist of the aggregate of:

(i) All payments made by all franchisees of National Advertising Fees as set forth in Paragraph 7.01(a);

(ii) Payments in a sum equal to one percent (1%) of Gross Sales of Franchisor operated and Affiliate operated International House of Pancakes Restaurants; and

(iii) All Table Allowances (as that term is hereinafter defined) received by Franchisor and any Affiliate. As used herein, the term "Table Allowances" shall mean all rebates, allowances, discounts and other monetary compensation (hereinafter "Allowances") received by Franchisor or any Affiliate on account of the purchase of food items, supplies or services by all franchisees in consideration for the open display by all franchisees of a supplier's product, trademark or logo. "Table Allowances" shall not include any allowances granted on account of purchases by less than all Franchisees.

(c) From sums available in the National Advertising Fund, Franchisor shall develop advertising, public relations, and promotional campaigns designed to promote and enhance the value of all IHOP restaurants. In addition, should sufficient sums be available in the National Advertising Fund, Franchisor may, but is not obligated to, make expenditures from the National Advertising Fund for the purpose of paying for advertising, public relations and promotional campaigns designed to promote and enhance the value of all "IHOP" franchised and company operated restaurants. It is expressly agreed that in all phases of such activities, including development, type, quantity, timing, placement, and choice of media or agency, the decision of Franchisor shall be final. Franchisee shall not engage in any such activities, nor shall it erect or display any sign or notice of any kind without the prior written consent of Franchisor, whose decision shall be final.

(d) Such advertising, public relations, and promotional services shall be provided and administered as follows:

(i) Franchisor shall consult with franchisees at regularly scheduled meetings concerning the type, content, frequency, development and nature of proposed National Advertising Programs, and shall give due consideration to the views of franchisees. The allocation of advertising expenditures from the National Advertising Fund shall be finally determined by Franchisor.

(ii) Franchisor shall disburse funds from the National Advertising Fund for the purpose of paying for its actual administrative expenses with respect to said Fund, its reimbursement of direct costs incurred by its Affiliate in providing administrative services respecting the National Advertising Fund and costs of Franchisor's internal Advertising Department, including direct overhead and excluding any costs relating to Franchisor's Franchise Sales Program. To the extent the Franchisor's Affiliate provides administrative services for the direct benefit of the National Advertising Fund, and incurs expenses as a result thereof, such expenses will be reimbursed from the National Advertising Fund. Additionally, Franchisor shall disburse funds from the National Advertising Fund for the purpose of paying for the other expenses hereinabove set forth in paragraph 7.01(c).

(iii) Within a reasonable time after the expiration of each of Franchisor's fiscal years, Franchisor shall furnish franchisees an accounting with respect to the receipt and expenditure of moneys by and from the National Advertising Fund. Such accounting shall contain the following information:

(1) The opening balance in such Fund at the beginning of such fiscal year;

(2) The total amount of fees paid into the National Advertising Fund by all franchisees during such fiscal year;

(3) The total amount of Table Allowances received by Franchisor or any Affiliate during such fiscal year;

(4) A reasonably itemized breakdown and description of all disbursements from the National Advertising Fund during such preceding fiscal year, sufficient to indicate separately each of the various classes of expenditures made from such Fund and the amount of the expenditures made for each class thereof; and

(5) The net balance, if any, remaining in the National Advertising Fund at the close of such fiscal year.

In the event Franchisor's National Advertising Fund expenditures in any one fiscal year shall exceed the total amount contributed to said Fund during said fiscal year, Franchisor shall have the right to be reimbursed to the extent of the excess of those amounts subsequently contributed to said Fund. In the event the contributions to said Fund exceed the expenditures from such Fund in any fiscal year, such excess will be retained in said Fund for future advertising.

7.02 Local and Regional Advertising Fee.

(a) In addition to all other payments provided for herein, Franchisee shall pay in United States dollars a fee (hereinafter "Local Advertising Fee") to Franchisor in an amount equal to two percent (2%) of the weekly Gross Sales of the Franchise Restaurant.

(b) Franchisees or Franchisor may, from time to time, develop or assist in the development of Regional Advertising cooperatives designed to promote and enhance the value of all IHOP restaurants in each region.

Franchisor may establish and modify from time to time guidelines and procedures which shall govern the conduct and operation of the Regional Advertising Cooperatives. The geographical description of each region (hereinafter "Advertising Region") shall be designated by Franchisor in its sole subjective judgment, exercised in good faith, after consultation with franchisees in the proposed Advertising Region. If a majority of the Franchised Restaurants in the Advertising Region (each IHOP restaurant being entitled to one vote) vote to establish or participate in a Regional Advertising Cooperative, Franchisee and all Franchisor operated and Affiliate operated IHOP restaurants in the Advertising Region shall participate therein and contribute thereto on an equal basis with all other franchisees who are obligated to, or if applicable, voluntarily elect to, participate in such Regional Advertising Cooperative. Each franchisee in the proposed Advertising Region shall be entitled to vote in person at a meeting called for the purpose of considering formation of a Regional Advertising Cooperative, or by ballot submitted to Franchisor in writing within 30 days thereafter.

(c) From Franchisee's Local Advertising Fee, but only to the extent that such fee actually has been paid by Franchisee to Franchisor during Franchisor's fiscal year then in progress, Franchisor shall reimburse Franchisee or credit Franchisee's account with Franchisor, for: (i) Franchisee's local advertising expenses incurred during said fiscal year (after deducting any expenses that Franchisor has previously paid or is or may be required to pay on account of advertising run by, for, or on behalf of Franchisee), and, (ii) contributions made by Franchisee during said fiscal year (whether through payment to Franchisor or directly to a third party) to the Regional Advertising Cooperative, if any, of which Franchisee is a member, for advertising of the Franchised Restaurant up to an amount not to exceed the Local Advertising Fee actually paid by Franchisee; provided, however, that such right of reimbursement shall be subject to the condition that Franchisee furnish Franchisor with appropriate verification, satisfactory to Franchisor, of such advertising expenditures and that the advertising resulting therefrom has been placed and paid for either by Franchisee or the Regional Advertising Cooperative of which Franchisee is a member and that no liability to any party exists or may exist with respect to such advertising. Local Advertising Fees which are contributed in a particular fiscal year of Franchisor, but which Franchisor is not required to reimburse or credit on account of advertising expenditures incurred by Franchisee during said fiscal year, shall become part of Franchisor's general operating funds.

VIII
TRADEMARKS

8.01 Nature of Grant.

Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, the right during the term hereof, upon the terms and conditions contained herein, to use and display IHOP service marks, trademarks, trade names and insignia and the labels and designs pertaining thereto (herein called the "Trademarks"), and to use Franchisor's trade secrets, formulae, processes, methods of operation and goodwill, but only in connection with the retail sale at the Franchised Restaurant of those items contained on the standard menu of IHOP restaurants as established in the Operations Bulletins from time to time. Nothing herein shall give Franchisee any right, title or interest in or to said service marks, trademarks, trade names, insignia, labels or designs, trade secrets, formulae, processes, methods of operation or goodwill, or any of the same except a mere privilege and license, during the term hereof, to display and use the same according to the foregoing limitations and upon the terms, covenants and conditions contained herein. Upon the expiration or termination of this Agreement for any reason, Franchisee shall deliver and surrender up to Franchisor or its Affiliate each and all manuals, Bulletins, instruction sheets, forms, marks, devices, Trademarks, and the possession of any physical objects bearing or containing any of said Trademarks, and shall not thereafter use any of the same or any such trade secrets, formulae, processes, methods of operation, goodwill, or any of them; provided Franchisor or its Affiliate shall purchase from Franchisee at a price equal to Franchisee's book value, consisting of Franchisee's cost therefor less depreciation computed in

accordance with GAAP, all signs, paper goods, dishes, and other items of personal property purchased by Franchisee in the ordinary course of its business which are, in Franchisor's or its Affiliate's reasonable judgment, in good, usable condition and which bear any Trademarks of Franchisor. Franchisee acknowledges that the material and information now and hereafter provided or revealed pursuant to this Agreement are revealed in confidence and Franchisee expressly agrees to keep and respect the confidence so reposed. Franchisee shall cause all of its Owners and employees, and others who may have access to the Operations Bulletins, to maintain such confidentiality and, at Franchisor's request, Franchisee shall cause such persons to execute confidentiality agreements on a form prescribed by Franchisor.

Nothing herein contained shall be construed so as to require Franchisor to divulge any secret processes, formulae or ingredients. Franchisor expressly reserves all rights with respect to IHOP's goods, products, Trademarks, trade secrets, formulae, processes, ingredients and methods of operation, except as may be expressly granted to Franchisee herein.

8.02 Acts in Derogation of Franchisor's Trademarks.

(a) Franchisee agrees that, as between Franchisor and Franchisee, the Trademarks of Franchisor are the sole and exclusive property of Franchisor and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed use thereof. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of Franchisor's rights in connection with the same, either during the term of this Agreement or thereafter, and that it will use same only for the uses and in the manner licensed hereunder and as herein provided.

(b) Franchisee shall not use, or permit the use, as part of its name, the phrases "IHOP", "International House of Pancakes", "House of Pancakes", or any

phrase or combination of words confusingly similar thereto.

8.03 Prohibition Against Disputing Franchisor's Rights.

Franchisee agrees that it will not, during or after the term of this Agreement, in any way, dispute or impugn the validity of the Trademarks licensed hereunder, or the rights of Franchisor thereto, or the right of Franchisor, its Affiliates, or other franchisees of Franchisor to use the same both during the term of this Agreement and thereafter.

8.04 Use of Franchisor's Name.

Franchisee agrees that the restaurant herein franchised shall be named the "International House of Pancakes" or "International House of Pancakes Restaurant," as specified by Franchisor, without any suffix or prefix attached thereto and all signs, advertising and slogans will only bear the name "International House of Pancakes", or "International House of Pancakes Restaurant," or such other Trademarks as Franchisor may hereafter specify in its Operations Bulletins. Franchisee shall maintain a plaque of reasonable and suitable size and design, as approved by Franchisor, behind the cash register on the interior of the premises, designating Franchisee as proprietor of the Franchised Restaurant, and shall use Franchisee's correct name on all invoices, orders, vouchers, checks, letterheads, and other similar materials, identifying the franchise as being a franchise of Franchisor which is independently owned and operated by Franchisee.

8.05 Relationship of Franchisee to Franchisor.

It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee, and that it is not the intention of either party to undertake

a joint venture or to make Franchisee in any sense an agent, partner, employee or affiliate of Franchisor or any Affiliate. It is further agreed that Franchisee has no authority to create or assume in Franchisor's or any Affiliate's name or on behalf of Franchisor or any Affiliate any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor or any Affiliate for any purpose whatsoever.

IX
FURTHER OBLIGATIONS OF FRANCHISOR

9.01 Initial Training.

If Franchisee or the proposed manager of the Franchised Restaurant has not previously undergone training conducted by Franchisor for the operation of an IHOP restaurant, Franchisor, itself or through its Affiliate, agrees:

(a) To furnish Franchisee or the proposed manager of the Franchised Restaurant at no additional cost with seven weeks of training (hereinafter "Initial Training") in the operation of an IHOP restaurant. Said training shall be given at an IHOP restaurant or a training center designated from time to time by Franchisor. Neither Franchisor nor any Affiliate will pay any compensation for any services performed by trainee during such training period and all expenses incurred by Franchisee or said trainee in connection with such training, including air fare and other transportation costs, meals, lodging and other living expenses, shall be at the sole expense of Franchisee. Franchisee or the proposed manager of the Franchised Restaurant shall pursue and complete such training to Franchisor's sole subjective satisfaction, unless waived by Franchisor in its sole subjective judgment, exercised in good faith, by reason of such person's prior training experience. If the manager of the Franchised Restaurant is replaced by a new manager, such new manager must attend such Initial Training and complete same to Franchisor's sole subjective satisfaction (unless waived by Franchisor) provided, however, that Franchisee shall pay Franchisor a training fee of $5,000 and must bear all costs and expenses in connection therewith as described above.

(b) At Franchisor's election, to furnish management seminars from time to time for the benefit of its franchises. Franchisor shall have the right to require Franchisee, or the manager employed by Franchisee for the Franchised Restaurant, to attend at least one management seminar per year. Said management seminars shall be given at an IHOP restaurant, a training center, or such other place designated from time to time by Franchisor. Notwithstanding the fact that Franchisor shall provide such management seminars at no additional cost to Franchisee, Franchisee shall bear all expenses incurred by Franchisee or said manager in connection with such seminar, including transportation costs, meals, lodging and other living expenses.

9.02 Other Services.

Franchisor also shall furnish through its staff or that of its Affiliates Franchisee with:

(a) On-location supervision, if paragraph 5.01(a), (b) or (c) has been checked above, for such period of time as Franchisor shall deem necessary, but not exceeding 30 days allocated at Franchisor's discretion between the time immediately prior to and after the opening of the Franchised Restaurant.

(b) Promotional assistance, if paragraph 5.01(a), (b) or (c) has been checked above, at the time that the Franchised Restaurant opens.

(c) Periodic supervision and assistance from field representatives who shall visit the Franchised Restaurant from time to time.

(d) Ongoing availability at its home office for consultation and guidance with respect to the operation and management of the Franchised Restaurant.

(e) In addition to the foregoing, additional assistance from the staff of Franchisor or its Affiliates upon Franchisee's request and subject to staff availability, at the then prevailing price per person per day, as shall be specified from time to time in the Operations Bulletins, plus reasonable transportation and living expenses.

9.03 Trademark Protection.

In the event that any third party makes any claim, by suit or otherwise, against Franchisee because of Franchisee's use in accordance with this Agreement of the Trademarks, Franchisee shall immediately notify Franchisor in writing. After receipt of said notice, Franchisor shall promptly take such action as may be necessary to protect and defend Franchisee against any such claim, suit or demand, and Franchisor shall protect, indemnify and save Franchisee harmless from any loss, costs or expenses arising out of or relating to any such claim, demand or suit. Franchisee shall have no right to settle, compromise, or litigate any such claim except in strict compliance with any specific directives provided by Franchisor relating to such specific claim. Franchisor shall have the right to defend, compromise, or settle any such claim at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim.

X
OTHER OBLIGATIONS OF FRANCHISEE

10.01 Sales and Service of Food Products.

Franchisee shall sell, serve and dispense only those items and products as shall be designated by Franchisor in the Operations Bulletins. In connection therewith, the parties agree that Franchisor or its Affiliate may, from time to time, recommend or suggest those prices to be charged by Franchisee for each menu item sold or offered at IHOP restaurants; and, for purposes of economy and cost-saving to those Franchisees who elect to follow such recommendations, may cause the production of pre-priced menus and standardized numbered guest checks which Franchisor or its Affiliate shall offer for sale to Franchisee. Such recommended or suggested prices are not binding in any respect upon Franchisee, and Franchisee is and shall be at all times, free to charge prices entirely of its own choosing, regardless of whether the same do or do not conform to the recommended or suggested prices. Franchisee shall not be required to use or to purchase any pre-priced menus or pre-priced standardized numbered guest checks, and shall be entirely free to procure menus and standardized numbered guest checks with prices of its own choosing; provided however that such menus and standardized numbered guest checks shall, in all respects except as to prices, strictly comply with the specifications therefor contained in the Operations Bulletins.

10.02 Required Purchases of Proprietary Products.

(a) Franchisee shall purchase only from Franchisor or its Affiliate (if offered directly to Franchisees by Franchisor) or from Franchisor approved distributors who have purchased such products from Franchisor or an Affiliate, all of its requirements for buckwheat flour, waffle mix, egg batter, buttermilk mix, Harvest Grain 'N Nut(R) mix and such other future products as may then be required by Franchisor, all of which embody and shall embody secret formulas owned by Franchisor (collectively referred to as "Required Products").

(b) For purposes of insuring consistency and uniformity of product, Franchisee shall purchase only from Franchisor or its Affiliate (if offered directly to Franchisees by Franchisor or its Affiliate) or from

Franchisor-designated suppliers, all of its requirements for coffee. Further, Franchisee shall purchase only such blends of coffee as Franchisor shall from time to time designate.

(c) Except as provided in Paragraphs 10.02 (a) and (b), Franchisee shall purchase for use in the operation of the Franchised Restaurant certain products which bear IHOP Trademarks that may include, as provided in the Operations Bulletins, dishware, silverware, napkins, placemats, coasters and other items (herein referred to as "Trademarked Products"). All such required Trademarked Products shall comply with the specifications set forth in the Operations Bulletins. Franchisee may purchase Trademarked Products from Franchisor or its Affiliate, if made available by Franchisor or its Affiliate, suppliers designated by Franchisor or its Affiliate, or suppliers chosen by Franchisee as provided in paragraph 10.03 below, provided such suppliers execute a royalty- free trademark license in a form reasonably satisfactory to Franchisor.

10.03 Compliance with Franchisor's Specifications.

(a) All food products, services, supplies, equipment, and materials, including standardized numbered guest checks and menus, permitted or required to be used in the operation of the Franchised Restaurant shall be in full compliance with the specifications set forth in the Operations Bulletins and, except only those items referred to in Paragraphs 10.02(a) and (b), shall be purchased and procured by Franchisee from Franchisor or its Affiliate (if offered by Franchisor or its Affiliate), from suppliers designated by Franchisor or its Affiliate, or from suppliers selected by Franchisee and not disapproved in writing by Franchisor or its Affiliate. With respect to each supplier designated by Franchisor or its Affiliate, such suppliers shall only be those who have demonstrated, to the reasonable satisfaction of Franchisor or its Affiliate, (i) the ability to supply a product meeting the specifications of Franchisor, (ii) reliability with respect to the quality of product or service, and (iii) willingness and agreement to permit Franchisor or its Affiliate to make periodic inspections, reasonable in respect of frequency, time and manner of inspection, to assure continued conformity to specifications.

(b) In the event that Franchisee should desire to procure any food product other than those described in paragraphs 10.02(a) and (b), service, supply, equipment, or material from any supplier other than Franchisor, its Affiliate, or a supplier designated by Franchisor or its Affiliate, Franchisor or its Affiliate shall, upon request of Franchisee, furnish to Franchisee specifications, by established brand name wherever possible, for all such items. Franchisee shall deliver written notice to Franchisor or its Affiliate of its desire to do so, which notice shall identify the name and address of such supplier and the items desired to be purchased from such supplier. Should Franchisor or its Affiliate not deliver to Franchisee, within ten days after its receipt of such notice, a written statement of disapproval with respect to such supplier, it shall be deemed that such supplier is approved by Franchisor or its Affiliate as a supplier of the goods described in the notice until such time as Franchisor or its Affiliate may subsequently withdraw such approval. Franchisor or its Affiliate shall be entitled to disapprove or to subsequently withdraw its approval of any supplier selected by Franchisee only upon the ground that such supplier has failed to meet one or more of the requirements hereinabove set forth. Once Franchisee has delivered a notice of its desire to purchase the specified items from any such supplier, it shall be entitled to purchase same from such supplier until it shall have received a timely statement of disapproval from Franchisor or its Affiliate; provided, however, that should Franchisee designate a supplier in any such notice who shall previously have been disapproved by Franchisor or its Affiliate, it shall not be permitted to purchase from such supplier unless and until the ten day period from delivery of such notice shall have expired without delivery from Franchisor or its Affiliate of a statement of disapproval.

(c) In some instances, Franchisor's specifications may be such that only a single supplier or a limited number of suppliers can meet such specifications. With respect to such products, Franchisee shall purchase such products only from the source or sources designated by Franchisor or its Affiliate.

10.04 Insurance.

(a) Subject to any other requirements set forth in the Sublease or Equipment Lease, Franchisee shall procure and maintain at Franchisee's expense during the term hereof policies of insurance meeting minimum standards, coverages, and limits and insuring Franchisee against the insurable risks prescribed in Franchisor's Operations Bulletins. All such policies of insurance shall name Franchisor, its Affiliate, if applicable, and such other parties as it may designate as additional insureds, as their interests may appear, and shall provide that Franchisor, its Affiliate, if applicable, and other parties shall receive at least ten days prior written notification of any cancellation, termination, amendment or modification thereof.

(b) Franchisee shall provide Franchisor, its Affiliate, if applicable, and any other parties designated by Franchisor with Certificates of Insurance evidencing the required coverage at least ten days prior to the date on which the Franchised Restaurant opens for business to the public, ten (10) days prior to the date on which any insurance policy is scheduled to expire, and at such other times as Franchisor may reasonably require.

(c) If Franchisee fails or refuses to procure and maintain insurance conforming to the requirements prescribed by the Operations Bulletins, or fails or refuses to provide Franchisor or any other party designated by Franchisor with a certificate of such insurance, Franchisor may but shall not be obligated to procure, through agents and insurance companies of its own choosing, such insurance as is necessary to meet such requirements, provided, however, such insurance need not name Franchisee as an insured or additional insured thereunder. Payments for such insurance shall be borne by Franchisee. Nothing herein shall be construed or deemed to impose any duty or obligation on Franchisor to procure such insurance or as an undertaking or representation by Franchisor that such insurance as may be procured by Franchisee or by Franchisor for Franchisee will insure Franchisee against any or all insurable risks of loss which may or can arise out of, or in connection with the Franchised Restaurant. Franchisee may obtain such other or additional insurance as Franchisee deems proper in connection with the operation of its business.

10.05 Compliance with Laws and Operations Bulletins.

Franchisee shall operate the Franchised Restaurant in strict compliance with all applicable laws, rules and regulations of duly constituted governmental authorities and in strict compliance with the standard procedures, policies, rules and regulations established by Franchisor and incorporated herein, or in Franchisor's Operations Bulletins. Such standard procedures, policies, rules and regulations established by Franchisor may be revised from time to time as circumstances warrant, and Franchisee shall strictly comply with all such procedures as they may exist from time to time as through they were specifically set forth in this Agreement and when incorporated in Franchisor's Operations Bulletins the same shall be deemed incorporated herein by reference. By way of illustration and without limitation, such standard procedures, policies, rules and regulations may or will specify accounting records and information, payment procedures, specifications for required supplies and purchases, including Trademarked Products, hours of operation (which may vary from location to location), advertising and promotion, cooperative programs, specifications regarding required insurance, minimum standards and qualifications for employees, design and color of uniforms, menu items, methods of production and food presentation, including the size and serving thereof, standards of sanitation, maintenance and repair requirements, specifications of furniture, fixtures and equipment, flue cleaning, and fire prevention service, appearance and cleanliness of the premises, accounting and inventory methods and controls, forms and reports, and in general will govern all matters that, in Franchisor's judgment, require standardization and uniformity in all IHOP restaurants. Franchisor or its Affiliate will furnish Franchisee with Franchisor's current Operations Bulletins upon the execution of this Agreement. Said Operations Bulletins and all notices, amendments and supplements relating thereto shall at all times remain the property of Franchisor or its Affiliate. Franchisee shall not reproduce any portion of such Operations Bulletins by any means, shall at all times maintain same in a secure

place at the Franchised Location and, upon termination or expiration of this Agreement shall deliver said Operations Bulletins to Franchisor or its Affiliate. Franchisee further acknowledges that said Operations Bulletins contain trade secrets of Franchisor and Franchisee shall at all times maintain as confidential the contents of said Operations Bulletins. Franchisee shall cause all of its Owners and employees, and others who may have access to the Operations Bulletins, to maintain such confidentiality and, at Franchisor's request, Franchisee shall cause such persons to execute confidentiality agreements on a form

prescribed by Franchisor.

10.06 Taxes.

Franchisee shall pay in full any and all city, county, state and federal taxes arising in connection with or levied or assessed by any of said governmental bodies in connection with all or any part of this Agreement, or the operation of the Franchised Business, or all or any of the merchandise and assets being sold hereunder, promptly when due, and prior to any delinquency.

10.07 Inspection by Franchisor.

Franchisee expressly authorizes Franchisor, or its representatives, or those of its Affiliate, to enter the Franchised Restaurant at any time it is open for business, without notice, to inspect the premises, fixtures, furnishings and equipment therein, and to examine and inspect the operations in all respects to determine compliance with this Agreement and with Franchisor's standard operating procedures, policies, rules and regulations.

10.08 Participation in Operation of Franchised Business.

Franchisee shall devote such of its time as is reasonably necessary for the efficient operation of the Franchised Restaurant and the performance of its obligations under this Agreement, all ancillary documents relating hereto and all other agreements which may then be in effect between Franchisor and/or any Affiliate and Franchisee, or Franchisee may employ a manager to operate the Franchise Restaurant, who has previously successfully completed training conducted by Franchisor for the operation of an IHOP restaurant, subject to the prior approval of Franchisor, unless waived by Franchisor in its sole subjective judgment, exercised in good faith, by reason of such person's prior training and experience. Franchisee shall not divorce himself or herself from the active conduct of the operation of the Franchised Restaurant. Franchisee shall be entitled to engage in other, noncompetitive business activities (as defined in Paragraph 16.01 below) so long as same do not unreasonably interfere with the conduct of the operation of the Franchised Restaurant.

XI
ASSIGNMENT

11.01 Assignment by Franchisor.

Franchisor shall have the right to assign this Agreement and all of its rights and privileges hereunder to any other person or Business Entity; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, (a) the assignee shall be financially responsible and economically capable of performing the obligations of Franchisor hereunder, and (b) the assignee shall expressly assume and agree to perform such obligations.

11.02 Assignment by Franchisee.

During the term of this Agreement, Franchisee shall have the right to assign, transfer or sell its interest in this Agreement, upon the terms and conditions provided herein, and subject to the provisions contained in Paragraphs 11.03, and 11.04. The terms "Assign" and "Assignment" shall include any sale, assignment, transfer or other disposition, whether in a single transaction or a series of transactions, which results, in the aggregate, in more than forty-nine percent (49%) of the Stock of any Franchisee which is a Business Entity being held other than by the same Owners who held such Stock on the execution date hereof in the same proportions as presently constituted. Notwithstanding the foregoing, Franchisee shall not have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Franchise Agreement or any of the rights of Franchisee hereunder, in any manner whatsoever, without the express written permission of Franchisor, which permission may be withheld for any reason whatsoever in Franchisor's sole subjective judgment. In all events, Franchisor shall have the right, but not the obligation, to furnish any prospective assignee with copies of all financial statements which have been furnished by Franchisee to Franchisor in accordance with this Agreement during the three year period prior to the date for which approval of the proposed Assignment is sought. Franchisor's approval of such proposed transaction shall not, however, be deemed a representation of guarantee by Franchisor that the terms and conditions of the proposed transaction are economically sound or that, if the transaction is consummated, the proposed assignee will be capable of successfully conducting the Franchised Business and no inference to such effect shall be made from such approval. Notwithstanding anything to the contrary herein, in the event of the death or legal incapacity of Franchisee or, in the case of a corporate franchisee, the stockholder holding 50% or more of the capital stock or voting power, the transfer of Franchisee's or such stockholder's interest in this agreement to its heirs, personal representatives or conservators, as applicable, shall not give rise to Franchisor's right of first refusal hereunder, although such right shall apply to any proposed Assignment by such heirs, personal representatives or conservators.

11.03 Conditions to Assignment by Franchisee.

(a) Any Assignment by Franchisee shall be subject to the following conditions:

(i) Except in the case of Franchisee's death or legal incapacity, Franchisee shall serve upon Franchisor written notice of the proposed Assignment, setting forth all of its terms and conditions and all available information concerning the proposed assignee.

(ii) Franchisee shall obtain Franchisor's written consent, not to be unreasonably withheld, of the proposed Assignment. The withholding of such consent by Franchisor shall be reasonable if, by way of illustration and not by limitation, the proposed assignee (1) is not financially responsible and economically or otherwise capable of performing the obligations of Franchisee hereunder; (2) does not meet the then-current standards set by Franchisor with respect to its new franchisees; (3) fails to complete Franchisor's Initial Training program in accordance with Franchisor's then current standards, (4) if any of the assignee's

Owners fail or refuse to execute a guaranty in form satisfactory to Franchisor, or (5) if the assignee fails to designate a single individual acceptable to Franchisor, in its sole discretion, with whom Franchisor may primarily communicate.

(iii) Franchisee, or Franchisee's heirs, personal representatives or conservators in the case of Franchisee's death or incapacity, shall pay Franchisor a fee which will be specified from time to time in the Operations Bulletins, as defined in Paragraph 10.05 hereinabove (hereinafter "Transfer Fee"). As of the date of this agreement consists of a $1,000 transfer fee and a $5,000 training fee. Franchisor may waive all or part of the training fee to the extent that Franchisor determines in its sole subjective judgment that the assignee does not require training.

(iv) As of the date of any such Assignment, Franchisee shall be in compliance with all of its obligations owing to Franchisor and any Affiliate whether pursuant to this Agreement, or any other agreements with Franchisor or an Affiliate, and shall pay in full all outstanding amounts owed to Franchisor and its Affiliates, and the remaining balance, if any, of the Initial Franchise Fee, unless waived by Franchisor in its sole discretion.

(v) As a condition precedent to Franchisor's written consent, Franchisor itself, or through its Affiliate, shall have the right, at its sole discretion, to conduct an audit and/or sales verification prior to the proposed Assignment.

(b) If Franchisee is an individual and not a Business Entity, he or she shall have the right, without complying with the provisions of Paragraph 11.03(a)(iii) nor the provisions of Paragraph 11.04 to Assign this Agreement to a corporation formed by Franchisee for the purpose of owning and operating the Franchised Restaurant, after first complying with the following conditions:

(i) Franchisee shall be together with said corporation, jointly and severally liable for all existing or subsequent breaches of this Agreement and any other agreement entered into between Franchisor and any Affiliate and Franchisee, and for all obligations accrued or accruing thereunder. Franchisee shall waive notice or demand in the event of default, and will be bound by any modifications or supplemental agreements entered into between Franchisor and/or any Affiliate and the assignee Business Entity, as hereinafter set forth;

(ii) The assignee Business Entity shall provide Franchisor with all charter or other documents, and execute an acceptance of such assignment, in the form prescribed by Franchisor which shall contain covenants agreeing to be bound by all of the terms and conditions herein contained;

(iii) Franchisee shall be possessed of and retain at all times, legal and beneficial ownership of not less than fifty one percent (51%) of all the outstanding Stock of the assignee (including the voting power of such Stock), unless otherwise agreed to in writing by Franchisor in its sole discretion;

(iv) All of the Stock certificates or other evidence of Ownership issued by assignee Business Entity shall have endorsed upon them the following legend: "The transfer of this [Stock] is subject to the terms and conditions of a Franchise Agreement, relating to an IHOP restaurant, dated , 19 ", and the date of this Agreement shall be inserted into such statement; and

(v) When incorporation shall have been completed, Franchisee shall advise Franchisor and thereafter keep Franchisor advised of the names, addresses and titles of the officers, directors, and resident agent of the assignee corporation, the names and addresses of the shareholders and the number of shares issued to each, and the address of the principal office of said corporation.

(vi) No Assignment pursuant to this paragraph 11.03(b) shall be deemed to be effective unless and until Franchisee shall have complied with all of the provisions hereunder.

11.04 Franchisor's Right of First Refusal.

(a) Except with respect to an Assignment to a Business Entity as provided for in paragraph 11.03(b), or an Assignment to Franchisee's heirs, personal representatives or conservators in the case of Franchisee's death or legal incapacity, within 30 days after Franchisor's receipt of Franchisee's notice of its intent to assign its

interest in this Agreement (or if Franchisor shall request additional information, within 30 days after receipt of such additional information), Franchisor may, at its option, accept the proposed Assignment to itself or its nominee, upon the terms and conditions specified in the notice.

Should Franchisor not exercise its option and Franchisee fails to consummate the proposed Agreement within 90 days upon the same terms and with the same assignee as disclosed in the notice to Franchisor, Franchisor's right of first refusal shall revive.

11.05 Delegation by Franchisor.

Franchisor shall have the right to delegate to one or more of its Affiliates some or all of Franchisor's duties to Franchisee under this Agreement; provided, however, Franchisor shall remain fully responsible to Franchisee for the full and faithful performance of all its obligations to Franchisee hereunder.

XII
DEFAULT BY FRANCHISEE

12.01 Right of Termination After Notice of Default.

Except as otherwise expressly provided for in this Agreement, Franchisor may terminate this Agreement prior to its expiration after providing written notice of Franchisee's Material Breach of this Agreement to Franchisee, if such Material Breach shall not be cured within seven days. If any such Material Breach, except those relating to the nonpayment of money, by its nature cannot be cured within such seven day period, and Franchisee shall immediately commence and diligently continue to cure such default, Franchisor shall allow Franchisee such additional reasonable period of time as Franchisor deems reasonably necessary to cure such Material Breach. As used herein, the phrase "Material Breach" shall include, but not be limited to:

(a) The express repudiation by Franchisee of any of its payment obligations under the agreements listed in paragraph 18.01 hereinbelow (hereinafter, "the agreements") or its stated or announced refusal thereafter to meet any such payment obligations, which repudiation or refusal shall not be expressly withdrawn in writing by Franchisee within seven days after written notice from Franchisor so to do.

(b) The failure or refusal by Franchisee to pay at least fifty percent (50%) of its payment obligations to Franchisor arising under the agreements during each of two or more weekly transmittal periods, either consecutive or nonconsecutive. Such failure to pay will be deemed to have occurred whenever an insufficient payment (less than 50%) shall accompany any transmittal or whenever any transmittal shall not have been submitted by Franchisee within five days after same is due.

(c) Any other failure to meet Franchisee's monetary obligations to Franchisor or its Affiliate, wherein any part of such unpaid obligations shall be more than 35 days past due.

(d) Failure to keep the Franchised Restaurant open for business during ordinary business hours for a continuous period of more than three days, without the prior written consent of Franchisor, (hereinafter "Voluntary Abandonment"), unless the Franchised Restaurant was closed by reason of: (1) government action, not related to a breach by Franchisee of this Agreement, (2) the death or disability of Franchisee, or (3) force majeure not caused, directly or indirectly, by Franchisee's willful conduct.

(e) Any default by Franchisee under any mortgage, deed of trust, lease or sublease, including any lease or sublease with Franchisor or an Affiliate, covering the premises in which the Franchised Restaurant is located, which results in Franchisee being unable to continue operations at the Franchised Restaurant.

(f) Franchisee's insolvency (as revealed by its records or otherwise); or, if Franchisee files a voluntary petition and is adjudicated a bankrupt; or if an involuntary petition is filed against it and such petition is not dismissed within 30 days; or if it shall make an assignment for the benefit of creditors; or if a receiver or trustee in bankruptcy or similar officer, temporary or permanent, be appointed to take charge of Franchisee's affairs or any of its property; or if dissolution be commenced by or against Franchisee or if any judgement against Franchisee remains unsatisfied or unbonded of record for 15 days;

(g) Franchisee's failure to comply with any other material obligation of Franchisee under the agreements, including a failure to comply with Franchisor's Operations Bulletins as described in paragraph 10.05.

12.02 Termination Without Notice

Franchisor shall have the right to terminate this Agreement immediately, without prior notice to Franchisee, upon the occurrence of any or all of the following events, each of which shall be deemed an incurable breach of this Agreement.

(a) Franchisee's knowingly withholding the rendering or reporting of any of Franchisee's Gross Sales.

(b) Franchisee's material misrepresentation to Franchisor with respect to any information provided in connection with its application to become an IHOP Franchisee, including any relevant credit information.

(c) If Franchisee shall attempt to Assign this Agreement, without the prior written consent of Franchisor, or if an Assignment of this Agreement by Franchisee shall occur by operation of law, or by reason of judicial process.

(d) If Franchisee shall attempt to Assign Franchisor's Trademarks, or the goodwill connected thereto, or if Franchisee shall use, or permit the use of said Trademarks, or the goodwill connected thereto in derogation of Franchisor's rights pursuant to this Agreement, or if Franchisee shall use or permit the use of said Trademarks, or the goodwill annexed thereto in a manner, or at locations not authorized by Franchisor pursuant to the terms of this Agreement.

(e) Conviction of Franchisee, or any of its principal shareholders, of a felony or any other criminal misconduct which is relevant to the operation of the franchise.

12.03 Form of Notice.

Franchisor shall provide notice of default to Franchisee in accordance with the following:

(a) With respect to the non-payment of financial obligations by Franchisee, said notice shall contain an accounting, taken from the books and records of Franchisor or its Affiliate, of the amounts of each of the unpaid obligations, the items for which such obligations are unpaid, and the dates upon which such obligations became due, as well as an allocation of credits made for partial payments, if any.

(b) With respect to notice of default and of intent to terminate if said default is not cured, in respect of a breach of contract other than the non-payment of money, such notice shall contain the following:

(i) The specific provision or provisions of the specific agreement or standard operating procedures violated;

(ii) The nature of the violation or violations;

(iii) The date such violations were observed, and by whom they were observed and reported; and the date or dates, if any, that Franchisor had given any previous written notice of such violation or violations to Franchisee.

(c) The curing of any breach within the time period specified in the notice of default shall nullify Franchisor's right of termination for the causes stated in said notice (but not for a recurrence of any such cause thereafter); provided, however, that if there shall be a course of conduct in bad faith followed by Franchisee over an extended period in providing good cause for termination and, subsequently, timely curing of deficiencies upon receipt of notice of default, such continued and repeated course of conduct shall itself be good cause for immediate termination of the Agreement without further notice of intention to terminate.

12.04 Conformity With Laws.

If any law or regulation by any competent authority with jurisdiction over this Agreement shall limit Franchisor's rights of termination or require a longer or different notice than that specified in this Article XII, same shall be deemed amended to conform with the minimum requirements of such law or regulation.

XIII
ARBITRATION AND REMEDIES

13.01 Arbitration.

Any controversy or claim, except those described in paragraph 13.03, arising out of or relating to this Agreement, or any agreement relating thereto, or any breach of this Agreement including any claim that this Agreement or any portion thereof is invalid, illegal or otherwise voidable, shall be submitted to arbitration before and in accordance with the rules of the American Arbitration Association provided that the jurisdiction of the arbitrators shall be limited to a decision rendered pursuant to California common and statutory law and judgment upon the award may be entered in any court having jurisdiction thereof; provided, however, that this clause shall not limit Franchisor's or an Affiliate's right to obtain any provisional remedy, including injunctive relief, or to obtain writs of recovery of possession, or similar relief, from any court of competent jurisdiction, as Franchisor or any Affiliate deems to be necessary or appropriate in Franchisor's or such Affiliate's sole subjective judgment, to compel Franchisee to comply, or to prohibit Franchisee's non-compliance, with its obligations hereunder or under the Sublease, if applicable, or to obtain possession of the Franchised Location, or to protect the Trademarks or other property rights of Franchisor. Franchisor or such Affiliate may, as part of such action or proceeding, seek damages, costs and expenses caused to or incurred by it by reason of the act or action or non-action of Franchisee which caused Franchisor or such Affiliate to institute such action or proceeding. The institution of any such action or proceeding by Franchisor or an Affiliate shall not be deemed a waiver on its part to institution of an arbitration proceeding pursuant to the provisions of this Article. If Franchisee leases or subleases the Franchised Restaurant or Franchised Location by or through Franchisor or an Affiliate, in the event of an arbitration award which includes a determination that this Agreement is or has expired or has been terminated by reason of Franchisee's default thereof, Franchisee consents to the entry of a judgment by a court of competent jurisdiction containing an appropriate writ for the recovery of possession of the premises. The situs of arbitration proceedings shall be in that city nearest the Franchised Location which has an American Arbitration Association office and facilities for arbitration.

13.02 Remedies of Franchisor.

(a) In the event of a Material Breach of this Agreement, Franchisor may, at its election pursue the following remedies in addition to such other remedies as may be available to it hereunder and at law or equity: (1) terminate this Agreement, and thereafter bring such action as it may deem proper to protect its rights hereunder, in accordance with the provision of this Article XIII, and (2) seek to recover such damages, including all sums due and owing pursuant to this Agreement and any other agreement relating thereto, and the benefit of its bargain hereunder, as Franchisor may, in its discretion, deem appropriate. In computing such damages, it is agreed that the benefit of Franchisor's bargain shall include Franchisor's average Continuing Royalty fee of four and one-half percent (4.5%) of Franchisee's Gross Sales, computed on the basis of the last 26 weeks that Franchisee conducted business at its Franchised Restaurant (or if any such Franchised Restaurant is open for less than 26 weeks, the entire period that any such Franchised Restaurant is open for business) multiplied by the number of weeks remaining under this Franchise Agreement, computed from the effective date of the termination of this Agreement. Said sum shall thereupon be "present valued" by discounting the same, on an annual basis, predicated upon the prime rate charged by the Chase Manhattan Bank of New York City, on the effective date of such termination.

(b) Franchisor will not, nor will it threaten to or state or represent that it has the right or intention to, exercise self help in regaining possession of the Franchised Restaurant or premises or physically evict or attempt to evict Franchisee from the Franchised Restaurant other than by due process of law. In the event of termination, Franchisor will obtain possession of the premises only through the voluntary surrender thereof by Franchisee, or pursuant to the legal enforcement of a judgment of a court of competent jurisdiction or of an award of an arbitration tribunal in accordance with Paragraph 13.01.

13.03 Summary Possessory Actions.

(a) If Franchisee leases or subleases the Franchised Restaurant or Franchised Location from Franchisor or an Affiliate, Franchisor or such Affiliate shall be entitled to maintain actions in unlawful or forcible detainer or other appropriate summary possessory action for recovery of the premises of said Franchised Restaurant or Location, in a court of competent jurisdiction without being required to resort to arbitration (except as provided in Paragraph 13.03(c)(ii) hereof), in respect of any uncured default by Franchisee in payment of premises rental under the Sublease or by reason of any of the causes specified in Paragraphs 12.01 (a), (b) or (c), for a judgment which shall, if Franchisor or such Affiliate shall prevail therein, include both an order for restitution of the premises and any monetary relief incident thereto which may by law be awarded in any such possessory action. In any such possessory action by Franchisor or such Affiliate, Franchisee shall be entitled to assert defenses, set offs and counterclaims, if any, which are permitted by applicable law in such a possessory action, but no others; and, if Franchisee shall prevail thereon, it may obtain any relief thereon which may by law be awarded in such possessory action.

(b) With respect to any such possesory actions provided and referred to in Paragraph 13.03(a), wherein such possessory action is based on monetary default, neither Franchisor nor its Affiliate shall base any claim of monetary default upon its having applied any Franchisee payments to it to the accelerated and unaccrued portion of Franchisee's Initial Franchise Fee note or notes, if applicable, at any time that such application would have left any other current or past due obligations unpaid.

(c) Should Franchisee deny or dispute the amount of the indebtedness described or referred to in the notice of default, it shall within the time specified for the cure of such default deliver to Franchisor or its Affiliate a written statement of the amount claimed by it to be the correct amount of the indebtedness and of the factual basis for such claim; and it shall either accompany such statement with its remittance of full payment of the

amount acknowledged by it to be owing or shall make such arrangements with Franchisor for the payment of such amount as shall be satisfactory and acceptable to Franchisor or its Affiliate. Should Franchisee have timely done so, it will then be permitted to litigate any such dispute as to the amount, if any, of the remaining indebtedness as follows:

(i) In those states wherein litigation of such dispute is permitted in possessory actions by law, stipulation or agreement of the parties, such dispute shall be so litigated. It shall not be a ground for denial of a judgment for possession to Franchisor or an Affiliate that the amount of the indebtedness so determined may be less than or different from the amount claimed by Franchisor or its Affiliate. Execution upon such judgment, however, shall be stayed for seven days, during which time Franchisee may retain possession of the Franchised Restaurant and obtain vacation of the judgment by (1) paying to Franchisor or its Affiliate the full amount of the adjudicated and unpaid indebtedness, plus the full amount of any and all subsequently accruing and unpaid obligations to Franchisor or its Affiliate up to and including the date of entry of such judgment, or by (2) making such arrangements with Franchisor or its Affiliate for the payment of such amount as shall be satisfactory and acceptable to Franchisor or its Affiliate, as applicable.

(ii) In those states where litigation of the amount of such indebtedness is not permitted in such possessory actions, the possessory action may nonetheless be commenced and maintained by Franchisor or the applicable Affiliate. Disputes as to the amount of indebtedness will be concurrently submitted to arbitration. Following arbitration, Franchisee shall have the same rights of payment and cure of default, upon the same conditions, as are hereinabove provided in section (i) of this subparagraph (c).

(iii) Nothing contained in this subparagraph (c) shall be deemed, construed or interpreted as allowing Franchisee in such possessory action to litigate any claims or defenses other than the issue of the correct computation of its indebtedness (exclusive of set offs or counterclaims) unless the litigation of such other claims or defenses is permitted in possessory actions by the applicable law of the subject state.

13.04 Interest on Late Payments.

In addition to the other remedies available to Franchisor, in the event that Franchisee shall fail or refuse to make any of the payments due under this Agreement, Franchisee shall pay interest at the highest rate permitted by law, or one and one half percent (1-1/2%) per month, whichever is less, of such late obligations to defray the cost of maintaining Franchisee's account in arrears, it being expressly understood that payment of this charge shall not forgive or excuse any arrearage.

XIV
RIGHT TO CURE DEFAULTS

14.01 General.

In addition to all other remedies herein granted, if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Franchisor or its Affiliate may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee cure such default for the account and on behalf of Franchisee, and the cost to Franchisor or its Affiliate thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Franchisor or its Affiliate hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of Franchisor or its Affiliate.

XV

OBLIGATIONS UPON TERMINATION

15.01 General.

In the event of the termination or expiration of this Agreement for whatever reason, Franchisee shall forthwith discontinue the use of Franchisor's Trademarks and shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that it is either directly or indirectly associated, affiliated, franchised or licensed by or related to, the IHOP restaurant system, and shall not, either directly or indirectly, use any name, logotype, symbol or format confusingly similar to the IHOP Trademarks or formats, at either the Franchised Location, the Franchised Restaurant or any other location not then franchised to Franchisee by Franchisor. In addition, since Franchisor's restaurants have a distinctive color scheme, unless Franchisor exercises its right to cause an assignment of the lease for the Franchised Location or Franchised Restaurant pursuant to paragraph 4.04(a), Franchisee shall promptly upon demand by Franchisor or its Affiliate repaint the Franchised Restaurant in a different color scheme. Further, upon such expiration or termination, Franchisee shall not, either directly or indirectly, for any purpose whatsoever, use any of Franchisor's trade secrets, procedures, techniques or materials acquired by Franchisee by virtue of the relationship created by this Franchise Agreement, including, (a) recipes, formulae and descriptions of food products; (b) the Operations Bulletins and all manuals, Bulletins, instruction sheets, and supplements thereto; (c) all forms, advertising matter, marks, devices, insignias, slogans and designs used from time to time in connection with IHOP restaurants; and (d) all copyrights, Trademarks and patents now or hereafter applied for or granted in connection with the operation of IHOP restaurants. The covenants of Franchisee contained in this paragraph 15.01 shall survive the termination of this Agreement.

XVI
NON-COMPETITION

16.01 General.

Without Franchisor's prior written consent which may be withheld for any reason in Franchisor's sole subjective discretion, Franchisee shall not, during the term of this Agreement, or any extension or renewal thereof, directly or indirectly, own, operate, control or have any financial interest in any family style restaurant, pancake house or coffee shop, including but not limited to the Village Inn, Bob's Big Boy, Shoney's, Denny's, Perkins', Waffle House, Baker's Square, Coco's, JB's, Allie's, Cracker Barrel, Marie Callendar's, Friendly's, Bob Evans' Farms, or any other food service operation that sells pancakes. The foregoing prohibitions shall not apply to ownership by Franchisee of less than three percent (3%) of the issued and outstanding stock of any company whose shares are listed for trading over any public exchange or over-the-counter market and whose business includes the owning, operating, or franchising of family style restaurants, pancake houses, or coffee shops, provided Franchisee does not control any such company. Franchisee also agrees that it will not at any time communicate, divulge, or use for the benefit of himself or herself or any other person or entity, other than in the course of conduct of the restaurant franchised hereunder, any information or knowledge which it may have acquired in connection with the operation of the Franchised Restaurant, and that it will not do any act prejudicial or injurious to the business or goodwill of Franchisor, any of its Affiliates, or any other IHOP franchisee.

XVII
INDEMNITY BY FRANCHISEE

17.01 General.

Franchisee shall defend, indemnify and hold Franchisor and each Affiliate harmless from and against any and all claims, demands, losses, damages, costs, liabilities and expenses (including attorneys' fees and costs of suit) of whatever kind or character, on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with the operation of the Franchised Restaurant.

XVIII
ENTIRE AGREEMENT

18.01 General.

This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the specific subject matter hereof; provided, however, that for purposes of default, with respect to any other agreements relating hereto, including any lease or sublease for the Franchised Location or Franchised Restaurant, any equipment lease or sublease, any sign lease, or any purchase contracts for equipment or supplies which were entered into prior to, contemporaneously with, or subsequent to the date hereof between Franchisee and Franchisor or an Affiliate, or between Franchisee and third parties, or any Franchise Fee promissory Note, any material default thereof shall also be a material breach of this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument expressly referring to this Agreement, signed by all of the parties hereto. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require. As used in this Agreement, the words "include" or "including" are used in a non-exclusive sense.

XIX
SEVERABILITY

19.01 General.

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Operations Bulletins and any present or future statute, law, ordinance, regulation, or judicial decision, contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provision of this Agreement or the Operations Bulletins thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, Article, paragraph, sentence or clause of this Agreement or the Operations Bulletins shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of the Agreement shall continue in full force and effect, unless said provision pertains to the payment of fees, pursuant to Articles V, VI and VII hereof, in which case this Agreement shall, at Franchisor's option, terminate.

XX
WAIVER AND DELAY

20.01 General

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Operations Bulletins, shall constitute a waiver of the provisions of this Agreement or the Operations Bulletins with respect to any prior, concurrent or subsequent breach thereof or a waiver by Franchisor of its rights at any time thereafter to require exact and strict compliance with the provisions thereof.

XXI
SURVIVAL OF COVENANTS

21.01 General

The covenants contained in this Agreement which by their terms require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

XXII
SUCCESSORS AND ASSIGNS

22.01 General

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained herein.

XXIII
JOINT AND SEVERAL LIABILITY

23.01 General

If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

XXIV
GOVERNING LAW

24.01 General

This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the state of California without giving effect to conflict of laws.

XXV
COUNTERPARTS

25.01 General.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

XXVI

FEES AND EXPENSES

26.01 General.

Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, or commence any appeal therefrom, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection herewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

XXVII
NOTICES

27.01 General.

All notices which Franchisor is required or may desire to give to Franchisee under or in connection with this Agreement may be delivered to Franchisee or may be sent by certified or registered mail, postage prepaid, addressed to Franchisee at the Franchised Location. All notices which Franchisee is required or may desire to give to Franchisor under or in connection with this Agreement, must be sent by certified or registered mail, postage prepaid, addressed to Franchisor as follows:

General Counsel
International House of Pancakes, Inc.
525 N. Brand Boulevard, Third Floor
Glendale, California 91203-1903

The addresses herein given for notice may be changed at any time by either party by written notice given to the other party as herein provided. Notices shall be deemed effective five days after deposit in the United States mails.

XXVIII
NOVATION COUNTERPART

28.01 General.

If Franchisee operates the Franchised Restaurant at the Franchised Location pursuant to the terms of a franchise agreement executed prior to the date hereof, this Agreement shall become effective only upon execution by Franchisee of a Rider in the form attached hereto as Exhibit "B".

XXIX
SUBMISSION OF AGREEMENT

29.01 General.

The submission of this Agreement does not constitute an offer, and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE RECEIVED A FRANCHISE OFFERING CIRCULAR IN SUCH FORM AND MANNER AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW.

IN WITNESS WHEREOF, Franchisor and Franchisee have caused this Agreement to be executed as of the day and year first above written.

FRANCHISOR

INTERNATIONAL HOUSE OF PANCAKES, INC.
a Delaware corporation

By:
Richard K. Herzer, President

I HEREBY ACKNOWLEDGE THAT AT MY FIRST PERSONAL MEETING WITH FRANCHISOR, AT LEAST TEN BUSINESS DAYS PRIOR TO THE DATE THAT I HAVE EXECUTED THIS AGREEMENT, OR HAVE PAID ANY CONSIDERATION THEREFOR, I RECEIVED, AND HAVE SINCE READ, FRANCHISOR'S UNIFORM FRANCHISE OFFERING CIRCULAR; I HEREBY ALSO ACKNOWLEDGE THAT I RECEIVED A COMPLETELY PREPARED COPY OF THIS AGREEMENT MORE THAN FIVE BUSINESS DAYS PRIOR TO THE DATE I HAVE EXECUTED SAME.

FRANCHISEE

By:

THE INTERCREDITOR AGREEMENT,

DATED AS OF NOVEMBER 1, 1996

(EXHIBIT H TO THE SENIOR NOTE PURCHASE AGREEMENT)

IS CONTAINED IN ITS ENTIRETY

AS DOCUMENT NO. 5 HEREIN

[CONFORMED COPY]

SUBSIDIARY GUARANTEE

IHOP REALTY CORP.

FOR VALUE RECEIVED and in consideration of the purchase by the Purchasers (as hereinafter defined) of those certain 7.42% Senior Notes Due 2008 (the "Notes") of International House of Pancakes, Inc., a Delaware corporation (herein called, together with its successors and assigns, the "Borrower"), pursuant to the several Senior Note Purchase Agreements, each dated as of November 1, 1996, by and among the several purchasers named in Schedule 1 thereto (the "Purchasers"), IHOP Corp., a Delaware corporation ("Holdings"), and the Borrower, which is the wholly-owned Subsidiary of Holdings (the "Purchase Agreements"), the undersigned (the "Guarantor"), a wholly-owned Subsidiary of the Borrower, unconditionally guarantees (a) the full and prompt payment, when due, whether at maturity or earlier by reason of acceleration or otherwise, and at all times thereafter of all obligations of the Borrower with respect to payment of the principal of, prepayment charges (if any), and interest on the Notes (including interest on any overdue principal and prepayment charges, if any, and, to the extent permitted by law, on any overdue interest), and all other amounts due, and (b) the prompt and faithful performance, discharge and observance of all other obligations, covenants, agreements, conditions, representations, warranties, indemnities and liabilities of the Borrower and Holdings to be performed, discharged or observed by the Borrower and Holdings, under or pursuant to the Purchase Agreements and all agreements, instruments and documents executed or delivered in connection therewith or pursuant thereto (all such obligations of the Borrower and Holdings guaranteed by the Guarantor herein being hereinafter called the "Obligations"). In the event the Borrower or Holdings defaults in the payment or performance, when due, of any of the Obligations (whether at their stated maturity, by acceleration, or otherwise), the Guarantor shall pay to the unpaid holders of the Notes ("Holders"), on demand, the full amount of such Obligations in immediately available funds at the place provided in the applicable Purchase Agreements or shall, on demand, fully perform such Obligations. The Guarantor further agrees to pay (a) all costs and expenses including, without limitation, all court costs and reasonable attorneys' fees and expenses paid or incurred by each of the Holders in endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, Holdings, the Borrower, the Guarantor, or any other guarantor of all or any part of the Obligations, and (b) to the extent permitted by law, interest on the Obligations and such costs and expenses at the applicable per annum rate set forth in the Purchase Agreements. Unless otherwise defined herein, the capitalized terms used herein which are defined in the Purchase Agreements shall have the meanings specified therein.

The Guarantor hereby represents and warrants that:

(a) The Guarantor has full power, authority and legal right to execute this Guarantee.

(b) This Guarantee has been duly authorized, executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms.

(c) No consent, approval or authorization of or filing with any Governmental Body or other Person on the part of the Guarantor is required in connection with this Guarantee.

(d) The execution, delivery and performance of this Guarantee will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or Governmental Body, domestic or foreign, or of the charter or by-laws of the Guarantor or of any securities issued by the Guarantor or of any mortgage, indenture, lease, contract or loan agreement to which the Guarantor is a party, or any other agreement, instrument or undertaking to which the Guarantor is a party or which purports to be binding upon the Guarantor or upon any of its assets, and will not result in the creation or imposition of any Lien on any of the assets of the Guarantor except as contemplated by this Guarantee.

The Guarantor hereby waives notice of acceptance of this Guarantee by any Holder, of any action taken or omitted in reliance hereon or of any default in the payment of any of the Obligations or in the performance of any covenants and agreements of the Borrower contained in the Purchase Agreements or the Notes, and any diligence, presentment, demand, protest, dishonor or notice of any kind.

This Guarantee constitutes a present and continuing Guarantee of payment and performance and not of collectability of the Obligations, and shall be absolute, primary, present and unconditional, and to the extent permitted by applicable law, shall not be subject to any counterclaim, setoff, reduction or defense based upon any claim the Guarantor may have against the Borrower, or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected or impaired by any thing, event, happening, matter, circumstance or condition whatsoever (whether or not the Guarantor shall have any knowledge or notice thereof or shall consent thereto), including, without limitation:

(i) any amendment or other modification of or supplement to any provision of the Purchase Agreements, any Subsidiary Guarantee, any other agreements or documents executed or delivered in connection therewith or pursuant thereto or any of the Notes or any assignment or transfer thereof, including without limitation any renewal or extension of the terms of payment of any of the Notes or the granting of time in respect of any payment thereof, or any furnishing or acceptance of security or any release of any security furnished or accepted for any of the Notes or in respect of the obligations of the Guarantor hereunder;

(ii) any waiver, consent, extension, granting of time, forbearance, indulgence or other action or inaction under or in respect of this Guarantee or any of the Notes or any exercise or nonexercise of any right, remedy or power in respect hereof or thereof;

(iii) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceedings with respect to the Guarantor, the Borrower, Holdings, the other Subsidiary Guarantors or any other Person, or the properties or creditors of any of them;

(iv) the occurrence of any Default or Event of Default, or any invalidity or unenforceability of, or any misrepresentation, irregularity or other defect in, the Purchase Agreements, any Subsidiary Guarantee, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement;

(v) any transfer of any assets to or from the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower, including without limitation any transfer or purported transfer to the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower from any Person, any invalidity, illegality of, or inability to enforce, any such transfer or purported transfer, any consolidation or merger of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower with or into any other corporation or entity, or any change whatsoever in the objects, capital structure, constitution or business of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or any Affiliate or Subsidiary of the Guarantor, Holdings, any other Subsidiary Guarantor or of the Borrower;

(vi) any failure on the part of the Borrower or any other Person to perform or comply with any term of the Notes, the Purchase Agreements, any Subsidiary Guarantee or any other agreement;

(vii) any suit or other action brought by the Guarantor, Holdings, the Borrower, any other Subsidiary Guarantor or any other Person, or by any stockholder or creditor of any such Persons, for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of the Notes, the Purchase Agreements, any Subsidiary Guaranty or any other agreement;

(viii) any lack or limitation of status or power, incapacity or disability of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or of any officer, director or agent of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or any of their respective stockholders;

(ix) the cessation from any cause whatsoever (other than payment of the Obligations) of liability of the Borrower;

(x) the termination of, or release or compromise of the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement, including, without limitation, any other Subsidiary Guarantee and the Guarantee of Holdings set forth in Section 16.14 of the Purchase Agreements (other than as a result of payment of the Obligations);

(xi) any lack or limitation of the genuineness, validity, regularity or enforceability of the Notes, the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, or any other agreement including without limitation any Subsidiary Guarantee;

(xii) any failure by any of the Holders to take any steps to perfect or maintain their security interest (if any) in or Liens (if any) upon, or to preserve their rights to, any security or collateral for the Obligations;

(xiii) any election by any of the Holders, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. (S)101 et seq.) (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code;

(xiv) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of any of the Holders' claims for repayment of the Obligations; or

(xv) any other thing, event, happening, matter, circumstance or condition whatsoever, not in any way limited to the foregoing, which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

The obligations of the Guarantor with respect to the guaranty and all other obligations under this Guarantee of the Guarantor are and shall continue to be direct and unsecured obligations of the Guarantor ranking pari passu as against the assets of the Guarantor and pari passu with all other present and future Debt of

the Guarantor which is not expressed to be subordinate or junior in rank to any other Debt of the Guarantor (except to the extent that the foregoing is not true by virtue of, and solely by virtue of, Liens expressly permitted by the Purchase Agreements securing other Debt insofar as such Debt represents a prior claim in respect of the property or assets secured by such permitted Lien.

The liability of the undersigned Guarantor under this Guarantee shall not exceed at any time the greater of (i) 95% of the Adjusted Net Assets (as hereinafter defined) of the Guarantor at the time of delivery hereof and (ii) 95% of the Adjusted Net Assets of the Guarantor at the time of any payment hereunder. As used herein, the term "Adjusted Net Assets" means at any time the lesser of (x) the amount by which the fair market value of the assets of the Guarantor exceeds the total amount of liabilities (including, without limitation, contingent liabilities, but excluding liabilities under this Guarantee) of the Guarantor at such time, and (y) the amount by which the present fair market value of the assets of the Guarantor at such time exceeds the amount that will be required to pay the probable liability

of the Guarantor on its debts (excluding debt in respect of this Guarantee), as they become absolute and matured. Contingent liabilities of the Guarantor (including, without limitation, liabilities in respect of guarantees, pension and other employee benefit plans and pending or threatened litigation and claims), shall be valued at amounts which, in light of all the facts and circumstances existing at the time, represent amounts which can reasonably be expected to become actual or matured liabilities.

Notwithstanding anything to the contrary contained herein or in any other agreement, document or instrument, the Guarantor hereby irrevocably waives all rights of subrogation (whether such rights arise under common law, contract or Federal law, including, without limitation, Section 509 of the Bankruptcy Code) to the claims of the Holders against the Borrower, and waives all contractual, statutory and common law rights of contribution, reimbursement, indemnification and similar rights and claims (as such term is defined in the Bankruptcy Code) against the Borrower which may arise in connection with, or as a result of, this Guarantee.

The Guarantor expressly waives any and all benefits under California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433 and California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726.

The Guarantor expressly waives any right it may have to require any Person seeking enforcement of its obligations hereunder to (a) proceed against the Borrower, Holdings, any other Subsidiary Guarantor or any other Person, (b) proceed against or exhaust any security, or (c) pursue any other remedy in the power of the Person seeking such enforcement, including, without limitation, its remedies pursuant to any other Subsidiary Guarantee and the Holdings' Guarantee set forth in Section 16.14 of the Purchase Agreements. The Holders from time to time may, at their election, exercise any right or remedy they may have against the Guarantor, including, without limitation, the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or limiting in any way the liability of the Guarantor hereunder, except to the extent the Obligations have been paid. The Guarantor waives any defense arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other right or remedy of the Guarantor against the Borrower, Holdings, any other Subsidiary Guarantor or any such security, whether resulting from such election by the Holders of the Notes or otherwise.

The Guarantor agrees that its obligations hereunder shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower, Holdings, any other Subsidiary Guarantor or the Guarantor is rescinded or must be otherwise restored by any Holder of any Notes, whether as a result of any proceedings in bankruptcy or reorganization or otherwise. The Guarantor further agrees that, without limiting the generality of the foregoing, if an Event of Default shall have occurred and be continuing and the Holder is prevented by applicable law from exercising any remedy under this Guarantee or under any of the Notes, such Holder shall be entitled to receive from the Guarantor upon demand therefor, the sums which would otherwise have been due from the Borrower had such remedies been exercised.

The Guarantor agrees that this Guarantee shall continue in full force and effect and may not be terminated or otherwise revoked by the Guarantor until the Obligations shall have been fully discharged.

This Guarantee shall be binding upon the Guarantor and upon the successors and assigns of the Guarantor and shall inure to the benefit of each of the Purchasers and each other Holder and their respective successors and assigns; all references herein to the Borrower, Holdings, other Subsidiary Guarantors and to the Guarantor shall be deemed to include their respective successors and assigns, including, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower, Holdings, other Subsidiary Guarantors or the Guarantor. All references to the singular shall be deemed to include the plural where the context so requires.

THIS GUARANTEE SHALL BE CONSTRUED IN ACCORDANCE WITH AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS (WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE).

THE GUARANTOR CONSENTS AND AGREES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF COOK, STATE OF ILLINOIS, AND WAIVES ANY OBJECTION BASED ON VENUE OR FORUM NON CONVENIENS WITH RESPECT TO ANY ACTION INSTITUTED THEREIN, AND AGREES THAT ANY DISPUTE CONCERNING THE RELATIONSHIP BETWEEN ANY PURCHASER OR HOLDER OF NOTES, ON THE ONE HAND, AND THE GUARANTOR, ON THE OTHER HAND, OR THE CONDUCT OF ANY PARTY IN CONNECTION WITH THIS GUARANTEE OR OTHERWISE SHALL BE HEARD ONLY IN THE COURTS DESCRIBED ABOVE.

THE GUARANTOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH

SERVICE OF PROCESS MAY BE MADE BY HAND DELIVERY OR MAIL TO THE GUARANTOR AT ITS ADDRESS SET FORTH BELOW. THE GUARANTOR HEREBY CONSENTS TO SERVICE OF PROCESS AS AFORESAID.

NOTHING IN THIS GUARANTEE SHALL AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO BRING ANY ACTION OR PROCEEDING AGAINST THE GUARANTOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

Wherever possible each provision of this Guarantee shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guarantee shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guarantee.

THE GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (I) ARISING UNDER THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN

CONNECTION HEREWITH OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE GUARANTOR IN RESPECT TO THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. THE GUARANTOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS GUARANTEE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE GUARANTOR TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, this Guarantee has been duly executed by the Guarantor as of the 8th day of November, 1996.

IHOP REALTY CORP.

By */s/ Mark D. Weisberger*
Vice President — Legal

Address:

525 North Brand Boulevard
Glendale, CA 91203

[CONFORMED COPY]

SUBSIDIARY GUARANTEE

IHOP PROPERTIES, INC.

FOR VALUE RECEIVED and in consideration of the purchase by the Purchasers (as hereinafter defined) of those certain 7.42% Senior Notes Due 2008 (the "Notes") of International House of Pancakes, Inc., a Delaware corporation (herein called, together with its successors and assigns, the "Borrower"), pursuant to the several Senior Note Purchase Agreements, each dated as of November 1, 1996, by and among the several purchasers named in Schedule I thereto (the "Purchasers"), IHOP Corp., a Delaware corporation ("Holdings"), and the Borrower, which is the wholly-owned Subsidiary of Holdings (the "Purchase Agreements"), the undersigned (the "Guarantor"), a wholly-owned Subsidiary of the Borrower, unconditionally guarantees (a) the full and prompt payment, when due, whether at maturity or earlier by reason of acceleration or otherwise, and at all times thereafter of all obligations of the Borrower with respect to payment of the principal of, prepayment charges (if any), and interest on the Notes (including interest on any overdue principal and prepayment charges, if any, and, to the extent permitted by law, on any overdue interest), and all other amounts due, and (b) the prompt and faithful performance, discharge and observance of all other obligations, covenants, agreements, conditions, representations, warranties, indemnities and liabilities of the Borrower and Holdings to be performed, discharged or observed by the Borrower and Holdings, under or pursuant to the Purchase Agreements and all agreements, instruments and documents executed or delivered in connection therewith or pursuant thereto (all such obligations of the Borrower and Holdings guaranteed by the Guarantor herein being hereinafter called the "Obligations"). In the event the Borrower or Holdings defaults in the payment or performance, when due, of any of the Obligations (whether at their stated maturity, by acceleration, or otherwise), the Guarantor shall pay to the unpaid holders of the Notes ("Holders"), on demand, the full amount of such Obligations in immediately available funds at the place provided in the applicable Purchase Agreements or shall, on demand, fully perform such Obligations. The Guarantor further agrees to pay (a) all costs and expenses including, without limitation, all court costs and reasonable attorneys' fees and expenses paid or incurred by each of the Holders in endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, Holdings, the Borrower, the Guarantor, or any other guarantor of all or any part of the Obligations, and (b) to the extent permitted by law, interest on the Obligations and such costs and expenses at the applicable per annum rate set forth in the Purchase Agreements. Unless otherwise defined herein,

the capitalized terms used herein which are defined in the Purchase Agreements shall have the meanings specified therein.

The Guarantor hereby represents and warrants that:

(a) The Guarantor has full power, authority and legal right to execute this Guarantee.

(b) This Guarantee has been duly authorized, executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms.

(c) No consent, approval or authorization of or filing with any Governmental Body or other Person on the part of the Guarantor is required in connection with this Guarantee.

(d) The execution, delivery and performance of this Guarantee will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or Governmental Body, domestic or foreign, or of the charter or by-laws of the Guarantor or of any securities issued by the Guarantor or of any mortgage, indenture, lease, contract, or loan agreement to which the Guarantor is a party, or any other agreement, instrument or undertaking to which the Guarantor is a party or which purports to be binding upon the Guarantor or upon any of its assets, and will not result in the creation or imposition of any Lien on any of the assets of the Guarantor except as contemplated by this Guarantee.

The Guarantor hereby waives notice of acceptance of this Guarantee by any Holder, of any action taken or omitted in reliance hereon or of any default in the payment of any of the Obligations or in the performance of any covenants and agreements of the Borrower contained in the Purchase Agreements or the Notes, and any diligence, presentment, demand, protest, dishonor or notice of any kind.

This Guarantee constitutes a present and continuing Guarantee of payment and performance and not of collectability of the Obligations, and shall be absolute, primary, present and unconditional, and to the extent permitted by applicable law, shall not be subject to any counterclaim, setoff, reduction or defense based upon any claim the Guarantor may have against the Borrower, or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected or impaired by any thing, event, happening, matter, circumstance or condition whatsoever (whether or not the Guarantor shall have any knowledge or notice thereof or shall consent thereto), including, without limitation:

(i) any amendment or other modification of or supplement to any provision of the Purchase Agreements, any Subsidiary Guarantee, any other agreements or documents executed or delivered in connection therewith or pursuant thereto or any of the Notes or any assignment or transfer thereof, including without limitation any renewal or extension of the terms of payment of any of the Notes or the granting of time in respect of any payment thereof, or any furnishing or acceptance of security or any release of any security furnished or accepted for any of the Notes or in respect of the obligations of the Guarantor hereunder;

(ii) any waiver, consent, extension, granting of time, forbearance, indulgence or other action or inaction under or in respect of this Guarantee or any of the Notes or any exercise or nonexercise of any right, remedy or power in respect hereof or thereof;

(iii) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceedings with respect to the Guarantor, the Borrower, Holdings, the other Subsidiary Guarantors or any other Person, or the properties or creditors of any of them;

(iv) the occurrence of any Default or Event of Default, or any invalidity or unenforceability of, or any misrepresentation, irregularity or other defect in, the Purchase Agreements, any Subsidiary Guarantee, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement;

(v) any transfer of any assets to or from the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower, including without limitation any transfer or purported transfer to the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower from any Person, any invalidity, illegality of, or inability to enforce, any such transfer or purported transfer, any consolidation or merger of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower with or into any other corporation or entity, or any change whatsoever in the objects, capital structure, constitution or business of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or any Affiliate or Subsidiary of the Guarantor, Holdings, any other Subsidiary Guarantor or of the Borrower;

(vi) any failure on the part of the Borrower or any other Person to perform or comply with any term of the Notes, the Purchase Agreements, any Subsidiary Guarantee or any other agreement;

(vii) any suit or other action brought by the Guarantor, Holdings, the Borrower, any other Subsidiary Guarantor or any other Person, or by any stockholder or creditor of any of such Persons, for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of the Notes, the Purchase Agreements, any Subsidiary Guaranty or any other agreement;

(viii) any lack or limitation of status or power, incapacity or disability of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or of any officer, director or agent of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or any of their respective stockholders;

(ix) the cessation from any cause whatsoever (other than payment of the Obligations) of liability of the Borrower;

(x) the termination of, or release or compromise of the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement, including, without limitation, any other Subsidiary Guarantee and the Guarantee of Holdings set forth in Section 16.14 of the Purchase Agreements (other than as a result of payment of the Obligations);

(xi) any lack or limitation of the genuineness, validity, regularity or enforceability of the Notes, the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, or any other agreement including without limitation any Subsidiary Guarantee;

(xii) any failure by any of the Holders to take any steps to perfect or maintain their security interest (if any) in or Liens (if any) upon, or to preserve their rights to, any security or collateral for the Obligations;

(xiii) any election by any of the Holders, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. (S) 101 et seq.) (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code;

(xiv) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of any of the Holders' claims for repayment of the Obligations; or

(xv) any other thing, event, happening, matter, circumstance or condition whatsoever, not in any way limited to the foregoing, which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

The obligations of the Guarantor with respect to the guaranty and all other obligations under this Guarantee of the Guarantor are and shall continue to be direct and unsecured obligations of the Guarantor ranking pari passu as against the assets of the Guarantor and pari passu with all other present and future Debt of the Guarantor which is not expressed to be subordinate or junior in rank to any other Debt of the Guarantor (except to the extent that the foregoing is not true by virtue of, and solely by virtue of, Liens expressly permitted by the Purchase Agreements securing other Debt insofar as such Debt represents a prior claim in respect of the property or assets secured by such permitted Lien.

The liability of the undersigned Guarantor under this Guarantee shall not exceed at any time the greater of (i) 95% of the Adjusted Net Assets (as hereinafter defined) of the Guarantor at the time of delivery hereof and (ii) 95% of the Adjusted Net Assets of the Guarantor at the time of any payment hereunder. As used herein, the term "Adjusted Net Assets" means at any time the lesser of (x) the amount by which the fair market value of the assets of the Guarantor exceeds the total amount of liabilities (including, without limitation, contingent liabilities, but excluding liabilities under this Guarantee) of the Guarantor at such time, and (y) the amount by which the present fair market value of the assets of the Guarantor at such time exceeds the amount that will be required to pay the probable liability

of the Guarantor on its debts (excluding debt in respect of this Guarantee), as they become absolute and matured. Contingent liabilities of the Guarantor (including, without limitation, liabilities in respect of guarantees, pension and other employee benefit plans and pending or threatened litigation and claims), shall be valued amounts which, in light of all the facts and circumstances existing at the time, represent amounts which can reasonably be expected to become actual or matured liabilities.

Notwithstanding anything to the contrary contained herein or in any other agreement, document or instrument, the Guarantor hereby irrevocably waives all rights of subrogation (whether such rights arise under common law, contract or Federal law, including, without limitation, Section 509 of the Bankruptcy Code) to the claims of the Holders against the Borrower, and waives all contractual, statutory and common law rights of contribution, reimbursement, indemnification and similar rights and claims (as such term is defined in the Bankruptcy Code) against the Borrower which may arise in connection with, or as a result of, this Guarantee.

The Guarantor expressly waives any and all benefits under California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433 and California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726.

The Guarantor expressly waives any right it may have to require any Person seeking enforcement of its obligations hereunder to (a) proceed against the Borrower, Holdings, any other Subsidiary Guarantor or any other Person, (b) proceed against or exhaust any security, or (c) pursue any other remedy in the power of the Person seeking such enforcement, including without limitation, its remedies pursuant to any other Subsidiary Guarantee and the Holdings' Guarantee set forth in Section 16.14 of the Purchase Agreements. The Holders from time to time may, at their election, exercise any right or remedy they may have against the Guarantor, including, without limitation, the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or limiting in any way the liability of the Guarantor hereunder, except to the extent the Obligations have been paid. The Guarantor waives any defense arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other right or remedy of the Guarantor against the Borrower, Holdings, any other Subsidiary Guarantor or any such security, whether resulting from such election by the Holders of the Notes or otherwise.

The Guarantor agrees that its obligations hereunder shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower, Holdings, any other Subsidiary Guarantor or the Guarantor is rescinded or must be otherwise restored by any Holder of any Notes, whether as a result of any proceedings in bankruptcy or reorganization or otherwise. The Guarantor further agrees that, without limiting the generality of the foregoing, if an Event of Default shall have occurred and be continuing and the Holder is prevented by applicable law from exercising any remedy under this Guarantee or under any of the Notes, such Holder shall be entitled to receive from the Guarantor upon demand therefor, the sums which would otherwise have been due

from the Borrower had such remedies been exercised.

The Guarantor agrees that this Guarantee shall continue in full force and effect and may not be terminated or otherwise revoked by the Guarantor until the Obligations shall have been fully discharged.

This Guarantee shall be binding upon the Guarantor and upon the successors and assigns of the Guarantor and shall inure to the benefit of each of the Purchasers and each other Holder and their respective successors and assigns; all references herein to the Borrower, Holdings, other Subsidiary Guarantors and to the Guarantor shall be deemed to include their respective successors and assigns, including, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower, Holdings, other Subsidiary Guarantors or the Guarantor. All references to the singular shall be deemed to include the plural where the context so requires.

THIS GUARANTEE SHALL BE CONSTRUED IN ACCORDANCE WITH AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS (WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE).

THE GUARANTOR CONSENTS AND AGREES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF COOK, STATE OF ILLINOIS, AND WAIVES ANY OBJECTION BASED ON VENUE OR FORUM NON CONVENIENS WITH RESPECT TO ANY ACTION INSTITUTED THEREIN, AND AGREES THAT ANY DISPUTE CONCERNING THE RELATIONSHIP BETWEEN ANY PURCHASER OR HOLDER OF NOTES, ON THE ONE HAND, AND THE GUARANTOR, ON THE OTHER HAND, OR THE CONDUCT OF ANY PARTY IN CONNECTION WITH THIS GUARANTEE OR OTHERWISE SHALL BE HEARD ONLY IN THE COURTS DESCRIBED ABOVE.

THE GUARANTOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY HAND DELIVERY OR MAIL TO THE GUARANTOR AT ITS ADDRESS SET FORTH BELOW. THE GUARANTOR HEREBY CONSENTS TO SERVICE OF PROCESS AS AFORESAID.

NOTHING IN THIS GUARANTEE SHALL AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO BRING ANY ACTION OR PROCEEDING AGAINST THE GUARANTOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

Wherever possible each provision of this Guarantee shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guarantee shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guarantee.

THE GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (I) ARISING UNDER THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN

CONNECTION HEREWITH OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE GUARANTOR IN RESPECT TO THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. THE GUARANTOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS GUARANTEE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE GUARANTOR TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, this Guarantee has been duly executed by the Guarantor as of the 8th day of November, 1996.

IHOP PROPERTIES, INC.

By _____ */s/ Mark D. Weisberger*
Vice President — Legal

Address:

525 North Brand Boulevard
Glendale, CA 91203

[CONFORMED COPY]

SUBSIDIARY GUARANTEE

IHOP RESTAURANTS, INC.

FOR VALUE RECEIVED and in consideration of the purchase by the Purchasers (as hereinafter defined) of those certain 7.42% Senior Notes Due 2008 (the "Notes") of International House of Pancakes, Inc., a Delaware corporation (herein called, together with its successors and assigns, the "Borrower"), pursuant to the several Senior Note Purchase Agreements, each dated as of November 1, 1996, by and among the several purchasers named in Schedule I thereto (the "Purchasers"), IHOP Corp., a Delaware corporation ("Holdings"), and the Borrower, which is the wholly-owned Subsidiary of Holdings (the "Purchase Agreements"), the undersigned (the "Guarantor"), a wholly-owned Subsidiary of the Borrower, unconditionally guarantees (a) the full and prompt payment, when due, whether at maturity or earlier by reason of acceleration or otherwise, and at all times thereafter of all obligations of the Borrower with respect to payment of the principal of prepayment charges (if any), and interest on the Notes (including interest on any overdue principal and prepayment charges, if any, and, to the extent permitted by law, on any overdue interest), and all other amounts due, and (b) the prompt and faithful performance, discharge and observance of all other obligations, covenants, agreements, conditions, representations, warranties, indemnities and liabilities of the Borrower and Holdings to be performed, discharged or observed by the Borrower and Holdings, under or pursuant to the Purchase Agreements and all agreements, instruments and documents executed or delivered in connection therewith or pursuant thereto (all such obligations of the Borrower and Holdings guaranteed by the Guarantor herein being hereinafter called the "Obligations"). In the event the Borrower or Holdings defaults in the payment or performance, when due, of any of the obligations (whether at their stated maturity, by acceleration, or otherwise), the Guarantor shall pay to the unpaid holders of the Notes ("Holders"), on demand, the full amount of such Obligations in immediately available funds at the place provided in the applicable Purchase Agreements or shall, on demand, fully perform such Obligations. The Guarantor further agrees to pay (a) all costs and expenses including, without limitation, all court costs and reasonable attorneys' fees and expenses paid or incurred by each of the Holders in endeavoring to collect all of any part of the Obligations from, or in prosecuting any action against, Holdings, the Borrower, the Guarantor, or any other guarantor of all or any part of the Obligations, and (b) to the extent permitted by law, interest on the Obligations and such costs and expenses at the applicable per annum rate set forth in the Purchase Agreements. Unless otherwise defined herein, the capitalized terms used herein which are defined in the Purchase Agreements shall have the meanings specified therein.

The Guarantor hereby represents and warrants that:

(a) The Guarantor has full power, authority and legal right to execute this Guarantee.

(b) This Guarantee has been duly authorized, executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms.

(c) No consent, approval or authorization of or filing with any Governmental Body or other Person on the part of the Guarantor is required in connection with this Guarantee.

(d) The execution, delivery and performance of this Guarantee will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or Governmental Body, domestic or foreign, or of the charter or by-laws of the Guarantor or of any securities issued by the Guarantor or of any mortgage, indenture, lease, contract, or loan agreement to which the Guarantor is a party, or any other agreement, instrument or undertaking to which the Guarantor is a party or which purports to be binding upon the Guarantor or upon any of its assets, and will not result in the creation or imposition of any Lien on any of the assets of the Guarantor except as contemplated by this Guarantee.

The Guarantor hereby waives notice of acceptance of this Guarantee by any Holder, of any action taken or omitted in reliance hereon or of any default in the payment of any of the Obligations or in the performance of any covenants and agreements of the Borrower contained in the Purchase Agreements or the Notes, and any diligence, presentment, demand, protest, dishonor or notice of any kind.

This Guarantee constitutes a present and continuing Guarantee of payment and performance and not of collectability of the Obligations, and shall be absolute, primary, present and unconditional, and to the extent permitted by applicable law, shall not be subject to any counterclaim, setoff, reduction or defense based upon any claim the Guarantor may have against the Borrower, or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected or impaired by any thing, event, happening, matter, circumstance or condition whatsoever (whether or not the Guarantor shall have any knowledge or notice thereof or shall consent thereto), including, without limitation:

(i) any amendment or other modification of or supplement to any provision of the Purchase Agreements, any Subsidiary Guarantee, any other agreements or documents executed or delivered in connection therewith or pursuant thereto or any of the Notes or any assignment or transfer thereof, including without limitation any renewal or extension of the terms of payment of any of the Notes or the granting of time in respect of any payment thereof, or any furnishing or acceptance of security or any release of any security furnished or accepted for any of the Notes or in respect of the obligations of the Guarantor hereunder;

(ii) any waiver, consent, extension, granting of time, forbearance, indulgence or other action or inaction under or in respect of this Guarantee or any of the Notes or any exercise or nonexercise of any right, remedy or power in respect hereof or thereof;

(iii) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceedings with respect to the Guarantor, the Borrower, Holdings, the other Subsidiary Guarantors or any other Person, or the properties or creditors of any of them;

(iv) the occurrence or any Default or Event of Default, or any invalidity or unenforceability of, or any misrepresentation, irregularity or other defect in, the Purchase Agreements, any Subsidiary Guarantee, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement;

(v) any transfer of any assets to or from the Guarantor, Holdings, any other Subsidiary OSC Guarantor or the Borrower, including without limitation any transfer or purported transfer to the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower from any Person, any invalidity, illegality of, or inability to enforce, any such transfer or purported transfer, any consolidation or merger of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower with or into any other corporation or entity, or any change whatsoever in the objects, capital structure, constitution or business of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or any Affiliate or Subsidiary of the Guarantor, Holdings, any other Subsidiary Guarantor or of the Borrower;

(vi) any failure on the part of the Borrower or any other Person to perform or comply with any term of the Notes, the Purchase Agreements, any Subsidiary Guarantee or any other agreement;

(vii) any suit or other action brought by the Guarantor, Holdings, the Borrower, any other Subsidiary Guarantor or any other Person, or by any stockholder or creditor of any of such Persons, for any reason whatsoever, including without limitation any suit or action in any way attacking or involving any issue, matter or thing in respect of the Notes, the Purchase Agreements, any Subsidiary Guaranty or any other agreement;

(viii) any lack or limitation of status or power, incapacity or disability of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or of any officer, director or agent of the Guarantor, Holdings, any other Subsidiary Guarantor or the Borrower or any of their respective stockholders;

(ix) the cessation from any cause whatsoever (other than payment of the Obligations) of liability of the Borrower;

(x) the termination of, or release or compromise of the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, any of the Notes or any other agreement, including, without limitation, any other Subsidiary Guarantee and the Guarantee of Holdings set forth in Section 16.14 of the Purchase Agreements (other than as a result of payment of the Obligations);

(xi) any lack or limitation of the genuineness, validity, regularity or enforceability of the Notes, the Purchase Agreements, any other agreement or document executed or delivered in connection therewith or pursuant thereto, or any other agreement including without limitation any Subsidiary Guarantee;

(xii) any failure by any of the Holders to take any steps to perfect or maintain their security interest (if any) in or Liens (if any) upon, or to preserve their rights to, any security or collateral for the Obligations;

(xiii) any election by any of the Holders, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. (S)101 et seq.) (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code;

(xiv) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of any of the Holders' claims for repayment of the Obligations; or

(xv) any other thing, event, happening, matter, circumstance or condition whatsoever, not in any way limited to the foregoing, which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

The obligations of the Guarantor with respect to the guaranty and all other obligations under this Guarantee of the Guarantor are and shall continue to be direct and unsecured obligations of the Guarantor ranking pari passu as against the assets of the Guarantor and pari passu with all other present and future Debt of the Guarantor which is not expressed to be subordinate or junior in rank to any other Debt of the Guarantor (except to the extent that the foregoing is not true by virtue of, and solely by virtue of, Liens expressly permitted by the Purchase Agreements securing other Debt insofar as such Debt represents a prior claim in respect of the property or assets secured by such permitted Lien.

The liability of the undersigned Guarantor under this Guarantee shall not exceed at any time the greater of (i) 95% of the Adjusted Net Assets (as hereinafter defined) of the Guarantor at the time of delivery hereof and (ii) 95% of the Adjusted Net Assets of the Guarantor at the time of any payment hereunder. As used herein, the term "Adjusted Net Assets" means at any time the lesser of (x) the amount by which the fair market value of the assets of the Guarantor exceeds the total amount of liabilities (including, without limitation, contingent liabilities, but excluding liabilities under this Guarantee) of the Guarantor at such time, and (y) the amount by which the present fair market value of the assets of the Guarantor at such time exceeds the amount that will be required to pay the probable liability

of the Guarantor on its debts (excluding debt in respect of this Guarantee), as they become absolute and matured. Contingent liabilities of the Guarantor (including, without limitation, liabilities in respect of guarantees, pension and other employee benefit plans and pending or threatened litigation and claims),

shall be valued at amounts which, in light of all the facts and circumstances existing at the time, represent amounts which can reasonably be expected to become actual or matured liabilities.

Notwithstanding anything to the contrary contained herein or in any other agreement, document or instrument, the Guarantor hereby irrevocably waives all rights of subrogation (whether such rights arise under common law, contract or Federal law, including, without limitation, Section 509 of the Bankruptcy Code) to the claims of the Holders against the Borrower, and waives all contractual, statutory and common law rights of contribution, reimbursement, indemnification and similar rights and claims (as such term is defined in the Bankruptcy Code) against Borrower which may arise in connection with, or as a result of, this Guarantee.

The Guarantor expressly waives any and all benefits under California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433 and California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726.

The Guarantor expressly waives any right it may have to require any Person seeking enforcement of its obligations hereunder to (a) proceed against the Borrower, Holdings, any other Subsidiary Guarantor or any other Person, (b) proceed against or exhaust any security, or (c) pursue any other remedy in the power of the Person seeking such enforcement, including without limitation, its remedies pursuant to any other Subsidiary Guarantee and the Holdings' Guarantee set forth in Section 16.14 of the Purchase Agreements. The Holders from time to time may, at their election, exercise any right or remedy they may have against the Guarantor, including, without limitation, the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or limiting in any way the liability of the Guarantor hereunder, except to the extent the Obligations have been paid. The Guarantor waives any defense arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other right or remedy of the Guarantor against the Borrower, Holdings, any other Subsidiary Guarantor or any such security, whether resulting from such election by the Holders of the Notes or otherwise.

The Guarantor agrees that its obligations hereunder shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower, Holdings, any other Subsidiary Guarantor or the Guarantor is rescinded or must be otherwise restored by any Holder of any Notes, whether as a result of any proceedings in bankruptcy or reorganization or otherwise. The Guarantor further agrees that, without limiting the generality of the foregoing, if an Event of Default shall have occurred and be continuing and the Holder is prevented by applicable law from exercising any remedy under this Guarantee or under any of the Notes, such Holder shall be entitled to receive from the Guarantor upon demand therefor, the sums which would otherwise have been due from the Borrower had such remedies been exercised.

The Guarantor agrees that this Guarantee shall continue in full force and effect and may not be terminated or otherwise revoked by the Guarantor until the Obligations shall have been fully discharged.

This Guarantee shall be binding upon the Guarantor and upon the successors and assigns of the Guarantor and shall inure to the benefit of each of the Purchasers and each other Holder and their respective successors and assigns; all references herein to the Borrower, Holdings, other Subsidiary Guarantors and to the Guarantor shall be deemed to include their respective successors and assigns, including, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower, Holdings, other Subsidiary Guarantors or the Guarantor. All references to the singular shall be deemed to include the plural where the context so requires.

THIS GUARANTEE SHALL BE CONSTRUED IN ACCORDANCE WITH AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS (WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPALS OF SUCH STATE).

THE GUARANTOR CONSENTS AND AGREES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF COOK, STATE OF ILLINOIS, AND WAIVES ANY OBJECTION BASED ON THE VENUE OR FORUM NON CONVENIENS WITH RESPECT TO ANY ACTION INSTITUTED THEREIN, AND AGREES THAT ANY DISPUTE CONCERNING THE RELATIONSHIP BETWEEN ANY PURCHASER OR HOLDER OF NOTES, ON THE ONE HAND, AND THE GUARANTOR, ON THE OTHER HAND, OR THE CONDUCT OF ANY PARTY IN CONNECTION WITH THIS GUARANTEE OR OTHERWISE SHALL BE HEARD ONLY IN THE COURTS DESCRIBED ABOVE.

THE GUARANTOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY HAND DELIVERY OR MAIL TO THE GUARANTOR AT ITS ADDRESS SET FORTH BELOW. THE GUARANTOR HEREBY CONSENTS TO SERVICE OF PROCESS AS AFORESAID.

NOTHING IN THIS GUARANTEE SHALL AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF ANY PURCHASER OR HOLDER OF NOTES TO BRING ANY ACTION OR PROCEEDING AGAINST THE GUARANTOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

Wherever possible each provision of this Guarantee shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guarantee shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guarantee.

THE GUARANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (I) ARISING UNDER THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN

CONNECTION HEREWITH OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE GUARANTOR IN RESPECT TO THIS GUARANTEE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. THE GUARANTOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS GUARANTEE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE GUARANTOR TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, this Guarantee has been duly executed by the Guarantor as of the 8th day of November, 1996.

IHOP RESTAURANTS, INC.

By */s/ Mark D. Weisberger*
Vice President — Legal

Address:

525 North Brand Boulevard
Glendale, CA 91203

[CONFORMED COPY]

INTERCREDITOR AGREEMENT

Dated as of November 1, 1996

Among

BANK OF AMERICA ILLINOIS

And

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK
MONY LIFE INSURANCE COMPANY OF AMERICA
THE MANUFACTURERS LIFE INSURANCE COMPANY
THE FRANKLIN LIFE INSURANCE COMPANY
THE CANADA LIFE ASSURANCE COMPANY
and
MODERN WOODMEN OF AMERICA

And

JACKSON NATIONAL LIFE INSURANCE COMPANY
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY
UNITED OF OMAHA LIFE INSURANCE COMPANY
and
SECURITY FIRST LIFE INSURANCE COMPANY

And

Additional Lenders

TABLE OF CONTENTS

INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT dated as of November 1, 1996 among BANK OF AMERICA ILLINOIS (the "Lender"), THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK, MONY LIFE INSURANCE COMPANY OF AMERICA, THE MANUFACTURERS LIFE INSURANCE COMPANY, THE FRANKLIN LIFE INSURANCE COMPANY, THE CANADA LIFE ASSURANCE COMPANY and MODERN WOODMEN OF AMERICA (each institution is referred to herein as a "1992 Noteholder" and the institutions are collectively referred to as the "1992 Noteholders") and JACKSON NATIONAL LIFE INSURANCE COMPANY, PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY, UNITED OF OMAHA LIFE INSURANCE COMPANY and SECURITY FIRST LIFE INSURANCE COMPANY (each institution is referred to herein as a "1996 Noteholder" and the institutions are collectively referred to herein as the "1996 Noteholders"; the 1996 Noteholders, the 1992 Noteholders and the Lender and each of the additional Persons, if any, that become a party hereto as contemplated by (S)3.4 hereof (each such Person is referred to as an "Additional Lender") are individually referred to herein as a "Creditor" and are collectively referred to herein as the "Creditors").

RECITALS:

A. Under and pursuant to the separate and several Senior Note Purchase Agreements each dated as of November 1, 1996 (collectively, the "1996 Note Agreements"), among International House of Pancakes, Inc., a Delaware corporation (the "Borrower"), IHOP Corp., a Delaware corporation ("Holdings") and each of the 1996 Noteholders, the Borrower has issued and sold to the 1996 Noteholders $35,000,000 aggregate principal amount of its 7.42% Senior Notes, Due November, 2008 (the "1996 Notes").

B. Under and pursuant to the separate and several Senior Note Purchase Agreements each dated as of November 19, 1992 (collectively, as amended the "1992 Note Agreements"), among the Borrower, Holdings and each of the 1992 Noteholders, the Borrower has issued and sold to the 1992 Noteholders $32,000,000 aggregate principal amount of its 7.79% Senior Notes, Due November, 2002 (the "1992 Notes").

C. Under and pursuant to that certain Letter Agreement dated as of June 30, 1993 (as such agreement may be modified, amended, renewed or replaced, including any increase in the amount thereof, the "Bank Credit Agreement") among the Borrower, Holdings, and the Lender, the Lender has made available to the Borrower certain credit facilities in a current aggregate principal amount up to $20,000,000 (all amounts outstanding in respect of said credit facilities being hereinafter collectively referred to as the "Loans").

D. In connection with the execution of the 1992 Note Agreements and as security for the 1992 Notes issued thereunder, IHOP Realty Corp., IHOP Properties, Inc. and IHOP Restaurants, Inc., (individually, a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors") each of which is a wholly-owned subsidiary of the Borrower, have guaranteed to the 1992 Noteholders the payment of the principal of, premium, if any, and interest on

the 1992 Notes and payment and performance of all other obligations of the Borrower under the 1992 Note Agreements under the Subsidiary Guarantee dated as of November 19, 1992 executed by IHOP Realty Corp., the Subsidiary Guarantee dated as of December 29, 1993 executed by IHOP Properties, Inc., and the Subsidiary Guarantee dated as of December 29, 1993 executed by IHOP Restaurants, Inc. (as such agreements may be modified, amended, renewed or

replaced, including any increase in the amount thereof, individually, a "1992 Noteholder Guaranty" and collectively, the "1992 Noteholder Guarantees").

E. In connection with the execution of the Bank Credit Agreement and as support for the Loans made thereunder, the Subsidiary Guarantors have guaranteed to the Lender the payment of the Loans and all other obligations of the Borrower under the Bank Credit Agreement under the Subsidiary Guarantee dated as of June 30, 1993 executed by IHOP Realty Corp., the Subsidiary Guarantee dated as of December 29, 1993 executed by IHOP Properties, Inc., and the Subsidiary Guarantee dated as of December 29, 1993 executed by IHOP Restaurants, Inc. (as such agreements may be modified, amended, renewed or replaced, including any increase in the amount thereof, individually, an "Lender Guaranty" and collectively, the "Lender Guarantees").

F. Each Subsidiary Guarantor is entering into a Guaranty Agreement (individually, a "1996 Noteholder Guaranty" and collectively, the "1996 Noteholder Guarantees") dated as of the date hereof pursuant to which each Subsidiary Guarantor shall guarantee to the 1996 Noteholders the payment of the principal of, premium, if any, and interest on the 1996 Notes and the payment and performance of all other obligations of the Borrower under the 1996 Note Agreements. The Lender Guarantees, the 1992 Noteholder Guarantees, the 1996 Noteholder Guarantees and the Additional Permitted Subsidiary Guarantees, if any, are each hereinafter referred to individually, as a "Subsidiary Guaranty" and collectively, as the "Subsidiary Guarantees."

G. Each of the Creditors desires to provide for their respective rights in respect of the Subsidiary Guarantees and certain collections from the Subsidiary Guarantors and to make certain other commitments and undertakings in connection with the 1992 Note Agreements, the Bank Credit Agreement, the 1996 Note Agreements, the Additional Debt Facility Agreements, if any, the Subsidiary Guarantees, the obligations incurred by the Subsidiary Guarantors under such agreements and the rights of the Creditors under such agreements.

H. The 1992 Noteholders, the Lender, and the 1996 Noteholders hereby contemplate that in the event that any of the Subsidiary Guarantors execute and deliver an Additional Permitted Subsidiary Guarantee, the beneficiary of such Additional Permitted Subsidiary Guarantee shall become a party to this Agreement upon compliance with the terms and conditions set forth in (S)3.4 hereof.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS.

The following terms shall have the meanings assigned to them below in this (S)1 or in the provisions of this Agreement referred to below:

"Additional Debt Facility" shall mean Debt of the Borrower which is guaranteed by an Additional Permitted Subsidiary Guarantee.

"Additional Debt Facility Agreement" shall mean the agreement executed and delivered by the Borrower and the Additional Lenders evidencing the Additional Debt Facility.

"Additional Lender" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Additional Permitted Subsidiary Guarantees" shall mean those Guarantees delivered by any Subsidiary Guarantor which guarantees any of the Borrower's Guaranteed Obligations the beneficiaries of which are or become a party to, and thereby agree to undertake and perform the duties, rights and obligations of a party under, the Intercreditor Agreement.

"Bank Credit Agreement" shall have the meaning assigned thereto in the Recitals hereof.

"Bankruptcy Proceeding" shall mean, with respect to any person, a general assignment of such person for the benefit of its creditors, or the institution by or against such person of any proceeding seeking relief as debtor, or seeking to adjudicate such person as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of such person or its debts, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for such person or for any substantial part of its property.

"Borrower" shall have the meaning assigned thereto in the Recitals hereof.

"Borrower's Guaranteed Obligations" shall mean all principal of, premium, if any, and interest on, the 1996 Notes, the 1992 Notes, the Loans and the Additional Debt Facilities, if any, and all other obligations of the Borrower under or in respect of the 1996 Notes, the 1992 Notes, the Loans and the Additional Debt Facilities, if any, under the 1996 Note Agreements, the 1992 Note Agreements, the Bank Credit Agreement and the Additional Debt Facility Agreements and any other obligations of the Borrower to the Creditors which are guaranteed by the Subsidiary Guarantees; provided that any amount of such Borrower's Guaranteed Obligations which is not allowed as a claim enforceable against the Borrower in a Bankruptcy Proceeding under applicable law shall be excluded from the computation of "Borrower's Guaranteed Obligations" hereunder.

"Creditor" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Excess Guaranty Payment" shall mean as to any Creditor an amount equal to the Guaranty Payment received by such Creditor less the Pro Rata Share of

Guaranty Payments to which such Creditor is then entitled.

"Guaranty Payment" shall have the meaning assigned thereto in (S)2.

"Lender" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Lender Guaranty" and "Lender Guarantees" shall have the meanings assigned thereto in the Recitals hereof.

"Loans" shall have the meaning assigned thereto in the Recitals hereof.

"1992 Note Agreements" shall have the meaning assigned thereto in the Recitals hereof.

"1996 Note Agreements" shall have the meaning assigned thereto in the Recitals hereof.

"1992 Noteholder" shall have the meaning assigned thereto in the introductory paragraph hereto.

"1996 Noteholder" shall have the meaning assigned thereto in the introductory paragraph hereto.

"1992 Noteholder Guaranty" and "1992 Noteholder Guarantees" shall have the meanings assigned thereto in the Recitals hereof.

"1996 Noteholder Guaranty" and "1996 Noteholder Guarantees" shall have the meanings assigned thereto in the Recitals hereof.

"1992 Notes" shall have the meaning assigned thereto in the Recitals hereof.

"1996 Notes" shall have the meaning assigned thereto in the Recitals hereof.

"Pro Rata Share of Guaranty Payments" shall mean as of the date of any Guaranty Payment to a Creditor under any Subsidiary Guaranty an amount equal to the product obtained by multiplying (x) the amount of all Guaranty Payments made by the Subsidiary Guarantors to all Creditors concurrently with the payments to such Creditor less all reasonable costs incurred by such Creditors in connection with the collection of such Guaranty Payments by (y) a fraction, the numerator of which shall be the Specified Amount owing to such Creditor, and the denominator of which is the aggregate amount of all

outstanding Borrower's Guaranteed Obligations (without giving effect in the denominator to the application of any such Guaranty Payments).

"Receiving Creditor" shall have the meaning assigned thereto in (S)2.

"Specified Amount" shall mean as to any Creditor the aggregate amount of the Borrower's Guaranteed Obligations owed to such Creditor.

"Subsidiary Guarantor" and "Subsidiary Guarantors" shall have the meanings assigned thereto in the Recitals hereof.

"Subsidiary Guaranty" and "Subsidiary Guarantees" shall have the meanings assigned thereto in the Recitals hereof.

SECTION 2. SHARING OF RECOVERIES.

Each Creditor hereby agrees with each other Creditor that payments (including payments made through setoff of deposit balances or otherwise or payments or recoveries from any security interest granted to any Creditor) made pursuant to the terms of any Subsidiary Guaranty (a "Guaranty Payment") (x) within 90 days prior to the commencement of a Bankruptcy Proceeding with respect to any Subsidiary Guarantor or the Borrower or (y) following the acceleration of the 1996 Notes, the 1992 Notes or the Loans or the acceleration of any other Borrower's Guaranteed Obligation, shall be shared so that each Creditor shall receive its Pro Rata Share of Guaranty Payments. Accordingly, each Creditor hereby agrees that in the event (a) an event described in clauses (x) or (y) above shall have occurred, (b) any Creditor shall receive a Guaranty Payment (a "Receiving Creditor"), and (c) any other Creditor shall not concurrently receive its Pro Rata Share of Guaranty Payments from the same Subsidiary Guarantor, then the Receiving Creditor shall promptly remit the Excess Guaranty Payment to each other Creditor who shall then be entitled thereto so that after giving effect to such payment (and any other payments then being made by any other Receiving Creditor pursuant to this (S)2) each Creditor shall have received its Pro Rata Share of Guaranty Payments.

Any such payments shall be deemed to be and shall be made in consideration of the purchase for cash at face value, but without recourse, ratably from the other Creditors such amount of 1996 Notes, 1992 Notes, Loans or Additional Debt Facility, if any, as the case may be, to the extent necessary to cause such Creditor to share such Excess Guaranty Payment with the other Creditors as hereinabove provided; provided, however, that if any such purchase or payment is made by any Receiving Creditor and if such Excess Guaranty Payment or part thereof is thereafter recovered from such Receiving Creditor by any Subsidiary Guarantor (including, without limitation, by any trustee in bankruptcy of any Subsidiary Guarantor or any creditor thereof), the related purchase from the other Creditors shall be rescinded ratably and the purchase price restored as to the portion of such Excess Guaranty Payment so recovered, but without interest; and provided further nothing herein contained shall obligate any Creditor to resort to any setoff, application of deposit balance or other means of payment under any Subsidiary Guaranty or avail itself of any

recourse by resort to any property of the Borrower or any Subsidiary Guarantor, the taking of any such action to remain within the absolute discretion of such Creditor without obligation of any kind to the other Creditors to take any such action.

SECTION 3. AGREEMENTS AMONG THE CREDITORS.

Section 3.1. Independent Actions by Creditors. Nothing contained in this Agreement shall prohibit any Creditor from accelerating the maturity of, or demanding payment from any Subsidiary Guarantor on, any Borrower's Guaranteed Obligation of the Borrower to such Creditor or from instituting legal action against the Borrower or any Subsidiary Guarantor to obtain a judgement or other legal process in respect of such Borrower's Guaranteed Obligation, but any funds received from any Subsidiary Guarantor in connection with any recovery therefrom shall be subject to the terms of this Agreement.

Section 3.2. Relation of Creditors. This Agreement is entered into solely for the purposes set forth herein, and no Creditor assumes any responsibility to any other party hereto to advise such other party of information known to such other party regarding the financial condition of the Borrower or any Subsidiary Guarantor or of any other circumstances bearing upon the risk of nonpayment of any Borrower's Guaranteed Obligation. Each Creditor specifically acknowledges and agrees that nothing contained in this Agreement is or is intended to be for the benefit of the Borrower or any Subsidiary Guarantor and nothing contained herein shall limit or in any way modify any of the obligations of the Borrower or any Subsidiary Guarantor to the Creditors.

Section 3.3. Acknowledgement of Guarantees. The Lender hereby expressly acknowledges the existence of the 1992 Noteholder Guarantees and the 1996 Noteholder Guarantees. The 1992 Noteholders hereby expressly acknowledge the existence of the Lender Guarantees and the 1996 Noteholder Guarantees. The 1996 Noteholders hereby expressly acknowledge the existence of the Lender Guarantees and the 1992 Noteholder Guarantees.

Section 3.4. Additional Lenders. Additional Persons may become "Creditors" hereunder by executing and delivering to each of the then existing Creditors (i) a copy of this Agreement so executed and (ii) a copy of the agreement or documents pursuant to which such Person becomes a creditor of the Borrower and of any Subsidiary Guarantor. Accordingly, upon the execution and delivery of such copy of this Agreement by any such Person, such Person shall, upon the acknowledgement of the then existing Creditors, thereinafter become a Creditor for all purposes of this Agreement.

Section 4. MISCELLANEOUS.

Section 4.1. Entire Agreement. This Agreement represents the entire Agreement among the Creditors and, except as otherwise provided, this Agreement may not be altered, amended or modified except in a writing executed by all the parties to this Agreement.

Section 4.2. Notices. Notices hereunder shall be given to the Creditors at their addresses as set forth in the 1996 Note Agreements, the 1992 Note Agreements, the Bank Credit Agreement or the Additional Debt Facility Agreements, as the case may be, or at such other address as may be designated by each in a written notice to the other parties hereto.

Section 4.3. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each of the Creditors and their respective successors and assigns, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by any future holder or holders of any Borrower's Guaranteed Obligations, and the term "Creditor" shall include any such subsequent holder of Borrower's Guaranteed Obligations, wherever the context permits.

Section 4.4. Consents, Amendment, Waivers. All agreements, waivers or consents of any provision of this Agreement shall be effective only if the same shall be in writing and signed by all of the Creditors.

Section 4.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

Section 4.6. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one Agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 4.7. Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 4.8. Expenses. In the event of any litigation to enforce this Agreement, the prevailing party shall be entitled to its reasonable attorney's fees (including the allocated costs of in-house counsel).

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

BANK OF AMERICA ILLINOIS, this Lender

By */s/ Gina M. West*
Vice President

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK, a 1992 Noteholder

By */s/ Suzanne E. Walton*
Managing Director

MONY LIFE INSURANCE COMPANY OF AMERICA, a 1992 Noteholder

By */s/ Suzanne E. Walton*
Authorized Agent

THE MANUFACTURERS LIFE INSURANCE COMPANY, a 1992 Noteholder

By */s/ Richard R. Davis*
Portfolio Manager -
High Yield Securities

THE FRANKLIN LIFE INSURANCE COMPANY, a 1992 Noteholder

By */s/ Julia S. Tucker*
Investment Officer

THE CANADA LIFE ASSURANCE COMPANY, a 1992 Noteholder

By */s/ Brian J. Lynch*
Associate Treasurer

MODERN WOODMEN OF AMERICA, a 1992 Noteholder

By */s/ G. E. Stoefen*
Director, Treasurer
and Investment Manager

JACKSON NATIONAL LIFE INSURANCE COMPANY, a 1996 Noteholder

By: PPM AMERICA, INC., as Agent

By */s/ David Brett*
Vice President

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY, a 1996 Noteholder

By */s/ Keith Robbins*
Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY, a 1996 Noteholder

By */s/ Edwin H. Garrison, Jr.*
First Vice President

SECURITY FIRST LIFE INSURANCE COMPANY, a 1996 Noteholder

By */s/ R.J. Ritchie*
Director — U.S. Fixed Income

By */s/ Ruth Ann McConkey*
Manager — U.S. Fixed Income

[ADDITIONAL LENDER]

By _____

Its _____

The undersigned hereby acknowledge and agree to the foregoing Agreement.

INTERNATIONAL HOUSE OF PANCAKES, INC.

By */s/ Mark D. Weisberger*
Vice President — Legal

IHOP CORP.

By */s/ Mark D. Weisberger*
Vice President — Legal

IHOP REALTY CORP.

By */s/ Mark D. Weisberger*

Vice President — Legal

IHOP PROPERTIES, INC.

By */s/ Mark D. Weisberger*
Vice President — Legal

IHOP RESTAURANTS, INC.

By */s/ Mark D. Weisberger*
Vice President — Legal

Exhibit 4.3

FIRST AMENDMENT AGREEMENT
TO

Re: SeniorNote Purchase Agreements Dated as of November 1, 1996

Dated as of
October 28, 2002

To each of the holders
listed in Schedule I to
this First Amendment Agreement

Ladies and Gentlemen:

Reference is made to (i) the separate Note Purchase Agreements each dated as of November 1, 1996 (the *"Existing Note Purchase Agreements"* and, as amended hereby, the *"Note Purchase Agreements"*), among International House of Pancakes, Inc., a Delaware corporation (the *"Borrower"*), IHOP Corp., a Delaware corporation of which the Borrower is a wholly-owned subsidiary (*"Holdings"*), and the Purchasers named on Schedule I attached thereto, respectively, and (ii) the $27,222,224 aggregate principal amount of outstanding 7.42% Senior Notes due November 1, 2008 of the Borrower (the *"Notes"*) issued pursuant to the Existing Note Purchase Agreements.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and Holdings request the amendment of certain provisions of the Existing Note Purchase Agreements as hereinafter provided.

Upon your acceptance hereof in the manner hereinafter provided and upon satisfaction of all conditions to the effectiveness hereof and receipt by the Borrower and Holdings of similar acceptances from the Majority Holders (as defined in the Existing Note Purchase Agreements), this First Amendment Agreement shall constitute a contract between us amending the Existing Note Purchase Agreements, as of October 28, 2002, but only in the respects hereinafter set forth. Capitalized terms used herein shall have the respective meanings ascribed to such terms in the Note Purchase Agreements, unless otherwise specifically indicated.

SECTION 1. AMENDMENTS TO EXISTING NOTE PURCHASE AGREEMENTS.

Section 1.1 Section 8(A)(2) of the Existing Note Purchase Agreements shall be and is hereby amended by (i) deleting the phrase "and the maximum amount of dividends or distributions that could have been declared or paid pursuant to Section 11.5 hereof," and (ii) by changing the section reference in clause (b) from "11.1(I)" in both instances where it appears to "11.1(J)" in both such instances.

Section 1.2. (a) Subpart (H) of Section 11.1 of the Existing Note Purchase Agreements shall be and is hereby amended by deleting the reference to "and" at the end thereof.

(b) Subpart (I) of Section 11.1 of the Existing Note Purchase Agreements shall be and is hereby deleted in its entirety and replaced with the following:

"(I) any Lien created to secure all or any part of the purchase price, or to secure Debt of Holdings, the Borrower or any Subsidiary of Holdings or the Borrower incurred or assumed to pay all or any part of the purchase price or cost of construction, of property (or any improvement thereon) acquired or constructed by Holdings, the Borrower or a Subsidiary of Holdings or the Borrower after the First Amendment Agreement Closing Date, including any Lien existing on property of a Person immediately prior to its being consolidated with or merged into Holdings, the Borrower or any Subsidiary of Holdings or the Borrower or its becoming a Subsidiary of Holdings or the Borrower, or any Lien existing on any property acquired by Holdings, the Borrower or any Subsidiary of Holdings or the Borrower at the time such property is so acquired (whether or not the Debt secured thereby shall have been assumed), *provided* that

(i) any such Lien shall extend solely to the item or items of such property (and/or improvement thereon) so acquired or constructed and, if required by the terms of the instrument originally creating such Lien, other property (and/or improvement thereon) which is an improvement to or is acquired for specific use in connection with such acquired or constructed property (and/or improvement thereon) or which is real property being improved by such acquired or constructed property (or improvement thereon),

(ii) the principal amount of the Debt secured by any such Lien shall at no time exceed an amount equal to 100% of the fair market value (as determined in good faith by the board of directors of Holdings, the Borrower or such Subsidiary incurring such Lien) of such property (and/or improvement thereon) at the time of such acquisition or construction, and

(iii) any such Lien shall be created contemporaneously with, or within the period beginning 365 days before and ending 365 days after, the acquisition or construction of such property; and

(J) other Liens securing Debt of Holdings, the Borrower or any Subsidiary of Holdings or the Borrower not otherwise permitted by paragraphs (A) through (I) of this Section 11.1, *provided* the Debt secured thereby is permitted by Sections 11.2 and 11.4."

(c) The last paragraph of Section 11.1 of the Existing Note Purchase Agreements shall be and is hereby deleted in its entirety and replaced with:

"The Liens referred to in Section 11.1(A) through (J) are herein collectively referred to as *"Permitted Liens,"* and individually, a *'Permitted Lien'*. "

Section 1.3. Section 11.2(C) of the Existing Note Purchase Agreements shall be and is hereby amended by changing the reference therein from "50%" to "60%".

Section 1.4. Section 11.3 of the Existing Note Purchase Agreements shall be and is hereby deleted in its entirety and replaced with the following:

"*Section 11.3. Consolidated Adjusted Net Worth.* Holdings will at all times keep and maintain Consolidated Adjusted Net Worth at an amount not less than the sum of (i) $275,000,000 plus (ii) 25% of aggregate Consolidated Net Income (but only if a positive number) for the period beginning on December 31, 2002 and ending on the date of the end of the most recent financial statements of Holdings previously provided (or required to be provided) to the holders of the Notes pursuant to Section 8."

Section 1.5. Section 11.4 of the Existing Note Purchase Agreements shall be and is hereby deleted in its entirety and replaced with the following:

"*Section 11.4. Priority Debt.* Holdings and the Borrower will not, at any time, permit Priority Debt to exceed 15% of Consolidated Adjusted Net Worth."

Section 1.6. Section 11.5 of the Existing Note Purchase Agreements shall be and is hereby deleted in its entirety and replaced with the following:

"Intentionally Deleted."

Section 1.7. Section 11.8 of the Existing Note Purchase Agreements shall be and is hereby deleted in its entirety and replaced with the following:

Section 11.8. Maintenance of Fixed Charges Coverage. Holdings will keep and maintain as of the end of each fiscal quarter, the ratio of Consolidated Cash Flow to Fixed Charges for each period of four consecutive fiscal quarters (ending on the date of determination and taken as a single accounting period) at not less than 1.75 to 1.00.

Section 1.8. The defined terms *"Consolidated Income Available for Fixed Charges"* and *"Consolidated Tangible Net Worth"* shall be deleted from Section 12(a) of the Existing Note Purchase Agreements and the following definitions shall be added to said Section 12(a) in alphabetical order:

"Consolidated Adjusted Net Worth" means as of the date of any determination thereof, the amount of consolidated stockholders equity of Holdings, the Borrower and their respective Subsidiaries, as determined in the most recent financial statement of Holdings previously provided to the holders pursuant to Section 8, *plus* (but without duplication and only to the extent excluded or deducted from stockholders' equity)

(i) any *"LIFO Reserve"* referred to in the most recent financial statement of Holdings previously provided to the holders pursuant to Section 8, (ii) any goodwill incurred (whether capitalized on Holding's or the Borrower's balance sheet or written off as incurred), and (iii) deferred income taxes.

"Consolidated Cash Flow" for any period means the sum of (a) Consolidated Net Income during such period *plus* (to the extent deducted in determining Consolidated Net Income), (b) provisions for Federal, State and local income taxes for the period, (c) depreciation and amortization taken during such period and (d) Fixed Charges during such period *provided* that, in the event any Person (or the assets thereof) is acquired by Holdings, the Borrower or any Subsidiary (whether by merger, consolidation, asset or stock acquisition or otherwise) at any time during the period of calculation, such acquisition shall be deemed to have been made on the first day of such calculation period.

"First Amendment Agreement Closing Date" means October 28, 2002.

"Priority Debt" means the sum, without duplication, of (i) Debt of Holdings or the Borrower secured by liens not otherwise permitted by clauses (A) through (I) of Section 11.1 and all Debt of any Subsidiary of Holdings or the Borrower other than the Borrower (other than to Holdings, the Company or another Subsidiary of Holdings or the Borrower); provided that notwithstanding anything to the contrary herein, no Additional Permitted Subsidiary Guarantees shall be deemed to constitute Priority Debt for the purposes hereof."

Section 1.9. The defined term *"Total Capitalization"* contained in Section 12(a) of the Existing Note Purchase Agreements, shall be and is hereby amended by changing the reference therein from "Consolidated Tangible Net Worth" to "Consolidated Adjusted Net Worth".

Section 1.10. Exhibit F-1 of the Existing Note Purchase Agreements, shall be and hereby is deleted in its entirety and replaced with Exhibit F-1, attached hereto.

SECTION 2. CONDITIONS PRECEDENT.

Section 2.1. This First Amendment Agreement shall not become effective until, and shall become effective on, the Business Day when each of the following conditions shall have been satisfied:

(a) This *First* Amendment Agreement shall have been duly executed and delivered by the Borrower and Holdings.

(b) The Majority Holders (as defined in the Existing Note Purchase Agreements) shall have consented to this First Amendment Agreement as evidenced by their execution thereof.

(c) The representations and warranties of the Borrower and Holdings set forth in Section 3 hereof shall be true and correct in all material respects as of the date of the execution and delivery of this First Amendment Agreement.

(d) Any consents or approvals from any holder or holders of any outstanding security of the Borrower or Holdings or any Subsidiary of the Borrower or Holdings and any amendments of agreements pursuant to which any securities may have been issued which shall be necessary to permit the consummation of the transactions contemplated hereby shall have been obtained and all such consents or amendments shall be reasonably satisfactory in form and substance to the holders and their special counsel.

(e) The Borrower and Holdings shall have paid the fees and disbursements of the holders' special counsel, Chapman and Cutler, incurred in connection with the negotiation, preparation, execution and delivery of this First Amendment Agreement and the transactions contemplated hereby which fees and disbursements are reflected in the statement of such special counsel delivered to the Borrower at the time of the execution and delivery of this First Amendment Agreement. Upon receipt of any supplemental statement after the execution of this First Amendment Agreement, the Borrower and Holdings will pay such additional fees and disbursements of the holders' special counsel which were not reflected in its accounting records as of the time of the delivery of the initial statement of fees and disbursements.

(f) Each of the parties thereto shall have executed and delivered the Note Purchase Agreement dated as of October 28, 2002 among Holdings, the Borrower and the Purchasers listed in Schedule A attached thereto, satisfactory in form and substance to the holders.

(g) In consideration of the execution and delivery hereof by the requisite holders of the Notes, the Borrower shall pay to each holder an amendment fee equal to 1.00% of the outstanding principal amount of such holder's Notes on the First Amendment Agreement Closing Date.

(h) All corporate and other proceedings in connection with the transactions contemplated by this First Amendment Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

The Borrower and Holdings hereby represent and warrant that as of the date hereof and as of the date of execution and delivery of this First Amendment Agreement:

(a) The Borrower and Holdings are each duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

(b) Each of the Borrower and Holdings has the corporate power to own its property and to carry on its business as now being conducted.

(c) Each of the Borrower and Holdings is duly qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction in which the failure to do so would, individually or in the aggregate, have a material adverse effect on the business, condition (financial or other), assets, operations, properties or prospects of the Borrower or Holdings, as the case may be.

(d) This First Amendment Agreement and the transactions contemplated hereby are within the corporate powers of the Borrower and Holdings, have been duly authorized by all necessary corporate action on the part of the Borrower and Holdings and this First Amendment Agreement has been duly executed and delivered by the Borrower and Holdings and constitute legal, valid and binding obligations of the Borrower and Holdings enforceable in accordance with their respective terms.

(e) The Borrower and Holdings represent and warrant that there are no defaults under the Existing Note Purchase Agreements.

(f) The execution, delivery and performance of this First Amendment Agreement by the Borrower and Holdings does not and will not result in a violation of or default under (A) the articles of incorporation or bylaws of the Borrower or Holdings, (B) any material agreement to which the Borrower or Holdings is a party or by which it is bound or to which the Borrower or Holdings or any of its properties is subject, (C) any material order, writ, injunction or decree binding on the Borrower or Holdings, or (D) any material statute, regulation, rule or other law applicable to the Borrower or Holdings.

(g) No authorization, consent, approval, exemption or action by or notice to or filing with any court or administrative or governmental body (other than periodic filings with regulatory authorities, none of which are required to be filed as of the effective date of this First Amendment Agreement) is required in connection with the execution and delivery of this First Amendment Agreement or the consummation of the transactions contemplated thereby.

(h) The Borrower and Holdings have not paid or agreed to pay any fees or other consideration, or given any additional security or collateral, or shortened the maturity or average life of any indebtedness or permanently reduced any borrowing capacity, in each case, in connection with the obtaining of any consents or approvals in connection with the transactions contemplated hereby.

SECTION 4. MISCELLANEOUS.

Section 4.1. Except as amended herein, all terms and provisions of the Existing Note Purchase Agreements, the Notes and related agreements and instruments are hereby ratified, confirmed and approved in all respects.

Section 4.2. Any and all notices, requests, certificates and other instruments, including the Notes, may refer to the Note Purchase Agreements without making specific reference to this First Amendment Agreement, but nevertheless all such references shall be deemed to include this First Amendment Agreement unless the context shall otherwise require.

Section 4.3. This First Amendment Agreement and all covenants herein contained shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereunder. All covenants made by the Borrower and Holdings herein shall survive the closing and the delivery of this First Amendment Agreement.

Section 4.4. This First Amendment Agreement shall be governed by and construed in accordance with Illinois law.

Section 4.5. The capitalized terms used in this First Amendment Agreement shall have the respective meanings specified in the Note Purchase Agreements unless otherwise herein defined, or the context hereof shall otherwise require.

The execution hereof by the holders shall constitute a contract among the Borrower, Holdings and the holders for the uses and purposes hereinabove set forth. This First Amendment Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

INTERNATIONAL HOUSE OF PANCAKES, INC.

By _____
Its

IHOP CORP.

By _____
Its

Each of the undersigned, severally, hereby acknowledges, approves and agrees to the foregoing First Amendment Agreement and ratifies and confirms each of its obligations under (i) in the case of Holdings, Section 16.14 of the Note Purchase Agreement and, (ii) in the case of each of the other signatories below, its obligations under its respective Subsidiary Guarantee.

IHOP CORP.

By _____
Its

IHOP PROPERTIES, INC.

By _____
Its

IHOP REALTY CORP.

By _____
Its

IHOP RESTAURANTS, INC.

By _____
Its

This foregoing First Amendment Agreement is hereby accepted and agreed to as of the date aforesaid. The execution by each holder listed below shall constitute its respective several and not joint confirmation that it is the owner and holder of the Notes set opposite its name on Schedule I hereto and that it has not sold or otherwise transferred any of the Notes originally purchased by it pursuant to the Note Purchase Agreements.

JACKSON NATIONAL LIFE INSURANCE COMPANY

By: PPM AMERICA, INC., as Agent

By _____
Title: _____

This foregoing First Amendment Agreement is hereby accepted and agreed to as of the date aforesaid. The execution by each holder listed below shall constitute its respective several and not joint confirmation that it is the owner and holder of the Notes set opposite its name on Schedule I hereto and that it has not sold or otherwise transferred any of the Notes originally purchased by it pursuant to the Note Purchase Agreements.

PHOENIX LIFE INSURANCE COMPANY (formerly known as Phoenix Home Life Mutual Insurance Company)

By _____
Title: _____

This foregoing First Amendment Agreement is hereby accepted and agreed to as of the date aforesaid. The execution by each holder listed below shall

constitute its respective several and not joint confirmation that it is the owner and holder of the Notes set opposite its name on Schedule I hereto and that it has not sold or otherwise transferred any of the Notes originally purchased by it pursuant to the Note Purchase Agreements.

UNITED OF OMAHA LIFE INSURANCE COMPANY

By _____
Title: _____

This foregoing First Amendment Agreement is hereby accepted and agreed to as of the date aforesaid. The execution by each holder listed below shall constitute its respective several and not joint confirmation that it is the owner and holder of the Notes set opposite its name on Schedule I hereto and that it has not sold or otherwise transferred any of the Notes originally purchased by it pursuant to the Note Purchase Agreements.

METLIFE INVESTORS USA INSURANCE COMPANY

By: Metropolitan Life Insurance Company, as Investment Manager

By _____
Name:
Title:

NAME OF HOLDER		OUTSTANDING PRINCIPAL AMOUNT OF NOTES HELD AS OF OCTOBER 28, 2002
JACKSON NATIONAL LIFE INSURANCE COMPANY	$	16,333,334.40
PHOENIX LIFE INSURANCE COMPANY	$	5,444,444.80
UNITED OF OMAHA LIFE INSURANCE COMPANY	$	3,111,111.32
METLIFE INVESTORS USA INSURANCE COMPANY	$	2,333,333.48

EXHIBIT 1
(to First Amendment Agreement)

FORM OF QUARTERLY COMPLIANCE STATEMENT

THE UNDERSIGNED, , of International House of Pancakes, Inc., a Delaware corporation (the *"Borrower"*), and of IHOP Corp., a Delaware corporation (*"Holdings"*), pursuant to Section 8(A)(2) of the several Senior Note Purchase Agreements, dated as of November 1, 1996 (collectively, the *"Purchase Agreements"*), among the Borrower, Holdings, and the Purchasers listed on Schedule I thereto, do hereby certify as follows (capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreements):

(a) as at the end of the quarterly accounting period ending , the financial covenants set forth in Sections 11.2 through 11.8 of the Purchase Agreements, inclusive, have [have not] been met, and attached hereto as Exhibit A are computations and other pertinent information demonstrating the accuracy of the matters set forth in this clause (a);

(b) attached hereto as Exhibit B are calculations setting forth the maximum amount of Funded Debt that could have been incurred as at the end of the quarterly accounting period ending , pursuant to Sections 11.2(B) and 11.2(C) of the Purchase Agreements;

(c) as at the end of the quarterly accounting period ending , the Liens on Property or assets of Holdings or its Subsidiaries or securing Debt of Holdings or its Subsidiaries, as the case may be, do [do not] exceed the threshold set forth in Section 11.1(J) of the Purchase Agreements, and attached hereto as Exhibit C are computations and other pertinent information demonstrating the accuracy of the matters set forth in this

clause (c); and

(d) attached hereto as Exhibit D are calculations (and materials in support of the basis therefor) setting forth the maximum amount of additional Funded Debt secured by Liens that could have been incurred under Section 11.1(J) of the Purchase Agreements.

EXHIBIT F-1
(to First Amendment Agreement)

IN WITNESS WHEREOF, the undersigned have signed their names this day of , .

INTERNATIONAL HOUSE OF PANCAKES, INC.

By: _____
Name: _____
Title: _____

IHOP, CORP.

By: _____
Name: _____
Title: _____

Exhibit 4.8

SECOND ADDENDUM TO LOAN AGREEMENT

THIS SECOND ADDENDUM TO LOAN AGREEMENT (this "Amendment") is made and entered into as of this 28th day of October, 2002, by and among: (i) BANK OF AMERICA, N.A. ("Lender"); (ii) IHOP PROPERTIES, INC., a California corporation ("Borrower"); and (iii) INTERNATIONAL HOUSE OF PANCAKES, INC., a Delaware corporation, IHOP Corp., a Delaware corporation ("IHOP Parent") and IHOP Realty Corp., a Delaware corporation (collectively, the "Guarantor").

RECITALS

WHEREAS, on April 27, 2001, Borrower, Guarantor and Lender entered into that certain Loan Agreement (the "Loan Agreement") relating to a $12,018,206.00 loan secured by Borrower's interest in land, building and fixtures comprising equipment and signage to be used in connection with thirteen (13) IHOP Restaurants;

WHEREAS, on March 13, 2002, Borrower, Guarantor and Lender entered into that certain First Addendum to Loan Agreement to reflect an additional loan to Borrower in the original principal amount of $17,203,432.00 secured by Borrower's interest in land, building and fixtures comprising seventeen (17) IHOP Restaurants; and

WHEREAS, Borrower, Guarantor and Lender now desire to amend the Loan Agreement to modify certain negative covenants set forth in the Loan Agreement relating to restrictions on Liens.

NOW, THEREFORE, for and in consideration of Ten and No/100 Dollars ($10.00) in hand paid, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Recitals.** Borrower, Guarantor and Lender hereby approve the foregoing recitations and agree that said recitations are true and correct in all respects.

2. **Definitions:** The definition for Debt and Funded Debt set forth in Section 1 of the Loan Agreement are amended to read as follows:

Debt. Debt with respect to any Person means, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) the liability of such Person created by granting a Lien to which the property or assets of such Person are subject whether or not such Person has assumed or become legally liable for the payment of any obligation (provided that, if such obligation has not been assumed or become the legal liability of such Person, the amount of the liability shall be deemed to be in an amount not to exceed the Fair Market Value of the property to which the Lien relates, as determined in good faith by such Person), (iii) Capitalized Lease Obligations of such Person and (iv) the aggregate amount of all Guarantees given by such Person with respect to any of the foregoing.

Funded Debt. Funded Debt shall mean (i) all Debt of a Person (other than Guarantees) having a final maturity of more than one year from the date of incurrence thereof (or which is renewable or extendible at the option of the obligor for a period or periods of more than one year from the date of incurrence), including all payments in respect thereof that are

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required to be made within one year from the date of any determination of Funded Debt, whether or not included in current liabilities, *LESS 95%* of the total long-term Capitalized Lease receivables (to the extent that Capitalized Lease Obligations by such Person exceed Capitalized Lease receivables by such Person as lessor under direct financing leases with franchisees so long as such direct financing leases are, at the time of determination to the best knowledge of the lessor thereunder, valid and enforceable against their lessees and are current as to payment and not otherwise in default to the extent that there is a reasonable likelihood that any such lease would be terminated by the lessor prior to its stated expiration), and (ii) in the case of Guarantees, all Guarantees of obligations maturing more than one year after the date as of which the Guarantee is incurred.

3. **Affirmative Covenants.** Section 5.A.ii is hereby deleted in its entirety and replaced with the following Section 5.A.ii and iii.

ii. **Maintain Funded Debt to EBITDA Ratio:** The Borrower and Guarantors, on a consolidated basis, will not permit the ratio of total Funded Debt divided by EBITDA to be greater than 2.75. This Ratio shall be calculated using the form attached as Exhibit F.

iii. **Maintain Funded Debt to Total Capitalization Ratio:** The Borrower and Guarantors, on a consolidated basis, will not permit the ratio of total Funded Debt divided by Total Capitalization to be less than 60%. For the purposes hereof, "Total Capitalization" shall mean Funded Debt plus Consolidated Tangible Net Worth less deferred income taxes.

4. **Restrictions on Liens.** Subsection (I) of Section 6.1 of the Loan Agreement is hereby deleted in its entirety and replaced with the following Subsection (I):

(I) Liens including Liens arising out of purchase money financing securing Debt (without duplication) of IHOP Parent, the Borrower or any Subsidiary of IHOP Parent or the Borrower, *provided,* that after giving effect to such Liens, the IHOP Parties are still in compliance

with the financial ratios set forth in Section 5 (A) (i), (ii) and (iii) above, measured in each case on a pro forma basis as of the most recently ended fiscal quarter as if such incurrence had occurred on the last day of such fiscal quarter.

5. **Ratification and Reaffirmation.** Borrower and Guarantor hereby ratify and reaffirm each of the Loan Documents and all of Borrower's and Guarantor's covenants, duties and liabilities thereunder.

6. **Representations and Warranties.** Borrower and Guarantor represent and warrant to Lender, to induce Lender to enter into this Amendment, that no Default or Event of Default exists on the date hereof; the execution, delivery and performance of this Amendment have been duly authorized by all requisite corporate action on the part of the Borrower and/or Guarantor and this Amendment has been executed and delivered by

Borrower and Guarantor; and except as may have been disclosed in writing by Borrower and/or Guarantor to Lender prior to the date hereof, all of the representations and warranties made by Borrower in the Loan Agreement are true and correct on and as of the date hereof.

7. **Expenses of Lender.** Borrower agrees to pay all costs and expenses incurred by Lender in connection with the preparation, negotiation and execution of this Amendment and any other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of Lender's legal counsel.

8. **Governing Law.** This Amendment shall be governed by and construed in accordance with the internal laws of the State of Georgia. The parties stipulate and agree that the Borrower and Guarantor have numerous business operations in the State of Georgia and this Amendment has been made, delivered and is performable in the State of Georgia at Bank's main office in the State of Georgia and the laws of the State of Georgia and applicable United States federal law shall apply and this Agreement shall be construed in accordance with the laws of the State of Georgia and applicable United States federal law. Wherever possible each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Amendment. The invalidity or unenforceability of any provision of any Loan Document to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

9. **Successors and Assigns.** The Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

10 **No Novation, etc.** This Amendment is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Loan Agreement as herein modified shall continue in full force and effect.

11. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall constitute an original, but all of which taken together shall be one and the same instrument.

12. **Waiver of Notice.** Borrower and Guarantor hereby waive notice of acceptance of this Amendment by Lender.

13. **General.** Except as specifically modified herein, all other terms and conditions of the Loan Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have signed and sealed this Amendment on the day and year first above-written.

GUARANTOR:

INTERNATIONAL HOUSE OF PANCAKES, INC.

BY: /s/ Julia A. Stewart
Name: Julia A. Stewart
Title: President

(CORPORATE SEAL)

BORROWER:

IHOP PROPERTIES, INC.

By: /s/ Julia A. Stewart
Name: Julia A. Stewart
Title: President

(CORPORATE SEAL)

GUARANTOR:

IHOP REALTY CORP.

By: /s/ Julia A. Stewart
Name: Julia A. Stewart

GUARANTOR:

IHOP CORP.

By: /s/ Julia A. Stewart
Name: Julia A. Stewart

Title: President

(CORPORATE SEAL)

Title: President

(CORPORATE SEAL)

SIGNATURES CONTINUED ON NEXT PAGE

SIGNATURE PAGE TO SECOND ADDENDUM TO LOAN AGREEMENT

BANK/LENDER:

BANK OF AMERICA, N.A.

By: /s/ Bobby R. Oliver, Jr.
Name: Bobby R. Oliver, Jr.
Title: Vice President

Exhibit 4.10

AMENDED AND RESTATED
INTERCREDITOR AGREEMENT
Dated as of October 28, 2002

Among

WELLS FARGO BANK, NATIONAL ASSOCIATION

And

MONY LIFE INSURANCE COMPANY
MONY LIFE INSURANCE COMPANY OF AMERICA
THE MANUFACTURERS LIFE INSURANCE COMPANY
THE FRANKLIN LIFE INSURANCE COMPANY
THE CANADA LIFE ASSURANCE COMPANY
and
MODERN WOODMEN OF AMERICA

And

JACKSON NATIONAL LIFE INSURANCE COMPANY
PHOENIX LIFE INSURANCE COMPANY
UNITED OF OMAHA LIFE INSURANCE COMPANY
and
METLIFE INVESTORS USA INSURANCE COMPANY

And

AIG ANNUITY INSURANCE COMPANY
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
AMERICAN GENERAL ASSURANCE COMPANY
MERIT LIFE INSURANCE CO.
UNITED OF OMAHA LIFE INSURANCE COMPANY
PHOENIX LIFE INSURANCE COMPANY
MODERN WOODMEN OF AMERICA
MONY LIFE INSURANCE COMPANY OF AMERICA
NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY
NATIONWIDE LIFE INSURANCE COMPANY
NATIONWIDE LIFE INSURANCE COMPANY OF AMERICA

And

Additional Lenders

TABLE OF CONTENTS

AMENDED AND RESTATED INTERCREDITOR AGREEMENT

AMENDED AND RESTATED INTERCREDITOR AGREEMENT dated as of October 28 2002 among WELLS FARGO BANK, NATIONAL ASSOCIATION (the *"Lender"*), MONY LIFE INSURANCE COMPANY (FORMERLY THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK), MONY LIFE INSURANCE COMPANY OF AMERICA, THE MANUFACTURERS LIFE INSURANCE COMPANY, THE FRANKLIN LIFE INSURANCE COMPANY, THE CANADA LIFE ASSURANCE COMPANY and MODERN WOODMEN OF AMERICA (each institution is referred to herein as a *"1992 Noteholder"* and the institutions are collectively referred to as the *"1992 Noteholders"*), JACKSON NATIONAL LIFE INSURANCE COMPANY, PHOENIX LIFE INSURANCE COMPANY (FORMERLY PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY), UNITED OF OMAHA LIFE INSURANCE COMPANY and METLIFE INVESTORS USA INSURANCE COMPANY (each institution is referred to herein as a *"1996 Noteholder"* and the institutions are collectively referred to herein as the *"1996 Noteholders"*), AIG ANNUITY INSURANCE COMPANY, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, AMERICAN GENERAL ASSURANCE COMPANY, MERIT LIFE INSURANCE CO., UNITED OF OMAHA LIFE INSURANCE COMPANY, PHOENIX LIFE INSURANCE COMPANY, MODERN WOODMEN OF AMERICA, MONY LIFE INSURANCE COMPANY OF AMERICA, NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY, NATIONWIDE LIFE INSURANCE COMPANY, NATIONWIDE LIFE INSURANCE COMPANY OF AMERICA (each institution is referred to herein as a *"2002 Noteholder"* and the institutions are collectively referred to as the *"2002 Noteholders"*; the 2002 Noteholders, the 1996 Noteholders, the 1992 Noteholders and the Lender and each of the additional Persons, if any, that become a party hereto as contemplated by §3.4 hereof (each such Person is referred to as an *"Additional Lender"*) are individually referred to herein as a *"Creditor"* and are collectively referred to herein as the *"Creditors"*). This Agreement amends and restates, in its entirety, that certain Amended and Restated Intercreditor Agreement dated as of June 28, 2001 among the Lender, the 1992 Noteholders, the 1996 Noteholders and any and all *"Additional Lenders"* thereafter party thereto (as amended from time to time *"*).

RECITALS:

A. Under and pursuant to the separate and several Senior Note Purchase Agreements each dated as of October 28, 2002 (collectively, the *"2002 Note Agreements"*) among International House of Pancakes, Inc., a Delaware corporation (the *"Borrower"*), IHOP Corp., a Delaware corporation (*Holdings"*) and each of the 2002 Noteholders, the Borrower has issued and sold to the 2002 Noteholders (i) $95,000,000 aggregate principal amount of its 5.20% Senior Notes, Due October 28, 2012 and (ii) $5,000,000 aggregate principal amount of its 5.88% Senior Notes, Due October 28, 2012 (collectively, the *"2002 Notes"*).

B. Under and pursuant to the separate and several Senior Note Purchase Agreements each dated as of November 1, 1996 (collectively, the *"1996 Note Agreements"*), among the Borrower, Holdings and each of the 1996 Noteholders, the Borrower has issued and sold to the 1996 Noteholders $35,000,000 aggregate principal amount of its 7.42% Senior Notes, Due November, 2008 (the *"1996 Notes"*).

C. Under and pursuant to the separate and several Senior Note Purchase Agreements each dated as of November 19, 1992 (collectively, as amended the *"1992 Note Agreements"*),

among the Borrower, Holdings and each of the 1992 Noteholders, the Borrower has issued and sold to the 1992 Noteholders $32,000,000 aggregate principal amount of its 7.79% Senior Notes, Due November, 2002 (the *"1992 Notes"*).

D. Under and pursuant to that certain Credit Agreement dated as of June 28, 2001 (as such agreement may be modified, amended, renewed or replaced, including any increase in the amount thereof, the *"Bank Credit Agreement"*) among the Borrower and the Lender, the Lender has made available to the Borrower certain credit facilities in a current aggregate principal amount up to $25,000,000 (all amounts outstanding in respect of said credit facilities being hereinafter collectively referred to as the *"Loans"*). Borrower's obligations under the Bank Credit Agreement, including without limitation its obligation to repay the Loans made thereunder, have been guaranteed by Holdings pursuant to the Continuing Guarantee dated as of June 28, 2001 executed by Holdings in favor of the Lender.

E. In connection with the execution of the 1992 Note Agreements and as security for the 1992 Notes issued thereunder, IHOP Realty Corp., IHOP Properties, Inc. and IHOP Restaurants, Inc., (individually, a *"Subsidiary Guarantor"* and collectively, the *"Subsidiary Guarantors"*) each of which is a wholly-owned subsidiary of the Borrower, have guaranteed to the 1992 Noteholders the payment of the principal of, premium, if any, and interest on the 1992 Notes and payment and performance of all other obligations of the Borrower under the 1992 Note Agreements under the Subsidiary Guarantee dated as

of November 19, 1992 executed by IHOP Realty Corp., the Subsidiary Guarantee dated as of December 29, 1993 executed by IHOP Properties, Inc., and the Subsidiary Guarantee dated as of December 29, 1993 executed by IHOP Restaurants, Inc. (as such agreements may be modified, amended, renewed or replaced, including any increase in the amount thereof, individually, a *"1992 Noteholder Guaranty"* and collectively, the *"1992 Noteholder Guarantees"*).

F. In connection with the execution of the 1996 Note Agreements and as security for the 1996 Notes issued thereunder, the Subsidiary Guarantors have guaranteed to the 1996 Noteholders the payment of the principal of, premium, if any, and interest on the 1996 Notes and the payment and performance of all other obligations of the Borrower under the 1996 Note Agreements under the Guaranty Agreement dated as of November 1, 1996 executed by IHOP Realty Corp., the Guaranty Agreement dated as of November 1, 1996 executed by IHOP Properties, Inc., and the Guaranty Agreement dated as of November 1, 1996 executed by IHOP Restaurants, Inc. (as such agreements may be modified, amended, renewed or replaced, including any increase in the amount thereof, individually, a *"1996 Noteholder Guaranty"* and collectively, the *"1996 Noteholder Guarantees"*).

G. On December 31, 2001, IHOP Restaurants, Inc., a Subsidiary Guarantor, merged into the Company. In connection with the execution of the 2002 Note Agreements and as security for the 2002 Notes issued thereunder, IHOP Realty Corp., and IHOP Properties, Inc. have guaranteed to the 2002 Noteholders the payment of the principal of, premium, if any, and interest on the 2002 Notes and the payment and performance of all other obligations of the Borrower under the 2002 Note Agreements under the Subsidiary Guarantee Agreement dated as of October 28, 2002 executed by IHOP Realty Corp. and IHOP Properties, Inc (as such

agreement may be modified, amended, renewed or replaced, including any increase in the amount thereof, the *"2002 Noteholder Guarantee"*).

H. In connection with the execution of the Bank Credit Agreement and as support for the Loans made thereunder, the Subsidiary Guarantors have guaranteed to the Lender the payment of the Loans and all other obligations of the Borrower under the Bank Credit Agreement under the Subsidiary Guarantee dated as of June 28, 2001 executed by IHOP Realty Corp., the Subsidiary Guarantee dated as of June 28, 2001 executed by IHOP Properties, Inc., and the Subsidiary Guarantee dated as of June 28, 2001 executed by IHOP Restaurants, Inc. (as such agreements may be modified, amended, renewed or replaced, including any increase in the amount thereof, individually, a *"Lender Subsidiary Guarantee"* and collectively, the *"Lender Subsidiary Guarantees"*). The Lender Subsidiary Guarantee, the 1992 Noteholder Guarantees, the 1996 Noteholder Guarantees, the 2002 Noteholder Guarantee and the Additional Permitted Subsidiary Guarantees, if any, are each hereinafter referred to individually, as a "Subsidiary Guaranty" and collectively, as the "Subsidiary Guarantees."

I. Each of the Creditors desires to provide for their respective rights in respect of the Subsidiary Guarantees and certain collections from the Subsidiary Guarantors and to make certain other commitments and undertakings in connection with the 1992 Note Agreements, the 1996 Note Agreements, the 2002 Note Agreements, the Bank Credit Agreement, the Additional Debt Facility Agreements, if any, the Subsidiary Guarantees, the obligations incurred by the Subsidiary Guarantors under such agreements and the rights of the Creditors under such agreements.

J. The 1992 Noteholders, the 1996 Noteholders, the 2002 Noteholders and the Lenders hereby contemplate that in the event that any of the Subsidiary Guarantors execute and deliver an Additional Permitted Subsidiary Guarantee, the beneficiary of such Additional Permitted Subsidiary Guarantee shall become a party to this Agreement upon compliance with the terms and conditions set forth in **§3.4** hereof.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS.

The following terms shall have the meanings assigned to them below in this §1 or in the provisions of this Agreement referred to below:

"Additional Debt Facility" shall mean Debt of the Borrower which is guaranteed by an Additional Permitted Subsidiary Guarantee.

"Additional Debt Facility Agreement" shall mean the agreement executed and delivered by the Borrower and the Additional Lenders evidencing the Additional Debt Facility.

"Additional Lender" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Additional Permitted Subsidiary Guarantees" shall mean those Guarantees delivered by any Subsidiary Guarantor which guarantees any of the Borrower's Guaranteed Obligations the beneficiaries of which are or become a party to, and thereby agree to undertake and perform the duties, rights and obligations of a party under, the Intercreditor Agreement.

"Agreement" means this Amended and Restated Intercreditor Agreement, as the same may be modified, amended, renewed or replaced from time to time.

"Bank Credit Agreement" shall have the meaning assigned thereto in the Recitals hereof.

"Bankruptcy Proceeding" shall mean, with respect to any person, a general assignment of such person for the benefit of its creditors, or the institution by or against such person of any proceeding seeking relief as debtor, or seeking to adjudicate such person as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of such person or its debts, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for such person or for any substantial part of its property.

"Borrower" shall have the meaning assigned thereto in the Recitals hereof.

"Borrower's Guaranteed Obligations" shall mean all principal of, premium, if any, and interest on, the 2002 Notes, the 1996 Notes, the 1992 Notes, the Loans and the Additional Debt Facilities, if any, and all other obligations of the Borrower under or in respect of the 2002 Notes, 1996 Notes, the 1992 Notes, the Loans and the Additional Debt Facilities, if any, under the 2002 Note Agreements, the 1996 Note Agreements, the 1992 Note Agreements, the Bank Credit Agreement and the Additional Debt Facility Agreements and any other obligations of the Borrower to the Creditors which are guaranteed by the Subsidiary Guarantees; *provided* that any amount of such Borrower's Guaranteed Obligations which is not allowed as a claim enforceable against the Borrower in a Bankruptcy Proceeding under applicable law shall be excluded from the computation of "Borrower's Guaranteed Obligations" hereunder.

"Creditor" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Excess Guaranty Payment" shall mean as to any Creditor an amount equal to the Guaranty Payment received by such Creditor less the Pro Rata Share of Guaranty Payments to which such Creditor is then entitled.

"Guaranty Payment" shall have the meaning assigned thereto in §2.

"Lender" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Lender Subsidiary Guarantee" and *"Lender Subsidiary Guarantees"* shall have the meanings assigned thereto in the Recitals hereof.

"Loans" shall have the meaning assigned thereto in the Recitals hereof.

"1992 Note Agreements" shall have the meaning assigned thereto in the Recitals hereof.

"1996 Note Agreements" shall have the meaning assigned thereto in the Recitals hereof.

"2002 Note Agreements" shall have the meaning assigned thereto in the Recitals hereof.

"1992 Noteholder" shall have the meaning assigned thereto in the introductory hereto.

"1996 Noteholder" shall have the meaning assigned thereto in the introductory paragraph hereto.

"2002 Noteholder" shall have the meaning assigned thereto in the introductory paragraph hereto.

"1992 Noteholder Guaranty" and *"1992 Noteholder Guarantees"* shall have the meanings assigned thereto the Recitals hereof.

"1996 Noteholder Guaranty" and *"1996 Noteholder"* meanings assigned thereto in the Recitals hereof.

"2002 Noteholder Guarantee" shall have the meaning assigned thereto in the Recitals hereof.

"1992 Notes" shall have the meaning assigned thereto in the Recitals hereof.

"1996 Notes" shall have the meaning assigned thereto in the Recitals hereof.

"2002 Notes" shall have the meaning assigned thereto in the Recitals hereof.

"Prior Agreement" shall have the meaning assigned thereto in the introductory paragraph hereto.

"Pro Rata Share of Guaranty Payments" shall mean as of the date of any Guaranty Payment to a Creditor under any Subsidiary Guaranty an amount equal to the product obtained by multiplying (x) the amount of all Guaranty Payments made by the Subsidiary Guarantors to all Creditors concurrently with the payments to such Creditor less all reasonable costs incurred by such creditors in connection with the collection of such Guaranty Payments by (y) a fraction, the numerator of which shall be the Specified Amount owing to such Creditor, and the denomination of which is the aggregate amount of all outstanding Borrower's Guaranteed Obligations (without giving effect in the denomination to the application of any such Guaranty Payments).

"Receiving Creditor" shall have the meaning assigned thereto in §2.

"Specified Amount" shall mean as to any Creditor the aggregate amount of the Borrower's Guaranteed Obligations owed to such Creditor.

"Subsidiary Guarantor" and *"Subsidiary Guarantors"* shall have the meanings assigned thereto in the Recitals hereof.

"Subsidiary Guaranty" and *"Subsidiary Guarantees"* shall have the meanings assigned thereto in the Recitals hereof.

SECTION 2. SHARING OF RECOVERIES.

Each Creditor hereby agrees with each other Creditor that payments (including payments made through setoff of deposit balances or otherwise or payments or recoveries from any security interest granted to any Creditor) made pursuant to the terms of any Subsidiary Guaranty (a *"Guaranty Payment"*) (x) within 90 days prior to the commencement of a Bankruptcy Proceeding with respect to any Subsidiary Guarantor or the Borrower or (y) following the acceleration of the 2002 Notes, the 1996 Notes, the 1992 Notes or the Loans or the acceleration of any other Borrower's Guaranteed Obligation, shall be shared so that each Creditor shall receive its Pro Rata Share of Guaranty Payments. Accordingly, each Creditor hereby agrees that in the event (a) an event described in clauses (x) or (y) above shall have occurred, (b) any Creditor shall receive a Guaranty Payment (a *"Receiving Creditor"*), and (c) any other Creditor shall not concurrently receive its Pro Rata Share of Guaranty Payments from the same Subsidiary Guarantor, then the Receiving Creditor shall promptly remit the Excess Guaranty Payment to each other Creditor who shall then be entitled thereto so that after giving effect to such payment (and any other payments then being made by any other Receiving Creditor pursuant to this **§2**) each Creditor shall have received its Pro Rata Share of Guaranty Payments.

Any such payments shall be deemed to be and shall be made in consideration of the purchase for cash at face value, but without recourse, ratably from the other Creditors such amount of 2002 Notes, 1996 Notes, 1992 Notes, Loans or Additional Debt Facility, if any, as the case may be, to the extent necessary to cause such Creditor to share such Excess Guaranty Payment with the other Creditors as hereinabove provided; *provided, however,* that if any such purchase or payment is made by any Receiving Creditor and if such Excess Guaranty Payment or part thereof is thereafter recovered from such Receiving Creditor by any Subsidiary Guaranty (including, without limitation, by any trustee in bankruptcy of any Subsidiary Guaranty or any creditor thereof), the related purchase from the other Creditors shall be rescinded ratably and the purchase price restored as to the portion of such Excess Guaranty Payment so recovered, but without interest; and *provided further* nothing herein contained shall obligate any Creditor to resort to any setoff, application of deposition balance or other means of payment under any Subsidiary Guaranty or avail itself of any recourse by resort to any property of the Borrower or any Subsidiary Guarantor, the taking of any such action to remain within the absolute discretion of such Creditor without obligation of any kind to the other Creditors to take any such action.

SECTION 3. AGREEMENTS AMONG THE CREDITORS.

Section 3.1. Independent Actions by Creditors. Nothing contained in this Agreement shall prohibit any Creditor from accelerating the maturity of, or demanding payment from any Subsidiary Guaranty on, any Borrower's Guaranteed Obligation of the Borrower to such Creditor or from instituting legal action against the Borrower or any Subsidiary Guarantor to obtain a judgment or other legal process in respect of such Borrower's Guaranteed Obligation, but any funds received from any Subsidiary Guarantor in connection with any recovery therefrom shall be subject to the terms of this Agreement.

Section 3.2. Relation of Creditors. This Agreement is entered into solely for the purposes set forth herein, and no Creditor assumes any responsibility to any other party hereto to advise such other party of information known to such other party regarding the financial condition of the Borrower or any Subsidiary Guarantor or of any other circumstances bearing upon the risk of nonpayment of any Borrower's Guaranteed Obligation. Each Creditor specifically acknowledges and agrees that nothing contained in this Agreement is or is intended to be for the benefit of the Borrower or any Subsidiary Guarantor and nothing contained herein shall limit or in any way modify any of the obligations of the Borrower or any Subsidiary Guarantor to the Creditors.

Section 3.3. Acknowledgment of Guarantees. The Lender hereby expressly acknowledges the existence of the 1992 Noteholder Guarantees, the 1996 Noteholder Guarantees and the 2002 Noteholder Guarantee. The 1992 Noteholders hereby expressly acknowledge the existence of the Lender Subsidiary Guarantees, the 1996 Noteholder Guarantees and the 2002 Noteholder Guarantee. The 1996 Noteholders hereby expressly acknowledge the existence of the Lender Subsidiary Guarantees, the 1992 Noteholder Guarantees and the 2002 Noteholder Guarantee. The 2002 Noteholders hereby expressly acknowledge the existence of the Lender Subsidiary Guarantees, the 1992 Noteholder Guarantees and the 1996 Noteholder Guarantees.

Section 3.4. Additional Lenders. Additional Persons may becomes "Creditors" hereunder by executing and delivering to each of the then existing Creditors (i) a copy of this Agreement so executed and (ii) a copy of the agreement or documents pursuant to which such Person becomes a creditor of the Borrower and of any Subsidiary Guarantor. Accordingly, upon the execution and delivery of such copy of this Agreement by any such Person, such Person shall, upon the acknowledgment of the then existing Creditors, thereinafter become a Creditor for all purposes of this Agreement.

SECTION 4. MISCELLANEOUS.

Section 4.1. Entire Agreement. This Agreement represents the entire Agreement among the Creditors and, except as otherwise provided, this Agreement may not be altered, amended or modified except in a writing executed by all the parties to this Agreement.

Section 4.2. Notices. Notices hereunder shall be given to the Creditors at their addresses as set forth in the 2002 Note Agreements, the 1996 Note Agreements, the 1992 Note Agreements, the Bank Credit Agreement or the Additional Debt Facility Agreements, as the case

may be, or at such other address as may be designated by each in a written notice to the other parties hereto.

Section 4.3. *Successors and Assigns*. This Agreement shall be binding upon and inure to the benefit of each of the Creditors and their respective successors and assigns, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by any future holder or holders of any Borrower's Guaranteed Obligations, and the term "Creditor" shall include any such subsequent holder of Borrower's Guaranteed Obligations, wherever the context permits.

Section 4.4. *Consents, Amendment, Waivers.* All amendments, waivers or consents of any provision of this Agreement shall be effective only if the same shall be in writing and signed by all of the Creditors.

Section 4.5. *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

Section 4.6. *Counterparts*. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one Agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 4.7. *Severability*. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 4.8. *Expenses*. In the event of any litigation to enforce this Agreement, the prevailing party shall be entitled to its reasonable attorney's fees (including the allocated costs of in-house counsel).

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
the Lender

By _____
Title: _____

J. ROMEO & CO., AS NOMINEE FOR MONY LIFE INSURANCE COMPANY (formerly Mutual Life Insurance Company of New York), a 1992 Noteholder

By _____
Title: _____

J. ROMEO & CO., AS NOMINEE FOR MONY LIFE INSURANCE COMPANY OF AMERICA, a 1992 Noteholder

By _____
Title: _____

MONY LIFE INSURANCE COMPANY OF AMERICA, a 2002 Noteholder

By: MONY Capital Management, Inc.

By

Title: _____

THE MANUFACTURERS LIFE INSURANCE COMPANY, a 1992 Noteholder

By _____
Title _____

THE CANADA LIFE ASSURANCE COMPANY, a 1992 Noteholder

By _____
Title: _____

MODERN WOODMEN OF AMERICA, a 1992 Noteholder

By _____
Title: _____

MODERN WOODMEN OF AMERICA, a 2002 Noteholder

By _____
Title: _____

JACKSON NATIONAL LIFE INSURANCE COMPANY, a 1996 Noteholder

By: PPM AMERICA, INC., as Agent

By _____
Title: _____

PHOENIX LIFE INSURANCE COMPANY (formerly known as Phoenix Home Life Mutual Insurance Company), a 1996 Noteholder

By _____

Title: _____

PHOENIX LIFE INSURANCE COMPANY, a 2002 Noteholder

By _____

Title: _____

UNITED OF OMAHA LIFE INSURANCE COMPANY, a 1996 Noteholder

By _____

Title: _____

UNITED OF OMAHA LIFE INSURANCE COMPANY, a 2002 Noteholder

By _____

Title: _____

METLIFE INVESTORS USA INSURANCE COMPANY, a 1996 Noteholder

By: Metropolitan Life Insurance Company, as Investment Manager

By _____

Name:

Title:

AIG ANNUITY INSURANCE COMPANY, a 2002 Noteholder

By: AIG Global Investment Corp., investment adviser

By _____

Name:

Title:

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, a 2002 Noteholder

By: AIG Global Investment Corp., investment adviser

By _____
Name:
Title:

AMERICAN GENERAL ASSURANCE COMPANY, a 2002 Noteholder

By: AIG Global Investment Corp., investment adviser

By _____
Name:
Title:

MERIT LIFE INSURANCE CO., a 2002 Noteholder

By: AIG Global Investment Corp., investment adviser

By _____
Name:
Title:

THE FRANKLIN LIFE INSURANCE COMPANY, a 1992 Noteholder

By: AIG Global Investment Corp., investment adviser

By _____
Name:
Title:

NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY, a 2002 Noteholder

By _____
Title: _____

NATIONWIDE LIFE INSURANCE COMPANY, a 2002 Noteholder

By _____
Title: _____

NATIONWIDE LIFE INSURANCE COMPANY OF

AMERICA, a 2002 Noteholder

By _____
Title: _____

[ADDITIONAL LENDER]

By _____
Title: _____

The undersigned hereby acknowledge and agree to the foregoing Agreement.

INTERNATIONAL HOUSE OF PANCAKES, INC.

By _____
Title: _____

IHOP CORP.

By _____
Title: _____

IHOP REALTY CORP.

By _____
Title: _____

IHOP PROPERTIES, INC.

By _____
Title: _____

Exhibit 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of the 15th day of July, 2002 (the "Effective Date"), between IHOP CORP., a Delaware corporation (the "Company"), and Gregg Nettleton (the "Employee").

Whereas, the Board of Directors of the Company (the "Board") has approved and authorized the entry into this Agreement with the Employee; and

Whereas, the parties desire to enter into this Agreement setting forth the terms and conditions for the employment relationship of the Employee with the Company.

Now, Therefore, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and the Employee hereby agree as follows:

1. *Employment.* The Employee is employed as Chief Marketing Officer of the Company from the Effective Date through the Term of this Agreement (as defined in Section 2 hereof). In this capacity, the Employee shall have such duties and responsibilities as may be designated to him by the Board from time to time and as are not inconsistent with the Employee's position with the Company, including the performance of duties with respect to any subsidiaries of the Company, as may be designated by the Board. During the Employee's period of employment hereunder, the Employee shall be based in the principal offices of the Company in Southern California, and shall not be required to relocate outside of Southern California to perform services hereunder, except for travel as reasonably required in the performance of his duties hereunder.

2. *Term.* The "initial term" of this Agreement shall be for the period commencing on the Effective Date and ending on the second anniversary of the Effective Date; provided, however, that on the second anniversary of the Effective Date, and on each subsequent anniversary date thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than 90 days prior to such applicable anniversary date, the Company or the Employee shall give notice not to extend this Agreement; and provided further, however, that, if a Change in Control (as defined in Section 11(g)) occurs prior to the expiration of the Term of this Agreement, this Agreement shall remain in full force and effect and shall not expire prior to the last day of the 24th month following the date of such Change in Control. The "Term of this Agreement" or "Term" shall mean, for purposes of this Agreement, both the "initial term" (as hereinbefore described) and any additional term (created by extension, as described above), and the Term of this Agreement shall not be affected by the Employee's termination of employment.

3. *Salary.* Subject to the further provisions of this Agreement, the Company shall pay the Employee during the Term of this Agreement a salary at an annual rate equal to $275,000, which shall be increased as of April 1, 2003 to $300,000, provided the Employee's performance up to that time meets expectations as assessed by the Chief Executive Officer. Further, such salary shall be increased at such times, if any, and in such amounts as determined by the Board, which increases shall be consistent with the historical business practices of the Company and the salary adjustments for other senior executives of the Company. Such salary shall be payable by the Company to the Employee not less frequently than monthly and shall not be decreased at any time during the Term of this Agreement. Participation in deferred compensation, discretionary bonus, retirement, and other employee benefit plans and in fringe benefits shall not reduce the salary payable to the Employee under this Section.

4. *Participation in Bonus, Retirement and Employee Benefit Plans.* The Employee shall be entitled to participate equitably with other senior executives in any plan of the Company relating to bonuses, stock options, stock purchases, pension, thrift, profit sharing, life insurance, medical coverage, education, or other retirement or employee benefits that the Company has adopted or may adopt for

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the benefit of its senior executives. For purposes of the Company's Executive Incentive Plan, Employee's target bonus will be 40% of his base pay.

5. *(a) Hiring Incentives.* Upon the Effective Date, or as soon as practicable thereafter, Employee shall receive a signing bonus of $10,000 and an option to purchase a total of 20,000 shares of IHOP Corp. common stock. Such stock option shall be subject to the terms of the IHOP Corp. 2001 Stock Incentive Plan, as amended, and a Stock Option Agreement setting forth, among other things, the option exercise vesting schedule and option exercise price.

(b) *Temporary Housing.* The company will house the Employee in either a hotel or corporate apartment until the Employee's family relocates from Atlanta to Southern California. The decision on housing will be determined at a later date depending on which is least expensive, given anticipated needs and travel. Additionally, the Company will reimburse the Employee for a weekly round trip flight to and from Atlanta, if needed, until his family relocates. This period should not exceed 12 months and the cost will be capped at $30,000 excluding tickets already purchased at the signing of this agreement and excluding relocation inspection travel costs for the Employee and the Employee's family.

(c) *Relocation.* The Employee shall be entitled to Relocation Assistance as outlined on Exhibit "A" attached hereto.

6. *Fringe Benefits; Automobile.* The Employee shall be entitled to receive all other fringe benefits which are now or may be provided to the Company's senior executives, provided, however, that the Company will pay the Employee $700 per month (until such time as the Employee's family moves to California) to cover the continuation of coverage for the Employee and his family under their existing health insurance policy. In addition, the Company shall provide the Employee during the Term of this Agreement with a car allowance of $850 per month, plus reimbursement of all automobile expenses such as gasoline, maintenance, insurance and vehicle registration, in accordance with the Company's general policy on providing cars to senior executives. Notwithstanding the foregoing, the benefits provided under this Section 6 shall cease upon the Employee's Date of Termination (as defined in Section 11(d)).

7. *Vacations.* The Employee shall be entitled to an annual paid vacation as determined in accordance with the Company's general policy for senior executives.

8. *Business Expenses.* During such time as the Employee is rendering services hereunder, the Employee shall be entitled to incur and be reimbursed for all reasonable business expenses and be provided allowances as are furnished to the Company's most senior executives under the Company's then current policies. The Company agrees that it will reimburse the Employee for all such expenses upon the presentation by the Employee, from time to time, of an itemized account of such expenditures, setting forth the date, the purposes for which incurred, and the amounts thereof, together with such receipts showing payments in conformity with the Company's established policies. Reimbursement shall be made within a reasonable period after the Employee's submission of an itemized account.

9. *Insurance and Indemnity.* The Employee shall be added as an additional named insured under all appropriate insurance policies now in force or hereafter obtained covering any officers or directors of the Company. The Company shall indemnify and hold the Employee harmless from any cost, expense or liability arising out of or relating to any acts or decisions made by the Employee on behalf of or in the course of performing services for the Company to the same extent the Company indemnifies and holds harmless other senior executive officers and directors of the Company and in accordance with the Company's established policies.

10. *Professional Services Allowance.* The Employee shall be entitled to reimbursement by the Company for expenses incurred by him for personal legal, accounting, investment, estate planning

services or other similar services as outlined in the Company's Professional Services Allowance policy, in an amount to be determined by the Board, but in no event greater than $10,000 annually (or a pro rata portion of such amount for any period of employment less than a full year); provided, however, that no reimbursement shall be made for any such expenses incurred by the Employee after such Employee's Date of Termination.

11. *Termination.*

(a) *Disability.* If, as a result of the Employee's incapacity due to physical or mental illness, he shall have been absent from the full-time performance of his duties with the Company for 90 consecutive days or 180 days within any 12-month period, his employment may be terminated by the Company for "Disability."

(b) *Cause.* Subject to the notice provisions set forth below, the Company may terminate the Employee's employment for "Cause" at any time. "Cause" shall mean termination upon: (1) the willful failure by the Employee to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by the Board, which demand specifically identifies the manner in which the Board believes that he has not substantially performed his duties; (2) the Employee's willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or (3) the Employee's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of his duties. For purposes of this subsection (b), no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by him not in good faith and without the reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of a majority of the non-employee members of the Board at a meeting of such members (after reasonable notice to him and an opportunity for him, together with his counsel, to be heard before such members of the Board), finding that he has engaged in the conduct set forth above in this subsection (b) and specifying the particulars thereof in detail.

(c) *Notice of Termination.* Any termination of the Employee's employment by the Company or by the Employee shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 15. "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of the Employee's employment under the provision so indicated.

(d) *Date of Termination.* "Date of Termination" shall mean: (1) if the Employee's employment is terminated by his death, the date of his death; (2) if the Employee's employment is terminated for Disability, 30 days after Notice of Termination is given; and (3) if the Employee's employment is terminated for any other reason, the date specified in the Notice of Termination.

(e) *Dispute Concerning Termination.* If within the later of (i) fifteen (15) days after Notice of Termination is given, or (ii) fifteen (15) days prior to the Date of Termination (as determined without regard to this Section 11(e), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning a termination by the Employee for Good Reason (as defined in Section 11(h)) following a Change in Control (as defined in Section 11(g)), the Date of Termination shall be the earlier of the expiration date of the Agreement, or the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected);

provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

(f) *Compensation During Dispute.* If a purported termination by the Employee for Good Reason occurs following a Change in Control and during the Term of this Agreement, and such termination is disputed in accordance with Section 11(e) hereof, the Company shall continue to pay the Employee the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Employee as a participant in all compensation, benefit and insurance plans in which the Employee was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with Section 11(e) hereof or, if earlier, the expiration date of the Agreement. Amounts paid under this Section 11(f) are in addition to all other amounts due under this Agreement (other than those due under Section 12(b) hereof) and shall not be offset against or reduce any other amounts payable under this Agreement.

(g) *Change in Control.* A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any "person" (as such term is used in Sections 14(d) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company; any trustee or other fiduciary holding securities under an employee benefit plan of the Company; or any Company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company) is or becomes after the Effective Date the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

(ii) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in subparagraph (i), (iii) or (iv) of this Section 11(g)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least 2/3 of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

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

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

(h) *Good Reason.* At any time following a Change in Control, the Employee may terminate his employment hereunder for "Good Reason." "Good Reason" shall mean the occurrence (without the Employee's express written consent) of any material breach of this Agreement, including, without limitation, any of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in subsections (i), (iv), (v), (vi) or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Employee of any duties inconsistent with the Employee's status as a senior executive of the Company or a substantially adverse alteration in the nature or status of the Employee's responsibilities from those in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Employee's annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) the relocation of the Company's principal offices to a location outside Southern California (or, if different, the metropolitan area in which such offices are located immediately prior to the Change in Control) or the Company's requiring the Employee to be based anywhere other than the Company's principal executive offices, except for required travel on the Company's business to an extent substantially consistent with the Employee's present business travel obligations;

(iv) the failure by the Company to pay to the Employee any portion of the Employee's current compensation, or to pay the Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due;

(v) the failure by the Company to continue in effect any compensation plan in which the Employee participates immediately prior to the Change in Control which is material to the Employee's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Employee's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Employee's participation relative to other participants, as existed immediately prior to the Change in Control;

(vi) the failure by the Company to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company's pension, life insurance, medical, health and accident, or disability plans in which the Employee was participating immediately prior to the Change in Control; or the taking of any actions by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Employee of any material fringe benefit enjoyed by the Employee immediately prior to the Change in Control;

(vii) any purported termination of the Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; for purposes of this Agreement, no such purported termination shall be effective; or

(viii) any failure by the Company to comply with and satisfy Section 13(b) of this Agreement.

The Employee's right to terminate the Employee's employment for Good Reason shall not be affected by the Employee's incapacity due to physical or mental illness. The

Employee's continued employment shall not constitute consent to, or a wavier of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(i) *Voluntary Termination.* The Employee may terminate his employment hereunder ("Voluntary Termination") upon a material breach of this Agreement by the Company, unless the Company shall fully correct such breach within 30 days of the Employee's Notice of Termination given respect thereof.

12. *Compensation Upon Termination or During Disability.* The Employee shall be entitled to the following benefits during a period of disability, or upon termination of his employment, as the case may be, provided that such period or termination occurs during the Term of this Agreement:

(a) During any period that the Employee fails to perform his full-time duties with the Company as a result of incapacity due to physical or mental illness, he shall continue to receive his base salary at the rate in effect at the commencement of any such period, together with all compensation payable to him under the Company's disability plan or program or other similar plan during such period, until his employment is terminated pursuant to Section 11 hereof. Thereafter, or in the event the Employee's employment shall be terminated by reason of his death, his benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

(b) If at any time the Employee's employment shall be terminated: (i) by the Company for Cause or Disability or (ii) by him for any reason (other than a Voluntary Termination or for Good Reason following the occurrence of a Change in Control), the Company shall pay him his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which he is entitled through the Date of Termination under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to him under this Agreement.

(c) If the Employee's employment should be terminated: (1) by reason of his death, (2) by the Company other than for Cause or Disability or (3) by the Employee in a Voluntary Termination, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 13(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B) (x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus

payments that would have been payable to the Employee had the Employee continued to be employed for a period of 12 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 12-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 12-month period following the Employee's

termination of employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date of the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(d) If the Employee's employment should be terminated by the Employee for Good Reason following a Change in Control, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 13(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B) (x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 24 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 24-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 24-month period following the Employee's termination of employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(e) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Employee in connection with the termination of the Employee's employment (whether such benefit is pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, and all such payments and benefits being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company as a result of the application of Section 280G of the Internal Revenue Code of 1986, as amended ("Code"), then, to the extent necessary to make the nondeductible portion of the Total Payments deductible, (i) the cash payments under this Agreement shall first be reduced (if necessary, to zero), and (ii) all other non-cash payments under this Agreement shall next be reduced (if necessary, to zero).

(f) If it is established as described in the preceding subsection (d) that the aggregate benefits paid to or for the Employee's benefit are in an amount that would result in any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code, then the Employee shall have an obligation to pay the Company upon demand an amount equal to the sum of: (i) the excess of

the aggregate "parachute payments" paid to or for the Employee's benefit over the aggregate "parachute payments" that could have been paid to or for Employee's benefit without any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in Section 1274(b)(2)(B) of the Code from the date of the Employee's receipt of such excess until the date of such payment.

(g) The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(h) If the employment of the Employee is terminated by the Company without Cause or the Employee's employment is terminated by the Employee under conditions entitling him to payment hereunder and the Company fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to interest on such amounts at the rate of 1% above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), compounded monthly, for the period from the date such amounts were otherwise due until payment is made to the Employee (which interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement).

13. *Assignment.*

(a) This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto, except that this Agreement shall be binding upon and inure to the benefit of any successor corporation to the Company.

(b) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes this Agreement by operation of law, or otherwise.

(c) This Agreement shall inure to the benefit of and be enforceable by the Employee and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

14. *(a) Confidential Information.* During the Term of this Agreement and thereafter, the Employee shall not, except as may be required to perform his duties hereunder or as required by applicable law, disclose to others for use, whether directly or indirectly, any Confidential Information regarding the Company. "Confidential Information" shall mean information about the Company, its subsidiaries and affiliates, and their respective clients and customers that is not available to the general public and that was learned by the Employee in the course of his employment by the Company, including (without limitation) any data, formulae, information, proprietary knowledge, trade secrets and client and customer lists and all papers, resumes, records and the documents containing such

Confidential Information. The Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. Upon the termination of his employment, the Employee will promptly deliver to the Company all documents (and all copies thereof) containing any Confidential Information.

(b) *Noncompetition.* The Employee agrees that during the Term of this Agreement, and for a period of one year thereafter, he will not, directly or indirectly, without the prior written consent of the Company, provide consultative service with or without pay, own, manage, operate, join, control, participate in, or be connected as a stockholder, partner, or otherwise with any business, individual, partner, firm, corporation, or other entity which is then in competition with the Company or any present affiliate of the Company; provided, however, that the "beneficial ownership" by the Employee, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Exchange Act, of not more than 1% of the voting stock of any publicly held corporation shall not be a violation of this Agreement. It is further expressly agreed that the Company will or would suffer irreparable injury if the Employee were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Employee further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Employee from competing with the Company or any subsidiary or affiliate of the Company in violation of this Agreement.

(c) Right to Company Materials. The Employee agrees that all styles, designs, recipes, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Material") used, prepared, or made available to the Employee, shall be and shall remain the property of the Company. Upon the termination of his employment or the expiration of this Agreement, all Company Materials shall be returned immediately to the Company, and Employee shall not make or retain any copies thereof.

(d) Antisolicitation. The Employee promises and agrees that during the Term of this Agreement, and for a period of one year thereafter, he will not influence or attempt to influence customers, franchisees, landlords, or suppliers of the Company or any of its present or future subsidiaries or affiliates, either directly or indirectly, to divert their business to any individual, partnership, firm, corporation or other entity then in competition with the business of the Company, or any subsidiary or affiliate of the Company.

15. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt

requested, postage prepaid, addressed to the respective addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith, except that notice of a change of address shall be effective only upon actual receipt:

Company: IHOP Corp.
450 North Brand Blvd.
Glendale, California 91203-1903
to the attention of the Board;

with a copy to: the Secretary of the Company

Employee: Gregg Nettleton
450 North Brand Boulevard
Glendale California 91203.

16. Amendments or Additions. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties hereto.

17. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

18. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together will constitute one and the same instrument.

20. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Los Angeles, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Employee shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

21. Attorney's Fees. The Company shall pay to the Employee all out-of-pocket expenses, including attorneys' fees, incurred by the Employee in connection with any claim, legal action or proceeding involving this Agreement in which the Employee prevails in whole or in part, whether brought by the Employee or by or on behalf of the Company or by another party. The Company shall pay prejudgment interest on any money judgment obtained by the Employee calculated at 3% above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), from the date that payment(s) to the Employee should have been made under this Agreement.

22. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Employee and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this agreement shall supersede any prior understanding or agreement either written or oral, will respect to the subject matter hereto. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

Any payments provided hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 12 and Section 20 and the obligations of the Employee under Section 14 and Section 20 shall survive the expiration of the Term of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the date first indicated above.

Attest:

/s/ MARK D. WEISBERGER

Mark D. Weisberger
Secretary

IHOP Corp.

By: /s/ JULIA A. STEWART

Julia A. Stewart
President

EMPLOYEE:

/s/ GREGG NETTLETON

Gregg Nettleton

QuickLinks

EXHIBIT 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into on April 29, 1996, and shall become effective on July 8, 1996 (the "Effective Date"), between IHOP CORP., a Delaware corporation (the "Company"), and ANNA G. ULVAN (the "Employee").

WHEREAS, Company and Employee are parties to an Employment Agreement dated July 8, 1991, which terminates on July 7, 1996;

WHEREAS, the parties desire to enter into a new Employment Agreement setting forth the terms and conditions for the continuing employment relationship of the Employee with the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") has approved and authorized the Company to enter into this Agreement with the Employee.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and the Employee hereby agree as follows:

1. Employment. The Employee is employed as Vice President, Franchise of the Company from the Effective Date through the Term of this Agreement (as defined in Section 2 hereof). In this capacity, the Employee shall have such duties and responsibilities as may be designated to him by the Board from time to time and as are not inconsistent with the Employee's position with the Company, including the performance of duties with respect to any subsidiaries of the Company, as may be designated by the Board. During the Employee's period of employment hereunder, the Employee shall be based in the principal offices of the Company in Southern California, and shall not be required to relocate outside of Southern California to perform services hereunder, except for travel as reasonably required in the performance of his duties hereunder.

2. Term. The "initial term" of this Agreement shall be for the period commencing on the Effective Date and ending on the first anniversary of the Effective Date; provided, however, that on the first anniversary of the Effective Date, and on each subsequent anniversary date thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than 90 days prior to such applicable anniversary date, the Company or the Employee shall give notice not to extend this Agreement; and provided further, however, that, if a Change in Control (as defined in Section 10(g)) occurs prior to the expiration of the Term of this

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Agreement, this Agreement shall remain in full force and effect and shall not expire prior to the last day of the 24th month following the date of such Change in Control. The "Term of this Agreement" or "Term" shall mean, for purposes of this Agreement, both the "initial term" (as hereinbefore described) and any additional term (created by extension, as described above), and the Term of this Agreement shall not be affected by the Employee's termination of employment.

3. Salary. Subject to the further provisions of this Agreement, the Company shall pay the Employee during the Term of this Agreement a salary at an annual rate equal to $178,000.00, with such salary to be increased at such times, if any, and in such amounts as determined by the Board, which increases shall be consistent with the historical business practices of the Company and the salary adjustments for other senior executives of the Company. Such salary shall be payable by the Company to the Employee not less frequently than monthly and shall not be decreased at any time during the Term of this Agreement. Participation in deferred compensation, discretionary bonus, retirement, and other employee benefit plans and in fringe benefits shall not reduce the salary payable to the Employee under this Section 3.

4. Participation in Bonus, Retirement and Employee Benefit Plans. The Employee shall be entitled to participate equitably with other senior executives in any plan of the Company relating to bonuses, stock options, stock purchases, pension, thrift, profit sharing, life insurance, medical coverage, education, or other retirement or employee benefits that the Company has adopted or may adopt for the benefit of its senior executives.

5. Fringe Benefits; Automobile. The Employee shall be entitled to receive all other fringe benefits which are now or may be provided to the Company's senior executives. In addition, the Company shall provide the Employee during the Term of this Agreement with his choice of a car or a car allowance in accordance with the Company's general policy on providing cars to senior executives. Notwithstanding the foregoing, the benefits provided under this Section 5 shall cease upon the Employee's Date of Termination (as defined in Section 10(d)).

6. Vacations. The Employee shall be entitled to an annual paid vacation as determined in accordance with the Company's general policy for senior executives.

7. Business Expenses. During such time as the Employee is rendering services hereunder, the Employee shall be entitled to incur and be reimbursed for all reasonable business expenses and be provided allowances as are furnished to the Company's most senior executives under the Company's then current policies. The Company agrees that it will reimburse the Employee for all such expenses upon the presentation by the Employee, from time to time, of an itemized account of such expenditures, setting forth the date, the purposes for which incurred, and the amounts

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thereof, together with such receipts showing payments in conformity with the Company's established policies. Reimbursement shall be made within a reasonable period after the Employee's submission of an itemized account.

8. Insurance and Indemnity. The Employee shall be added as an additional named insured under all appropriate insurance policies now in force or hereafter obtained covering any officers or directors of the Company. The Company shall indemnify and hold the Employee harmless from any cost, expense or liability arising out of or relating to any acts or decisions made by the Employee on behalf of or in the course of performing services for the Company to the same extent the Company indemnifies and holds harmless other senior executive officers and directors of the Company and in accordance with the Company's established policies.

9. Legal and Accounting Advice. The Employee shall be entitled to reimbursement by the Company for expenses incurred by him for personal legal, accounting, investment or estate planning services in an amount to be determined by the Board, but in no event greater than $5,000 annually (or a pro rata portion of such amount for any period of employment less than a full year); provided, however, that no reimbursement shall be made for any such expenses incurred by the Employee after such Employee's Date of Termination.

10. Termination.

(a) Disability. If, as a result of the Employee's incapacity due to physical or mental illness, he shall have been absent from the full-time performance of his duties with the Company for 90 consecutive days or 180 days within any 12-month period, his employment may be terminated by the Company for "Disability."

(b) Cause. Subject to the notice provisions set forth below, the Company may terminate the Employee's employment for "Cause" at any time. "Cause" shall mean termination upon: (1) the willful failure by the Employee to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by the Board, which demand specifically identifies the manner in which the Board believes that he has not substantially performed his duties; (2) the Employee's willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or (3) the Employee's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of his duties. For purposes of this subsection (b), no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by him not in good faith and without the reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Employee shall not be deemed to have been

terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of a majority of the non-employee members of the Board at a meeting of such members (after reasonable notice to him and an opportunity for him, together with his counsel, to be heard before such members of the Board), finding that he has engaged in the conduct set forth above in this subsection (b) and specifying the particulars thereof in detail.

(c) Notice of Termination. Any termination of the Employee's employment by the Company or by the Employee shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 14. "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of the Employee's employment under the provision so indicated.

(d) Date of Termination. "Date of Termination" shall mean: (1) if the Employee's employment is terminated by his death, the date of his death; (2) if the Employee's employment is terminated for Disability, 30 days after Notice of Termination is given; and (3) if the Employee's employment is terminated for any other reason, the date specified in the Notice of Termination.

(e) Dispute Concerning Termination. If within the later of (i) 15 days after Notice of Termination is given, or (ii) 15 days prior to the Date of Termination (as determined without regard to this Section 10(e), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning a termination by the Employee for Good Reason (as defined in Section 10(h)) following a Change in Control (as defined in Section 10(g)), the Date of Termination shall be the earlier of the expiration date of the Agreement, or the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

(f) Compensation During Dispute. If a purported termination by the Employee for Good Reason occurs following a Change in Control and during the Term of this Agreement, and such termination is disputed in accordance with Section 10(e) hereof, the Company shall continue to pay the Employee the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Employee as a participant in all compensation, benefit and insurance plans in which the Employee was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with

Section 10(e) hereof or, if earlier, the expiration date of the Agreement. Amounts paid under this Section 10(f) are in addition to all other amounts due under this Agreement (other than those due under Section 11(b) hereof) and shall not be offset against or reduce any other amounts payable under this Agreement.

(g) Change in Control. A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any ”person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the ”Exchange Act”)) (other than the Company; any trustee or other fiduciary holding securities under an employee benefit plan of the Company; or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company) is or becomes after the Effective Date the ”beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates) representing 25% or more of the combined voting power of the Company’s then outstanding securities; or

(ii) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in subsection (i), (iii) or (iv) of this Section 10(g)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least 2/3 of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

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

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company’s assets.

(h) Good Reason. At any time following a Change in Control, the Employee may terminate his employment hereunder for “Good Reason.” “Good Reason” shall mean the occurrence (without the Employee’s express written consent) of any material breach of this Agreement, including, without limitation, any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in subsections (i), (iv), (v), (vi) or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Employee of any duties inconsistent with the Employee’s status as a senior executive of the Company or a substantially adverse alteration in the nature or status of the Employee’s responsibilities from those in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Employee’s annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) the relocation of the Company’s principal offices to a location outside Southern California (or, if different, the metropolitan area in which such offices are located immediately prior to the Change in Control) or the Company’s requiring the Employee to be based anywhere other than the Company’s principal executive offices, except for required travel on the Company’s business to an extent substantially consistent with the Employee’s present business travel obligations;

(iv) the failure by the Company to pay to the Employee any portion of the Employee’s current compensation, or to pay to the Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due;

(v) the failure by the Company to continue in effect any compensation plan in which the Employee participates immediately prior to the Change in Control which is material to the Employee’s total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Employee’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the

level of the Employee’s participation relative to other participants, as existed immediately prior to the Change in Control;

(vi) the failure by the Company to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company’s pension, life insurance, medical, health and accident, or disability plans in which the Employee was participating immediately prior to the Change in Control; the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Employee of any material fringe benefit enjoyed by the Employee immediately prior to the Change in Control; or the failure by the Company to provide the Employee with the number of paid vacation days to which the Employee is entitled on the basis of years of service with the Company in accordance with the Company’s general vacation policy in effect immediately prior to the Change in Control;

(vii) any purported termination of the Employee’s employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; for purposes of this Agreement, no such purported termination shall be effective; or

(viii) any failure by the Company to comply with and satisfy Section 12(b) of this Agreement. The Employee’s right to terminate the Employee’s employment for Good Reason shall not be affected by the Employee’s incapacity due to physical or mental illness. The Employee’s continued employment shall not

constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(i) Voluntary Termination. The Employee may terminate his employment hereunder ("Voluntary Termination") upon a material breach of this Agreement by the Company, unless the Company shall fully correct such breach within 30 days of the Employee's Notice of Termination given in respect thereof.

11. Compensation Upon Termination or During Disability. The Employee shall be entitled to the following benefits during a period of disability, or upon termination of his employment, as the case may be, provided that such period or termination occurs during the Term of this Agreement:

(a) During any period that the Employee fails to perform his full-time duties with the Company as a result of incapacity due to physical or mental illness, he shall continue to receive his base salary at the rate in effect at the commencement of any such period, together with all compensation payable to him under the Company's disability plan or program or other similar plan during such period, until his

employment is terminated pursuant to Section 10(a) hereof. Thereafter, or in the event the Employee's employment shall be terminated by reason of his death, his benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

(b) If at any time the Employee's employment shall be terminated: (i) by the Company for Cause or Disability or (ii) by him for any reason (other than in a Voluntary Termination or for Good Reason following the occurrence of a Change in Control), the Company shall pay him his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which he is entitled through the Date of Termination under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to him under this Agreement.

(c) If the Employee's employment should be terminated: (1) by reason of his death, (2) by the Company other than for Cause or Disability or (3) by the Employee in a Voluntary Termination, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 12(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B)(x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 12 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 12-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 12-month period following the Employee's termination of

employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(d) If the Employee's employment should be terminated by the Employee for Good Reason following a Change in Control, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 12(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B) all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 24 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 24-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination

(without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 24-month period following the Employee's termination of employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or

director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(e) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Employee in connection with the termination of the Employee's employment (whether such benefit is pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, and all such payments and benefits being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company as a result of the application of Section 280G of the Internal Revenue Code of 1986, as amended ("Code"), then, to the extent necessary to make the nondeductible portion of the Total Payments deductible, (i) the cash payments under this Agreement shall first be reduced (if necessary, to zero), and (ii) all other non-cash payments under this Agreement shall next be reduced (if necessary, to zero).

(f) If it is established as described in the preceding subsection (e) that the aggregate benefits paid to or for the Employee's benefit are in an amount that would result in any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code, then the Employee shall have an obligation to pay the Company upon demand an amount equal to the sum of: (i) the excess of the aggregate "parachute payments" paid to or for the Employee's benefit over the aggregate "parachute payments" that could have been paid to or for the Employee's benefit without any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in Section 1274(b)(2)(B) of the Code from the date of the Employee's receipt of such excess until the date of such payment.

(g) The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(h) If the employment of the Employee is terminated by the Company without Cause or the Employee's employment is terminated by the Employee under conditions entitling him to payment hereunder and the Company fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to interest on such amounts at the rate of 3% above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), compounded monthly, for the period from the date such amounts were otherwise due until payment is made to the Employee (which interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement).

12. Assignment.

(a) This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto, except that this Agreement shall be binding upon and inure to the benefit of any successor corporation to the Company.

(b) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes this Agreement by operation of law, or otherwise.

(c) This Agreement shall inure to the benefit of and be enforceable by the Employee and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

13. (a) Confidential Information. During the Term of this Agreement and thereafter, the Employee shall not, except as may be required to perform his duties hereunder or as required by applicable law, disclose to others for use, whether directly or indirectly, any Confidential Information regarding the Company. "Confidential Information" shall mean information about the Company, its subsidiaries and affiliates, and their respective clients and customers that is not available to the general public and that was learned by the Employee in the course of his employment by the Company, including (without limitation) any data, formulae, information, proprietary knowledge, trade secrets and client and customer lists and all papers, resumes, records and the documents containing such Confidential Information. The Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. Upon the termination of his employment, the Employee will promptly deliver to the Company all documents (and all copies thereof) containing any Confidential Information.

(b) Noncompetition. The Employee agrees that during the Term of this Agreement, and for a period of one year thereafter, he will not, directly or indirectly,

without the prior written consent of the Company, provide consultative service

with or without pay, own, manage, operate, join, control, participate in, or be connected as a stockholder, partner, or otherwise with any business, individual, partner, firm, corporation, or other entity which is then in competition with the Company or any present affiliate of the Company; provided, however, that the "beneficial ownership" by the Employee, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Exchange Act, of not more than 1% of the voting stock of any publicly held corporation shall not be a violation of this Agreement. It is further expressly agreed that the Company will or would suffer irreparable injury if the Employee were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Employee further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Employee from competing with the Company or any subsidiary or affiliate of the Company in violation of this Agreement.

(c) Right to Company Materials. The Employee agrees that all styles, designs, recipes, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Material") used, prepared, or made available to the Employee, shall be and shall remain the property of the Company. Upon the termination of his employment or the expiration of this Agreement, all Company Materials shall be returned immediately to the Company, and Employee shall not make or retain any copies thereof.

(d) Antisolicitation. The Employee promises and agrees that during the Term of this Agreement, and for a period of one year thereafter, he will not influence or attempt to influence customers, franchisees, landlords, or suppliers of the Company or any of its present or future subsidiaries or affiliates, either directly or indirectly, to divert their business to any individual, partnership, firm, corporation or other entity then in competition with the business of the Company, or any subsidiary or affiliate of the Company.

14. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith, except that notice of a change of address shall be effective only upon actual receipt:

Company: IHOP Corp.

525 North Brand Blvd.
Glendale, California 91203-1903
to the attention of the Board;

with a
copy to: the Secretary of the Company

Employee: Anna G. Ulvan
26201 Paolino Place Valencia, California 91355

15. Amendments or Additions. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties hereto.

16. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

17. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

18. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together will constitute one and the same instrument.

19. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Los Angeles, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Employee shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

20. Attorneys' Fees. The Company shall pay to the Employee all out-of- pocket expenses, including attorneys' fees, incurred by the Employee in connection with any claim, legal action or proceeding involving this Agreement in which the Employee prevails in whole or in part, whether brought by the Employee or by or on behalf of the Company or by another party. The Company shall pay prejudgment interest on any money judgment obtained by the Employee calculated at 3% above the

prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), from the date that payment(s) to the Employee should have been made under this Agreement.

21. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Employee and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this agreement shall supersede any prior understanding or agreement either written or oral, with respect to the subject matter hereto. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 12 and Section 21 and the obligations of the Employee under Section 13 and Section 21 shall survive the expiration of the Term of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the date first indicated above.

IHOP CORP.

ATTEST:

/s/ Mark D. Weisberger	*By:*	*/s/ Richard K. Herzer*
Mark D. Weisberger		*Richard K. Herzer*
Secretary		*President*

EMPLOYEE

/s/ Anna G. Ulvan
Anna G. Ulvan

EXHIBIT 10.3

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into on November , 1996, and shall become effective on February 23, 1997 (the "Effective Date"), between IHOP CORP., A DELAWARE CORPORATION (THE "COMPANY"), AND MARK D. WEISBERGER (THE "EMPLOYEE").

WHEREAS, Company and Employee are parties to an Employment Agreement dated February 23, 1994, which terminates on February 22, 1997;

WHEREAS, the parties desire to enter into a new Employment Agreement setting forth the terms and conditions for the continuing employment relationship of the Employee with the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") has approved and authorized the Company to enter into this Agreement with the Employee.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and the Employee hereby agree as follows:

1. Employment. The Employee is employed as Vice President–Legal, Secretary and General Counsel of the Company from the Effective Date through the Term of this Agreement (as defined in Section 2 hereof). In this capacity, the Employee shall have such duties and responsibilities as may be designated to him by the Board from time to time and as are not inconsistent with the Employee's position with the Company, including the performance of duties with respect to any subsidiaries of the Company, as may be designated by the Board. During the Employee's period of employment hereunder, the Employee shall be based in the principal offices of the Company in Southern California, and shall not be required to relocate outside of Southern California to perform services hereunder, except for travel as reasonably required in the performance of his duties hereunder.

2. Term. The "initial term" of this Agreement shall be for the period commencing on the Effective Date and ending on the first anniversary of the Effective Date; provided, however, that on the first anniversary of the Effective Date, and on each subsequent anniversary date thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than 90 days prior to such applicable anniversary date, the Company or the Employee shall give notice not to extend this Agreement; and provided further, however, that, if a Change in Control (as defined in Section 10(g)) occurs prior to the expiration of the Term of this

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Agreement, this Agreement shall remain in full force and effect and shall not expire prior to the last day of the 24th month following the date of such Change in Control. The "Term of this Agreement" or "Term" shall mean, for purposes of this Agreement, both the "initial term" (as hereinbefore described) and any additional term (created by extension, as described above), and the Term of this Agreement shall not be affected by the Employee's termination of employment.

3. Salary. Subject to the further provisions of this Agreement, the Company shall pay the Employee during the Term of this Agreement a salary at an annual rate equal to $178,000.00, with such salary to be increased at such times, if any, and in such amounts as determined by the Board, which increases shall be consistent with the historical business practices of the Company and the salary adjustments for other senior executives of the Company. Such salary shall be payable by the Company to the Employee not less frequently than monthly and shall not be decreased at any time during the Term of this Agreement. Participation in deferred compensation, discretionary bonus, retirement, and other employee benefit plans and in fringe benefits shall not reduce the salary payable to the Employee under this Section 3.

4. Participation in Bonus, Retirement and Employee Benefit Plans. The Employee shall be entitled to participate equitably with other senior executives in any plan of the Company relating to bonuses, stock options, stock purchases, pension, thrift, profit sharing, life insurance, medical coverage, education, or other retirement or employee benefits that the Company has adopted or may adopt for the benefit of its senior executives.

5. Fringe Benefits; Automobile. The Employee shall be entitled to receive all other fringe benefits which are now or may be provided to the Company's senior executives. In addition, the Company shall provide the Employee during the Term of this Agreement with his choice of a car or a car allowance in accordance with the Company's general policy on providing cars to senior executives. Notwithstanding the foregoing, the benefits provided under this Section 5 shall cease upon the Employee's Date of Termination (as defined in Section 10(d)).

6. Vacations. The Employee shall be entitled to an annual paid vacation as determined in accordance with the Company's general policy for senior executives.

7. Business Expenses. During such time as the Employee is rendering services hereunder, the Employee shall be entitled to incur and be reimbursed for all reasonable business expenses and be provided allowances as are furnished to the Company's most senior executives under the Company's then current policies. The Company agrees that it will reimburse the Employee for all such expenses upon the presentation by the Employee, from time to time, of an itemized account of such expenditures, setting forth the date, the purposes for which incurred, and the amounts

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thereof, together with such receipts showing payments in conformity with the Company's established policies. Reimbursement shall be made within a reasonable period after the Employee's submission of an itemized account.

8. Insurance and Indemnity. The Employee shall be added as an additional named insured under all appropriate insurance policies now in force or hereafter obtained covering any officers or directors of the Company. The Company shall indemnify and hold the Employee harmless from any cost, expense or liability arising out of or relating to any acts or decisions made by the Employee on behalf of or in the course of performing services for the Company to the same extent the Company indemnifies and holds harmless other senior executive officers and directors of the Company and in accordance with the Company's established policies.

9. Legal and Accounting Advice. The Employee shall be entitled to reimbursement by the Company for expenses incurred by him for personal legal, accounting, investment or estate planning services in an amount to be determined by the Board, but in no event greater than $5,000 annually (or a pro rata portion of such amount for any period of employment less than a full year); provided, however, that no reimbursement shall be made for any such expenses incurred by the Employee after such Employee's Date of Termination.

10. Termination.

(a) Disability. If, as a result of the Employee's incapacity due to physical or mental illness, he shall have been absent from the full-time performance of his duties with the Company for 90 consecutive days or 180 days within any 12-month period, his employment may be terminated by the Company for "Disability."

(b) Cause. Subject to the notice provisions set forth below, the Company may terminate the Employee's employment for "Cause" at any time. "Cause" shall mean termination upon: (1) the willful failure by the Employee to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by the Board, which demand specifically identifies the manner in which the Board believes that he has not substantially performed his duties; (2) the Employee's willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or (3) the Employee's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of his duties. For purposes of this subsection (b), no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by him not in good faith and without the reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Employee shall not be deemed to have been

terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of a majority of the non-employee members of the Board at a meeting of such members (after reasonable notice to him and an opportunity for him, together with his counsel, to be heard before such members of the Board), finding that he has engaged in the conduct set forth above in this subsection (b) and specifying the particulars thereof in detail.

(c) Notice of Termination. Any termination of the Employee's employment by the Company or by the Employee shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 14. "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of the Employee's employment under the provision so indicated.

(d) Date of Termination. "Date of Termination" shall mean: (1) if the Employee's employment is terminated by his death, the date of his death; (2) if the Employee's employment is terminated for Disability, 30 days after Notice of Termination is given; and (3) if the Employee's employment is terminated for any other reason, the date specified in the Notice of Termination.

(e) Dispute Concerning Termination. If within the later of (i) 15 days after Notice of Termination is given, or (ii) 15 days prior to the Date of Termination (as determined without regard to this Section 10(e), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning a termination by the Employee for Good Reason (as defined in
Section 10(h)) following a Change in Control (as defined in Section 10(g)), the Date of Termination shall be the earlier of the expiration date of the Agreement, or the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

(f) Compensation During Dispute. If a purported termination by the Employee for Good Reason occurs following a Change in Control and during the Term of this Agreement, and such termination is disputed in accordance with Section 10(e) hereof, the Company shall continue to pay the Employee the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Employee as a participant in all compensation, benefit and insurance plans in which the Employee was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with

Section 10(e) hereof or, if earlier, the expiration date of the Agreement. Amounts paid under this Section 10(f) are in addition to all other amounts due under this Agreement (other than those due under Section 11(b) hereof) and shall not be offset against or reduce any other amounts payable under this Agreement.

(g) Change in Control. A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company; any trustee or other fiduciary holding securities under an employee benefit plan of the Company; or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company) is or becomes after the Effective Date the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

(ii) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in subsection (i), (iii) or (iv) of this Section 10(g)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least 2/3 of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

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

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

(h) Good Reason. At any time following a Change in Control, the Employee may terminate his employment hereunder for "Good Reason." "Good Reason" shall mean the occurrence (without the Employee's express written consent) of any material breach of this Agreement, including, without limitation, any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in subsections (i), (iv), (v), (vi) or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Employee of any duties inconsistent with the Employee's status as a senior executive of the Company or a substantially adverse alteration in the nature or status of the Employee's responsibilities from those in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Employee's annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) the relocation of the Company's principal offices to a location outside Southern California (or, if different, the metropolitan area in which such offices are located immediately prior to the Change in Control) or the Company's requiring the Employee to be based anywhere other than the Company's principal executive offices, except for required travel on the Company's business to an extent substantially consistent with the Employee's present business travel obligations;

(iv) the failure by the Company to pay to the Employee any portion of the Employee's current compensation, or to pay to the Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due;

(v) the failure by the Company to continue in effect any compensation plan in which the Employee participates immediately prior to the Change in Control which is material to the Employee's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Employee's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the

level of the Employee's participation relative to other participants, as existed immediately prior to the Change in Control;

(vi) the failure by the Company to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company's pension, life insurance, medical, health and accident, or disability plans in which the Employee was participating immediately prior to the Change in Control; the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Employee of any material fringe benefit enjoyed by the Employee immediately prior to the Change in Control; or the failure by the Company to provide the Employee with the number of paid vacation days to which the Employee is entitled on the basis of years of service with the Company in accordance with the Company's general vacation policy in effect immediately prior to the Change in Control;

(vii) any purported termination of the Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; for purposes of this Agreement, no such purported termination shall be effective; or

(viii) any failure by the Company to comply with and satisfy Section 12(b) of this Agreement.

The Employee's right to terminate the Employee's employment for Good Reason shall not be affected by the Employee's incapacity due to physical or mental illness. The Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(i) Voluntary Termination. The Employee may terminate his employment hereunder ("Voluntary Termination") upon a material breach of this Agreement by the Company, unless the Company shall fully correct such breach within 30 days of the Employee's Notice of Termination given in respect thereof.

11. Compensation Upon Termination or During Disability. The Employee shall be entitled to the following benefits during a period of disability, or upon termination of his employment, as the case may be, provided that such period or termination occurs during the Term of this Agreement:

(a) During any period that the Employee fails to perform his full-time duties with the Company as a result of incapacity due to physical or mental illness, he shall continue to receive his base salary at the rate in effect at the commencement of any such period, together with all compensation payable to him under the Company's disability plan or program or other similar plan during such period, until his

employment is terminated pursuant to Section 10(a) hereof. Thereafter, or in the event the Employee's employment shall be terminated by reason of his death, his benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

(b) If at any time the Employee's employment shall be terminated: (i) by the Company for Cause or Disability or (ii) by him for any reason (other than in a Voluntary Termination or for Good Reason following the occurrence of a Change in Control), the Company shall pay him his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which he is entitled through the Date of Termination under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to him under this Agreement.

(c) If the Employee's employment should be terminated: (1) by reason of his death, (2) by the Company other than for Cause or Disability or (3) by the Employee in a Voluntary Termination, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 12(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B)(x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 12 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 12-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 12-month period following the Employee's termination of

employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(d) If the Employee's employment should be terminated by the Employee for Good Reason following a Change in Control, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 12(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B) all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 24 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 24-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 24-month period following the Employee's termination of employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or

director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(e) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Employee in connection with the termination of the Employee's employment (whether such benefit is pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, and all such payments and benefits being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company as a result of the application of Section 280G of the Internal Revenue Code of 1986, as amended ("Code"), then, to the extent necessary to make the nondeductible portion of the Total Payments deductible, (i) the cash payments under this Agreement shall first be reduced (if necessary, to zero), and (ii) all other non-cash payments under this Agreement shall next be reduced (if necessary, to zero).

(f) If it is established as described in the preceding subsection (e) that the aggregate benefits paid to or for the Employee's benefit are in an amount that would result in any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code, then the Employee shall have an obligation to pay the Company upon demand an amount equal to the sum of: (i) the excess of the aggregate "parachute payments" paid to or for the Employee's benefit over the aggregate "parachute payments" that could have been paid to or for the Employee's benefit without any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in Section 1274(b)(2)(B) of the Code from the date of the Employee's receipt of such excess until the date of such payment.

(g) The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(h) If the employment of the Employee is terminated by the Company without Cause or the Employee's employment is terminated by the Employee under conditions entitling him to payment hereunder and the Company fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to interest on such amounts at the rate of 3% above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), compounded monthly, for the period from the date such amounts were otherwise due until payment is made to the Employee (which interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement).

12. Assignment.

(a) This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto, except that this Agreement shall be binding upon and inure to the benefit of any successor corporation to the Company.

(b) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes this Agreement by operation of law, or otherwise.

(c) This Agreement shall inure to the benefit of and be enforceable by the Employee and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

13. (a) Confidential Information. During the Term of this Agreement and thereafter, the Employee shall not, except as may be required to perform his duties hereunder or as required by applicable law, disclose to others for use, whether directly or indirectly, any Confidential Information regarding the Company. "Confidential Information" shall mean information about the Company, its subsidiaries and affiliates, and their respective clients and customers that is not available to the general public and that was learned by the Employee in the course of his employment by the Company, including (without limitation) any data, formulae, information, proprietary knowledge, trade secrets and client and customer lists and all papers, resumes, records and the documents containing such Confidential Information. The Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. Upon the termination of his employment, the Employee will promptly

deliver to the Company all documents (and all copies thereof) containing any Confidential Information.

(b) Noncompetition. The Employee agrees that during the Term of this Agreement, and for a period of one year thereafter, he will not, directly or indirectly, without the prior written consent of the Company, provide consultative service

with or without pay, own, manage, operate, join, control, participate in, or be connected as a stockholder, partner, or otherwise with any business, individual, partner, firm, corporation, or other entity which is then in competition with the Company or any present affiliate of the Company; provided, however, that the "beneficial ownership" by the Employee, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Exchange Act, of not more than 1% of the voting stock of any publicly held corporation shall not be a violation of this Agreement. It is further expressly agreed that the Company will or would suffer irreparable injury if the Employee were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Employee further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Employee from competing with the Company or any subsidiary or affiliate of the Company in violation of this Agreement.

(c) Right to Company Materials. The Employee agrees that all styles, designs, recipes, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Material") used, prepared, or made available to the Employee, shall be and shall remain the property of the Company. Upon the termination of his employment or the expiration of this Agreement, all Company Materials shall be returned immediately to the Company, and Employee shall not make or retain any copies thereof.

(d) Antisolicitation. The Employee promises and agrees that during the Term of this Agreement, and for a period of one year thereafter, he will not influence or attempt to influence customers, franchisees, landlords, or suppliers of the Company or any of its present or future subsidiaries or affiliates, either directly or indirectly, to divert their business to any individual, partnership, firm, corporation or other entity then in competition with the business of the Company, or any subsidiary or affiliate of the Company.

14. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith, except that notice of a change of address shall be effective only upon actual receipt:

Company: IHOP Corp.

525 North Brand Blvd.
Glendale, California 91203-1903
to the attention of the Board;

with a
copy to: the Secretary of the Company

Employee: Mark D. Weisberger
12232 Addison Street North Hollywood, California 91607

15. Amendments or Additions. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties hereto.

16. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

17. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

18. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together will constitute one and the same instrument.

19. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Los Angeles, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Employee shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

20. Attorneys' Fees. The Company shall pay to the Employee all out-of- pocket expenses, including attorneys' fees, incurred by the Employee in connection with any claim, legal action or proceeding involving this Agreement in which the Employee prevails in whole or in part, whether brought by the Employee or by or on behalf of the Company or by another party. The Company shall pay prejudgment interest on any money judgment obtained by the Employee calculated at 3% above the

prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), from the date that payment(s) to the Employee should have been made under this Agreement.

21. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Employee and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this agreement shall supersede any prior understanding or agreement either written or oral, with respect to the subject matter hereto. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 12 and Section 21 and the obligations of the Employee under Section 13 and Section 21 shall survive the expiration of the Term of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the date first indicated above.

IHOP CORP.

ATTEST:

/s/ Elayne Berg-Wilion
Elayne Berg-Wilion
Assistant Secretary

By: /s/ Richard K. Herzer
Richard K. Herzer
President

EMPLOYEE

/s/ Mark D. Weisberger
Mark D. Weisberger

EXHIBIT 10.4

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of the 17th day of March, 1997 (the "Effective Date"), between IHOP CORP., a Delaware corporation (the "Company"), and Richard C. Celio (the "Employee").

Whereas, the Board of Directors of the Company (the "Board") has approved and authorized the entry into this Agreement with the Employee; and

Whereas, the parties desire to enter into this Agreement setting forth the terms and conditions for the employment relationship of the Employee with the Company.

Now, therefore, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and the Employee hereby agree as follows:

1. Employment. The Employee is employed as Vice President - Development of the Company from the Effective Date through the Term of this Agreement (as defined in Section 2 hereof). In this capacity, the Employee shall have such duties and responsibilities as may be designated to him by the Board from time to time and as are not inconsistent with the Employee's position with the Company, including the performance of duties with respect to any subsidiaries of the Company, as may be designated by the Board. During the Employee's period of employment hereunder, the Employee shall be based in the principal offices of the Company in Southern California, and shall not be required to relocate outside of Southern California to perform services hereunder, except for travel as reasonably required in the performance of his duties hereunder.

2. Term. The "initial term" of this Agreement shall be for the period commencing on the Effective Date and ending on the second anniversary of the Effective Date; provided, however, that on the second anniversary of the Effective Date, and on each subsequent anniversary date thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than 90 days prior to such applicable anniversary date, the Company or the Employee shall give notice not to extend this Agreement; and provided further, however, that, if a Change in Control (as defined in Section 11(g)) occurs prior to the expiration of the Term of this Agreement, this Agreement shall remain in full force and effect and shall not expire prior to the last day of the 24th month following the date of such Change in Control. The "Term of this Agreement" or "Term" shall mean, for purposes of this Agreement, both the "initial term" (as hereinbefore described) and any additional term (created by

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extension, as described above), and the Term of this Agreement shall not be affected by the Employee's termination of employment.

3. Salary. Subject to the further provisions of this Agreement, the Company shall pay the Employee during the Term of this Agreement a salary at an annual rate equal to $190,000, with such salary to be increased at such times, if any, and in such amounts as determined by the Board, which increases shall be consistent with the historical business practices of the Company and the salary adjustments for other senior executives of the Company. Such salary shall be payable by the Company to the Employee not less frequently than monthly and shall not be decreased at any time during the Term of this Agreement. Participation in deferred compensation, discretionary bonus, retirement, and other employee benefit plans and in fringe benefits shall not reduce the salary payable to the Employee under this Section.

4. Participation in Bonus, Retirement and Employee Benefit Plans. The Employee shall be entitled to participate equitably with other senior executives in any plan of the Company relating to bonuses, stock options, stock purchases, pension, thrift, profit sharing, life insurance, medical coverage, education, or other retirement or employee benefits that the Company has adopted or may adopt for the benefit of its senior executives. For purposes of the Company's Executive Incentive Plan, Employee's target bonus will be 50% of his base pay.

5. Hiring Incentives.

(a). Upon the Effective Date, or as soon as practicable thereafter, Employee shall receive a restricted stock award in the amount of 9456 shares of IHOP Corp. common stock. Such restricted stock award shall be subject to the terms of the IHOP Corp. 1991 Stock Incentive Plan, as amended, and a Restricted Stock Award Agreement setting forth, among other things, the conditions for release of the restrictions on the shares.

(b). Upon the Effective Date, or as soon as practicable thereafter, Employee shall receive an option to purchase a total of 20,000 shares of IHOP Corp. common stock. Such stock option shall be subject to the terms of the IHOP Corp. 1991 Stock Incentive Plan, as amended, and a Stock Option Agreement setting forth, among other things, the option exercise vesting schedule and option exercise price.

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6. Fringe Benefits; Automobile. The Employee shall be entitled to receive all other fringe benefits which are now or may be provided to the Company's senior executives. In addition, the Company shall provide the Employee during the Term of this Agreement with a car allowance of $700 per month, plus reimbursement of all automobile expenses such as gasoline, maintenance, insurance and vehicle registration, in accordance with the Company's general policy on providing cars to senior executives. Notwithstanding the foregoing, the benefits provided under this Section 6 shall cease upon the Employee's Date of Termination (as defined in Section 11(d)).

7. Vacations. The Employee shall be entitled to an annual paid vacation as determined in accordance with the Company's general policy for senior executives.

8. Business Expenses. During such time as the Employee is rendering services hereunder, the Employee shall be entitled to incur and be reimbursed for all reasonable business expenses and be provided allowances as are furnished to the Company's most senior executives under the Company's then current policies. The Company agrees that it will reimburse the Employee for all such expenses upon the presentation by the Employee, from time to time, of an itemized account of such expenditures, setting forth the date, the purposes for which incurred, and the amounts thereof, together with such receipts showing payments in conformity with the Company's established policies. Reimbursement shall be made within a reasonable period after the Employee's submission of an itemized account.

9. Insurance and Indemnity. The Employee shall be added as an additional named insured under all appropriate insurance policies now in force or hereafter obtained covering any officers or directors of the Company. The Company shall indemnify and hold the Employee harmless from any cost, expense or liability arising out of or relating to any acts or decisions made by the Employee on behalf of or in the course of performing services for the Company to the same extent the Company indemnifies and holds harmless other senior executive officers and directors of the Company and in accordance with the Company's established policies.

10. Legal and Accounting Advice. The Employee shall be entitled to reimbursement by the Company for expenses incurred by him for personal legal, accounting, investment or estate planning services in an amount to be determined by the Board, but in no event greater than $5,000 annually (or a pro rata portion of such amount for any period of employment less than a full year);

provided, however, that no reimbursement shall be made for any such expenses incurred by the Employee after such Employee's Date of Termination.

11. Termination.

(a) Disability. If, as a result of the Employee's incapacity due to physical or mental illness, he shall have been absent from the full-time performance of his duties with the Company for 90 consecutive days or 180 days within any 12-month period, his employment may be terminated by the Company for "Disability."

(b) Cause. Subject to the notice provisions set forth below, the Company may terminate the Employee's employment for "Cause" at any time. "Cause" shall mean termination upon: (1) the willful failure by the Employee to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by the Board, which demand specifically identifies the manner in which the Board believes that he has not substantially performed his duties; (2) the Employee's willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or (3) the Employee's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of his duties. For purposes of this subsection (b), no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by him not in good faith and without the reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of a majority of the non-employee members of the Board at a meeting of such members (after reasonable notice to him and an opportunity for him, together with his counsel, to be heard before such members of the Board), finding that he has engaged in the conduct set forth above in this subsection (b) and specifying the particulars thereof in detail.

(c) Notice of Termination. Any termination of the Employee's employment by the Company or by the Employee shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 15. "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of the Employee's employment under the provision so indicated.

(d) Date of Termination. "Date of Termination" shall mean: (1) if the Employee's employment is terminated by his death, the date of his death; (2) if the Employee's employment is terminated for Disability, 30 days after Notice of Termination is given; and (3) if the Employee's employment is terminated for any other reason, the date specified in the Notice of Termination.

(e) Dispute Concerning Termination. If within the later of (i) fifteen (15) days after Notice of Termination is given, or (ii) fifteen (15) days prior to the Date of Termination (as determined without regard to this Section 11(e), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning a termination by the Employee for Good Reason (as defined in Section 11(h)) following a Change in Control (as defined in Section 11(g)), the Date of Termination shall be the earlier of the expiration date of the Agreement, or the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

(f) Compensation During Dispute. If a purported termination by the Employee for Good Reason occurs following a Change in Control and during the Term of this Agreement, and such termination is disputed in accordance with Section 11(e) hereof, the Company shall continue to pay the Employee the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Employee as a participant in all compensation, benefit and insurance plans in which the Employee was participating when the notice giving rise

to the dispute was given, until the dispute is finally resolved in accordance with Section 11(e) hereof or, if earlier, the expiration date of the Agreement. Amounts paid under this Section 11(f) are in addition to all other amounts due under this Agreement (other than those due under Section 12(b) hereof) and shall not be offset against or reduce any other amounts payable under this Agreement.

(g) Change in Control. A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any "person" (as such term is used in Sections 14(d) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company; any trustee or other fiduciary holding securities under an employee benefit plan of the Company; or any Company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company) is or becomes after the Effective Date the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

(ii) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in subparagraph (i), (iii) or (iv) of this Section 11(g)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least 2/3 of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by

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

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

(h) Good Reason. At any time following a Change in Control, the Employee may terminate his employment hereunder for "Good Reason." "Good Reason" shall mean the occurrence (without the Employee's express written consent) of any material breach of this Agreement, including, without limitation, any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in subsections (i), (iv), (v), (vi) or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Employee of any duties inconsistent with the Employee's status as a senior executive of the Company or a substantially adverse alteration in the nature or status of the Employee's responsibilities from those in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Employee's annual base salary as in effect on the date hereof or as the same may be increased from time to time ;

(iii) the relocation of the Company's principal offices to a location outside Southern California (or, if different, the metropolitan area in which such offices are located immediately prior to the Change in Control) or the Company's requiring the Employee to be based anywhere other than the Company's principal executive offices, except for required travel on the Company's business to an extent

substantially consistent with the Employee's present business travel obligations;

(iv) the failure by the Company to pay to the Employee any portion of the Employee's current compensation, or to pay to the Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due;

(v) the failure by the Company to continue in effect any compensation plan in which the Employee participates immediately prior to the Change in Control which is material to the Employee's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Employee's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Employee's participation relative to other participants, as

existed immediately prior to the Change in Control;

(vi) the failure by the Company to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company's pension, life insurance, medical, health and accident, or disability plans in which the Employee was participating immediately prior to the Change in Control; or the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Employee of any material fringe benefit enjoyed by the Employee immediately prior to the Change in Control;

(vii) any purported termination of the Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; for purposes of this Agreement, no such purported termination shall be effective; or

(viii) any failure by the Company to comply with and satisfy Section 13(b) of this Agreement.

The Employee's right to terminate the Employee's employment for Good Reason shall not be affected by the Employee's incapacity due to physical or mental illness. The Employee's continued employment shall

not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(i) Voluntary Termination. The Employee may terminate his employment hereunder ("Voluntary Termination") upon a material breach of this Agreement by the Company, unless the Company shall fully correct such breach within 30 days of the Employee's Notice of Termination given in respect thereof.

12. Compensation Upon Termination or During Disability. The Employee shall be entitled to the following benefits during a period of disability, or upon termination of his employment, as the case may be, provided that such period or termination occurs during the Term of this Agreement:

(a) During any period that the Employee fails to perform his full-time duties with the Company as a result of incapacity due to physical or mental illness, he shall continue to receive his base salary at the rate in effect at the commencement of any such period, together with all compensation payable to him under the Company's disability plan or program or other similar plan during such period, until his employment is terminated pursuant to Section 11 hereof. Thereafter, or in the event the Employee's employment shall be terminated by reason of his death, his benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

(b) If at any time the Employee's employment shall be terminated: (i) by the Company for Cause or Disability or (ii) by him for any reason (other than in a Voluntary Termination or for Good Reason following the occurrence of a Change in Control), the Company shall pay him his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which he is entitled through the Date of Termination under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to him under this Agreement.

(c) If the Employee's employment should be terminated: (1) by reason of his death, (2) by the Company other than for Cause or Disability or (3) by the Employee in a Voluntary Termination, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 13(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B)(x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 12 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 12-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 12-month period following the Employee's termination of employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(d) If the Employee's employment should be terminated by the Employee for Good Reason following a Change in Control, he shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 13(c)) (A) his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B)(x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 24 months, assuming for the purpose of such payments that his salary for such remaining period is equal to his salary at the Date of Termination and that his annual bonus for such remaining Term is equal to the average of the annual bonuses paid to him by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which he is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 24-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and his covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 24-month period following the Employee's termination of employment (and the Employee agrees that he shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of his acts and omissions while an officer or director as

fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(e) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Employee in connection with the termination of the Employee's employment (whether such benefit is pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, and all such payments and benefits being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company as a result of the application of Section 280G of the Internal Revenue Code of 1986, as amended ("Code"), then, to the extent necessary to make the nondeductible portion of the Total Payments deductible, (i) the cash payments under this Agreement shall first be reduced (if necessary, to zero), and (ii) all other non-cash payments under this Agreement shall next be reduced (if necessary, to zero).

(f) If it is established as described in the preceding subsection (d) that the aggregate benefits paid to or for the Employee's benefit are in an amount that would result in any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code, then the Employee shall have an obligation to pay the Company upon demand an amount equal to the sum of: (i) the excess of the aggregate "parachute payments" paid to or for the Employee's benefit over the aggregate "parachute payments" that could have been paid to or for the Employee's benefit without any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in Section 1274(b)(2)(B) of the Code from the date of the Employee's receipt of such excess until the date of such payment.

(g) The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(h) If the employment of the Employee is terminated by the Company without Cause or the Employee's employment is terminated by the Employee under conditions entitling him to payment hereunder and the Company fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to interest on such amounts at the rate of 1% above the prime rate (defined

as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), compounded monthly, for the period from the date such amounts were otherwise due until payment is made to the Employee (which interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement).

13. Assignment.

(a) This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto, except that this Agreement shall be binding upon and inure to the benefit of any successor corporation to the Company.

(b) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore

defined and any successor to its business and/or assets as aforesaid which assumes this Agreement by operation of law, or otherwise.

(c) This Agreement shall inure to the benefit of and be enforceable by the Employee and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

14. (a) Confidential Information. During the Term of this Agreement and thereafter, the Employee shall not, except as may be required to perform his duties hereunder or as required by applicable law, disclose to others for use, whether directly or indirectly, any Confidential Information regarding the Company. "Confidential Information" shall mean information about the Company, its subsidiaries and affiliates, and their respective clients and customers that is not available to the general public and that was learned by the Employee in the course of his employment by the Company, including (without limitation) any data,

formulae, information, proprietary knowledge, trade secrets and client and customer lists and all papers, resumes, records and the documents containing such Confidential Information. The Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. Upon the termination of his employment, the Employee will promptly deliver to the Company all documents (and all copies thereof) containing any Confidential Information.

(b) Noncompetition. The Employee agrees that during the Term of this Agreement, and for a period of one year thereafter, he will not, directly or indirectly, without the prior written consent of the Company, provide consultative service with or without pay, own, manage, operate, join, control, participate in, or be connected as a stockholder, partner, or otherwise with any business, individual, partner, firm, corporation, or other entity which is then in competition with the Company or any present affiliate of the Company; provided, however, that the "beneficial ownership" by the Employee, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Exchange Act, of not more than 1% of the voting stock of any publicly held corporation shall not be a violation of this Agreement. It is further expressly agreed that the Company will or would suffer irreparable injury if the Employee were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Employee further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Employee from competing with the Company or any subsidiary or affiliate of the Company in violation of this Agreement.

(c) Right to Company Materials. The Employee agrees that all styles, designs, recipes, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Material") used, prepared, or made available to the Employee, shall be and shall remain the property of the Company. Upon the termination of his employment or the expiration of this Agreement, all Company Materials shall be returned immediately to the Company, and Employee shall not make or retain any copies thereof.

(d) Antisolicitation. The Employee promises and agrees that during the Term of this Agreement, and for a period of one year thereafter,

he will not influence or attempt to influence customers, franchisees, landlords, or suppliers of the Company or any of its present or future subsidiaries or affiliates, either directly or indirectly, to divert their business to any individual, partnership, firm, corporation or other entity then in competition with the business of the Company, or any subsidiary or affiliate of the Company.

15. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith, except that notice of a change of address shall be effective only upon actual receipt:

Company:	IHOP Corp. 525 North Brand Blvd. Glendale, California 91203-1903 to the attention of the Board;
with a copy to:	the Secretary of the Company
Employee:	Richard C. Celio 525 North Brand Boulevard Glendale, California 91203.

16. Amendments or Additions. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties hereto.

17. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

18. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together will constitute one and the same instrument.

20. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration,

conducted before a panel of three arbitrators in Los Angeles, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Employee shall be entitled to seek specific performance of his right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

21. Attorneys' Fees. The Company shall pay to the Employee all out-of- pocket expenses, including attorneys' fees, incurred by the Employee in connection with any claim, legal action or proceeding involving this Agreement in which the Employee prevails in whole or in part, whether brought by the Employee or by or on behalf of the Company or by another party. The Company shall pay prejudgment interest on any money judgment obtained by the Employee calculated at 3% above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), from the date that payment(s) to the Employee should have been made under this Agreement.

22. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Employee and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this agreement shall supersede any prior understanding or agreement either written or oral, will respect to the subject matter hereto. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the

Company under Section 12 and Section 20 and the obligations of the Employee under Section 14 and Section 20 shall survive the expiration of the Term of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the date first indicated above.

ATTEST:

/s/ Mark D. Weisberger
Mark D. Weisberger
Secretary

IHOP CORP.

By: /s/ Richard K. Herzer
Richard K. Herzer
President

EMPLOYEE:

/s/ Richard C. Celio
Richard C. Celio

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.5

March 25, 2003

Thomas Conforti
5034 Alta Canyada Road
La Canada, CA 91011

Dear Tom,

On behalf of IHOP Corp. I am very pleased to confirm our offer of employment as Chief Financial Officer. As you know, the role of Chief Financial Officer is critical not only in leading our efforts to enhance our basic financial and IT functions, but to contribute to the design and execution of IHOP's future business strategy. I am excited to have the opportunity to partner with someone of your caliber in this process. Below are the specifics of our offer:

- ***Hire Date:*** Your start date as Chief Financial Officer will be Monday, December 9, 2002.
- ***Salary:*** As we discussed, your annual base salary will $325,000 with a performance and salary review on October 1, 2003.
- ***Bonus:*** You will participate in the Company's 2003 Executive Incentive Plan with a target bonus of 35% of your base salary. As outlined in the plan sent to you last week, bonuses are based on both Company and Individual performance. We will agree on Individual Business Objectives for 2003 once you are on board. As we discussed, the Board and I will be reviewing IHOP's Executive Compensation package in detail, to include the bonus program, at the board meeting on December 12, 2002. Should it be determined that an increased bonus % is warranted at that time, the new bonus rate will be awarded to you effective January 1, 2003. You will not be eligible for any bonus payout for the partial month you have worked in 2002.
- ***Benefits:*** You will participate in the Company's health, dental, life and retirement benefit plans, subject to the terms, conditions, and limitations contained in the applicable plan documents and policies. We will also secure a separate plan through Exec-U-Care to assist you in covering some of the special medical expenses you incur with your son which are not otherwise covered through our normal medical insurance. Please see the attached document which summarizes this benefit.
- ***Stock Options:*** Upon hire, you will receive a stock option grant of 40,000 shares based on the stock price in effect on your hire date. Thereafter, you will be eligible to participate in IHOP Corp.'s stock option plans as determined by the Board of Directors.
- ***Car Allowance:*** You will receive a car allowance of $700 per month plus reimbursement of all automobile expenses, such as gasoline, maintenance, insurance, and vehicle registration. This is another area the Board of Directors is reviewing at their meeting on December 12. Any approved increase in car allowance will be granted to you as directed by the Board.
- ***Professional Services Allowance:*** As an executive you are entitled to a reimbursement of up to $10,000 annually for such expenses as unreimbursed medical bills, gym membership, investment, tax, or legal counseling, etc. Please see the attached list for details of the expenses covered under this policy.

You will be required to sign IHOP's standard employment agreement with executives, which provides for an initial employment term of two years.

I look forward to working with you as of your start date on December 9, 2002. If you have any questions before this date, please feel free to contact me. In the meantime, please acknowledge receipt of this offer by signing an original copy of this letter and returning it to me for our files. I am truly looking forward to a great working partnership!

Sincerely,

Julia Stewart
President & Chief Executive Officer

This will acknowledge my acceptance of this offer of employment:

By: _____ *Date:* _____

Thomas Conforti

Exhibit 10.5

EXHIBIT 10.8

AREA FRANCHISE AGREEMENT

This Agreement by and between INTERNATIONAL HOUSE OF PANCAKES, INC., a Delaware corporation, successor in interest to THE INTERNATIONAL HOUSE OF PANCAKES COMMISSARY, (hereinafter referred to as "Franchisor") and FMS MANAGEMENT SYSTEMS, INC., a Florida corporation, successor in interest to ABE FINKEL and CORINNE FINKEL, A.J.A. CORPORATION, (hereinafter referred to as "Franchisee") is made with reference to the following facts:

A. Franchisor has developed and is continuing to develop certain unique systems, products, methods, techniques and other trade secrets (hereinafter referred to as the "Systems") for operating restaurants selling pancakes and various other food products under the names "The International House of Pancakes" and "International House of Pancakes Restaurant" (hereinafter referred to as "IHOP"). The System, conducted in accordance with the provisions of this Agreement and Franchisor's Operations Manual, Operations Bulletins, and all notices, amendments and supplements relating thereto (collectively referred to herein as "Operations Bulletins") will enable such businesses to compete more effectively in their respective marketplaces;

B. Franchisor now owns and hereafter will develop or purchase valuable trademarks, service marks, trade names, logotypes and other commercial symbols used to identify the System (hereinafter referred to as the "Trademarks"); and

C. Franchisor or its predecessor in interest has granted to Franchisee or its predecessor in interest an exclusive franchise and license to operate and/or subfranchise International House of Pancakes restaurants within the area hereinafter described pursuant to an Area Franchise Agreement dated July 1, 1960, (hereinafter referred to as "Old Agreement"); and

D. The parties now desire to modify the terms of the Old Agreement by terminating same and entering into a new agreement (hereinafter "Agreement") to use the System and Trademarks associated therewith in connection with the operation and/or subfranchising of IHOP restaurants within the area hereinafter described under the names "The International House of Pancakes" and "International House of Pancakes Restaurants" and Franchisor is willing to grant said Area Franchise under the terms and subject to the conditions hereinafter set forth.

WHEREFORE, IT IS AGREED for and in consideration of Ten Dollars ($10.00) each to the other in hand paid, and for the mutual covenants and promises contained herein to the following:

I

GRANT OF FRANCHISE

1.01 Franchised Area. Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, in accordance with the provisions of this Agreement and any ancillary documents pertaining hereto, an exclusive franchise and license to operate and/or to subfranchise the operation of International House of Pancakes restaurants within the following area of the United States:

All Counties of the State of Florida and the Counties of Glynn, Wayne, Camden, Charlton, Decatur, Grady, Miller, Seminole, Thomas, Berrien, Brooks, Cook, Echols, Lanier, Lowndes, Appling, Atkinson, Bacon, Branskey, Clinch, Coffee, Jeff Davis, Pierce, and Ware, Georgia.

1.02 Exclusive Territory. So long as Franchisee faithfully performs and observes each and all of the obligations and conditions to be performed and observed by Franchisee under or in connection with this Agreement, Franchisor, during the term of this Agreement, shall not own, operate, franchise or license any "International House of Pancakes" restaurant within that area described above (hereinafter "Franchised Area"). Franchisee acknowledges and agrees that Franchisor, or its direct or indirect parent, subsidiary, or affiliated corporations, may now or hereafter own, operate, franchise and license both within and without the Franchised Area other restaurants under different trademarks, and trade names, or service marks, including without limitation, Copper Penny Family Coffee Shop, and that such other restaurants offer products similar to those which are or may be offered by the Franchised Restaurants.

1.03 Use of System. The franchise granted hereby is a license to use and/or license others to use Franchisor's trade name, goodwill, and trade secrets in the operation of pancake specialty restaurants solely within the area specified herein and in strict compliance with the terms hereof. Nothing herein contained shall be construed so as to require Franchisor to divulge any secret processes, formulas, or ingredients, except pursuant to this Agreement. It is expressly agreed that the ownership of all right, title and interest in and to

said trade name, goodwill, and trade secrets is and shall remain vested solely in Franchisor.

II

TERM OF FRANCHISE

2.01 Term. The term of this Agreement shall commence on the date hereof and shall terminate on June 30, 2010, unless otherwise terminated pursuant to the provisions of this Agreement, but shall be subject to extension or reduction of the term as provided in Section IV hereinbelow.

III

SERVICES OF FRANCHISOR

3.01 Disclosure of Procedures. Franchisor will disclose to Franchisee its standard operating procedures and, in connection therewith, will furnish copies of all manuals, bulletins, instruction sheets, forms, etc.

3.02 Training. Franchisee acknowledges that it has previously undergone training conducted by Franchisor for the operation of an IHOP restaurant. If Franchisee shall require additional training for any of its personnel, Franchisor shall provide said training to be given at an IHOP restaurant or a training center designated from time to time by Franchisor. Franchisor will pay no compensation for any services performed by trainee during such training period and all expenses incurred by Franchisee or said trainee in connection with such training, including, but not limited to, air fare and other transportation costs, meals, lodging and other living expenses, shall be at the sole expense of the Franchisee, and Franchisee shall also pay Franchisor's then applicable training fee, which as of this date is Five Thousand Dollars ($5,000.00).

3.03 Additional Assistance. In addition to the foregoing, Franchisor shall provide Franchisee with additional assistance from the staff of Franchisor or its corporate affiliates upon Franchisee's request and subject to staff availability, at the then prevailing price per person, per day, as shall be specified from time to time in the Operations Bulletins, plus reasonable transportation and living expenses.

3.04 Sale of Food Products and Supplies. Franchisor shall either sell to Franchisee or make available to Franchisee through an authorized supplier, at standard prices and terms which shall be no higher nor more onerous

than the prices and terms granted to any other area franchisee, for authorized distributor (but subject to Section 5.07 (a) below) all dry pancake mixes, and IHOP logo items including but not limited to imprinted paper goods, and custom patterned china, that Franchisee shall need for use in its own operations and for resale to or use by subfranchisees.

3.05 Improvements. All improvements made by Franchisor in its products, procedures or designs will be made available to Franchisee.

3.06 Indemnification. In the event that any third party makes any claim, by suit or otherwise, against the Franchisee because of the Franchisee's use in accordance with this Agreement of the Trademarks, the Franchisee shall immediately notify the Franchisor in writing. After receipt of said notice, Franchisor shall promptly take such action as may be necessary to protect and defend Franchisee against any such claim, suit or demand, and Franchisor shall protect, indemnify and save Franchisee harmless from any loss, costs or expenses arising out of or relating to any such claim, demand, or suit. Franchisee shall have no right to settle, compromise, or litigate any such claim except in strict compliance with any specific directives provided by Franchisor relating to such specific claim. Franchisor shall have the right to defend, compromise or settle any such claim at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any such claim.

IV

FEES AND EXTENSIONS OR REDUCTIONS OF TERM

4.01 Continuing Royalty. For and in consideration of Franchisor's execution and performance of this Agreement, Franchisee shall pay in United States Do1lars to Franchisor a Continuing Royalty equal to one percent (1%) of all Franchisee's monthly Gross Sales as hereinafter defined. Should the annual Continuing Royalty paid to Franchisor by Franchisee under this Agreement in respect of any fiscal year of Franchisee (commencing with Franchisee's fiscal year beginning October 1, 1987) be less than Three Hundred Thousand Dollars ($300,000.00) ("minimum Continuing Royalty") in respect of eighty-eight (88) International House of Pancakes Restaurants operated or subfranchised by Franchisee as of December 31, 1987, ("existing units"), Franchisee will lose one (1) year of any extension of the term hereof earned by Franchisee pursuant to

Section 4.06 below; provided, however:

(a) Franchisee can avoid any such loss of extension(s) earned pursuant to Section 4.06 below by paying to Franchisor within ninety (90) days of the end of its fiscal year the difference between Three Hundred Thousand Dollars ($300,000.00) and the amount of Continuing Royalty actually paid in respect of such fiscal year; and

(b) the Three Hundred Thousand Dollar ($300,000.00) per annum minimum Continuing Royalty as stated above shall be reduced by the amount of the last full year's royalty paid in respect of any existing unit(s) lost as a result of condemnation, eminent domain, any government action, or unforeseeable "Acts of God;" and

(c) there shall be no minimum Continuing Royalty whatsoever from and after October 1, 1997.

4.02 Advertising Fee. In addition to Franchisee's obligation to pay a Continuing Royalty as set forth above, Franchisee shall pay to Franchisor, for national advertising and for the preservation, promotion and enhancement of the value of all franchises and goodwill attached thereto, a sum equal to one- quarter of one percent (.25%) of Franchisee's monthly Gross Sales as hereinafter defined.

4.03 Payments. Payments of said Continuing Royalty and the Advertising Fee for each monthly period shall be due no later than forty-five (45) days after the day ending the month in which such Gross Sales were earned. All such payments shall be accompanied by a statement in such form and detail as shall be from time to time required by Franchisor from its Franchisees, showing how such Continuing Royalty was computed for such month, and accompanied by a copy of Franchisee's monthly sales tax reports. All payments measured by Gross Sales shall be accompanied above by a statement of Gross Sales, itemized by restaurant location, certified to be correct by Franchisee.

4.04 Definition of Gross Sales. The term "Gross Sales," as used in this Agreement, shall mean the total revenues derived by Franchisee in and from all IHOP restaurants in the Franchised Area, operated by virtue of this Agreement whether operated by Franchisee or a subfranchisee (which restaurants are hereinafter referred to as "Franchised Restaurants"), whether for cash sales of food and other merchandise or otherwise (whether or not payment is received

therefor), or charge sales thereof, or revenues from any source arising out of the operation of the Franchised Restaurants, deducting therefrom: (a) all refunds and allowances, if any; (b) any sales or excise taxes which are separately stated and which the Franchisee or its subfranchisees collects from customers and pays to any federal, state or local taxing authority; and (c) any amounts deposits in any vending machines or pay telephones which are located in or about the Franchised Restaurants.

4.05 Records.

(a) Franchisee or its subfranchisees shall record all sales on individual machine serial numbered guest checks and shall keep and maintain accurate records thereof. Franchisee shall cause all such sales to be registered upon a nonresettable cash register of the type specified by Franchisor, having a lock-in running total, and shall, at any time, at Franchisor's sole discretion, provide to Franchisor or its authorized representatives, a key to permit reading of the running total of the cash register.

(b) Franchisee shall keep and preserve for a period of not less than thirty-six (36) months after the end of each calendar year or any longer period as may be required by applicable law, all business records, including, but not limited to, cash register tape readings, standardized numbered guest checks, sales tax or other tax returns, bank books, and other evidence of Gross Sales and business transactions for such year. Franchisor shall have the right at any time, notwithstanding the terms contained in Paragraph 5.04, to enter Franchisee's or its subfranchisees' premises to inspect, audit and make or request copies of books of account, bank statements, documents, records, tax returns, papers and files of Franchisee relating to Gross Sales and business transacted and, upon request by Franchisor, Franchisee shall make any such materials available for inspection at Franchisee's premises. If Franchisor should cause an audit to be made and the Gross Sales and business transacted as shown by Franchisee's statements should be found to be understated by any amount, Franchisee shall immediately pay to Franchisor the additional amount payable as shown by such audit, plus interest thereon at the highest rate of interest allowed by law, and if they are found to be understated by two percent (2%) or more, Franchisee shall also immediately pay to Franchisor the cost of such audit; otherwise, the cost of the audit shall be paid by Franchisor. If

Franchisee should at any time cause an audit of Franchisee's business or any IHOP restaurant operated by Franchisee or any subfranchisee of Franchisee to be made by a public accountant, Franchisee shall furnish the Franchisor with a copy of said audit, without any cost or expense to the Franchisor.

(c) Franchisee agrees to allow Franchisor access to the state, federal and local income tax returns of the Franchisee and Franchisee hereby waives any privilege pertaining thereto.

(d) Within forty-five (45) days after the expiration of each three (3) month period, franchisee shall furnish Franchisor with Franchisee's unaudited profit and loss statement for such quarter and within one hundred eighty (180) days after the end of each fiscal year, Franchisee shall furnish Franchisor with an audited profit and loss statement and balance sheet of Franchisee for such fiscal year. All such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles ("GAAP") consistently applied from applicable period to period and shall be certified by Franchisee's Chief Executive Officer or Chief Financial Officer, as being true and correct, and as being prepared in accordance with GAAP consistently applied from applicable period to period. All such financial statements shall all comply with any specific requirements as Franchisor may from time to time designate. Franchisee hereby irrevocably consents to Franchisor's use of said financial statements, at Franchisor's election, in Franchisor's offering circular for the offer and sale of franchises.

4.06 Extensions of Term: For each International House of Pancakes Restaurant (in excess of the eighty-eight (88) International House of Pancakes Restaurants operated or subfranchised by Franchisee as of December 31, 1987,) opened for operation, directly or through a subfranchisee, by Franchisee from and after the date of execution hereof through June 30, 1993, two (2) years shall be added to the term hereof. For each such restaurant opened for operation, directly by Franchisee or through a subfranchisee, by Franchisee for the period beginning July 1, 1993, and ending June 30, 2003, a period of one (l} year shall be added to the term hereof. For each such unit opened for operation, directly or through a subfranchisee, by Franchisee from and after July 1, 2003, a period of six (6) months shall be added to the term hereof. Additionally, in respect of a net of five (5) units which were added to the

International House of Pancakes Restaurants operated or subfranchised by Franchisee for the period from January 1, 1987, through December 31, 1987, a period of five (5) years shall be and is hereby added to the term hereof.

V

DUTIES OF FRANCHISEE

5.01 Compliance with Laws and Operations Bulletins. Franchisee shall, and shall cause its subfranchisees to, operate the Franchised Restaurants in strict compliance with all applicable laws, rules and regulations of duly constituted governmental authorities and in strict compliance with the standard procedures, policies, rules and regulations established by Franchisor and incorporated herein, or in Franchisor's Operations Bulletins. Such standard procedures, policies, rules and regulations established by Franchisor may be revised from time to time as circumstances warrant, and may exist from time to time as though they were specifically set forth in this Agreement, and when incorporated in Franchisor's Operations Bulletins, the same shall be deemed incorporated herein by reference. By way of illustration and without limitation, such standard procedures, policies, rules and regulations may or will specify accounting records and information, payment procedures, specifications for required supplies and purchases, including Trademarked Products, hours of operation (which may vary from location to location), advertising and promotion, cooperative programs, specifications regarding required insurance, minimum standards and qualifications for employees, design and color of uniforms, menu items, methods of production and food presentation, including the size and serving thereof, standards of sanitation, maintenance and repair requirements, specifications of furniture, fixtures and equipment, flue cleaning, and fire prevention service, appearance and cleanliness of premises, accounting and inventory methods and controls, forms and reports, and in general will govern all matters that, in Franchisor's judgment, require standardization and uniformity in all IHOP restaurants. Franchisor will furnish Franchisee with Franchisor's current Operations Bulletins upon the execution of this Agreement. Said Operations Bulletins and all notices, amendments and supplements relating thereto shall at all times remain the property of Franchisor. Upon termination or expiration of this Agreement, Franchisee shall deliver all copies of said Operations Bulletins to Franchisor. Franchisee further acknowledges that said

Operations Bulletins contain trade secrets of Franchisor and Franchisee shall, and shall cause its subfranchisees to, at all times maintain as confidential the contents of said Operations Bulletins. Franchisee shall not, and shall not permit subfranchisees to, vary any of such standard procedures without Franchisor's prior written consent. If a variance is required, on account of local conditions or otherwise, such consent will not be unreasonably withheld.

5.02 Subfranchisees. From and after the date of execution hereof, all agreements between Franchisee and its subfranchisees shall be made expressly subject to the provisions of this Agreement, including the right of Franchisor to terminate for cause. Franchisee shall deliver to Franchisor a true copy of each such agreements when it is executed. In addition, Franchisee shall deliver to Franchisor a true copy of each Franchise Offering Circular prepared by Franchisee for its prospective subfranchisees.

5.03 Location. Franchisee shall keep Franchisor currently informed as to the location of each restaurant operated or subfranchised.

5.04 Inspection. Franchisee expressly authorizes Franchisor and its authorized agents and representatives to enter any IHOP restaurant in the Franchised Area, to inspect the premises, fixtures, furnishings, equipment, books, and records of any restaurant operated by Franchisee or any of its subfranchisees at any time said restaurant is open for business, without notice, and to examine and inspect the operations in all respects to determine compliance with this Agreement and with Franchisor's Standard Operating Procedures, rules, policies, and regulations. All records, including cash register readings, relating to Gross Sales shall be preserved for at least three (3) years.

Franchisee shall inspect the operations of its subfranchisees at frequent intervals, and shall take such action, including legal proceedings, as may be necessary to correct any breach or nonconformity with Franchisor's standard procedures, policies, rules or regulations.

5.05 Indemnification of Franchisor. Franchisee shall indemnify Franchisor and hold it harmless from any claims, demands, causes of action, costs or expenses of any kind arising out of any act or omission of Franchisee or of any of its subfranchisees.

5.06 Sales and Service of Food Products. Franchisee and its subfranchisees shall sell, serve and dispense only those items and products as

shall be designated by Franchisor in the Operations Bulletins. In connection therewith, the parties agree that Franchisor may, from time to time, recommend or suggest the prices to be charged by Franchisee or its subfranchisees for each menu item sold or offered at IHOP restaurants; and, for purposes of economy and cost saving to those Franchisees who elect to follow such recommendations, may cause the production of prepriced menus and standardized numbered guest checks which Franchisor shall offer for sale to Franchisee. Such recommended or suggested prices are not binding in any respect upon Franchisee or its subfranchisees, and Franchisee and its subfranchisees are and shall be at all times, free to charge prices entirely of its or their own choosing, regardless of whether the same do or do not conform to the recommended or suggested prices. Franchisee and its subfranchisees shall not be required to use or to purchase any prepriced menus or prepriced standardized number guest checks, and shall be entirely free to procure menus and standardized numbered guest checks with prices of its or their own choosing; provided, however, that such menus and standardized numbered guest checks shall, in all respects except as to prices, strictly comply with the specifications therefor contained in the Operations Bulletins.

5.07 Required Purchases of Proprietary Products.

(a) Franchisee and its subfranchisees shall purchase only from Franchisor (if offered directly to Franchisees by Franchisor) or from Franchisor approved distributors who have purchased such products from Franchisor, all of their requirements for buckwheat flour, waffle mix, egg batter, buttermilk mix, and such other future products as may then be required by Franchisor, all of which embody and shall embody secret formulas owned by the Franchisor (collectively referred to as "Required Products"). Franchisor shall not charge Franchisee a price (exclusive of freight charges) in excess of that charged approved distributors for required products, provided that geographic price differences cannot be invoked to reduce Franchisor's net profit in respect of required products.

(b) For purposes of insuring consistency and uniformity of product, Franchisee and its subfranchisees shall purchase only from Franchisor (if offered directly to Franchisees by Franchisor) or from Franchisor designated suppliers, all of their requirements for coffee. Further, Franchisee or its

subfranchisees shall purchase only such blends of coffee as Franchisor shall from time to time designate.

(c) Except as provided in Paragraphs 5.07(a) and (b), Franchisee and its subfranchisees shall purchase for use in the operation of the Franchised Restaurants certain products which bear IHOP Trademarks that may include, as provided in the Operations Bulletins, dishware, silverware, napkins, placemats, coasters and other items (herein referred to as "Trademarked Products"). All such required Trademarked Products shall comply with the specifications set forth in the Operations Bulletins. Franchisee or its subfranchisees may purchase Trademarked Products from Franchisor, if made available by Franchisor, suppliers designated by Franchisor, or suppliers chosen by Franchisee as provided in Paragraph 5.08 below, provided such suppliers execute a royalty free trademark license in a form reasonably satisfactory to the Franchisor.

5.08 Compliance with Franchisor's Specifications.

(a) All food products, services, supplies, equipment, and materials, including standardized numbered guest checks and menus, permitted or required to be used in the operation of the Franchised Restaurants shall be in full compliance with the specifications set forth in the Operations Bulletins and, excepting only those items referred to in Paragraphs 5.07 (a) and (b), shall be purchased and procured by Franchisee and its subfranchisees from Franchisor (if offered by Franchisor), or from suppliers designated by Franchisor, or from suppliers selected by Franchisee and not disapproved in writing by Franchisor. With respect to each supplier designated by Franchisor, such suppliers shall only be those who have demonstrated, to the reasonable satisfaction of Franchisor, (i) the ability to supply a product meeting the specifications of Franchisor, (ii) reliability with respect to the quality of product or service, and (iii) willingness and agreement to permit Franchisor to make periodic inspections, reasonable in respect of frequency, time and manner of inspection, to assure continued conformity to specifications.

(b) In the event that Franchisee or any of its subfranchisees should desire to procure any food product other than those described in Paragraphs 5.07(a) and (b), service, supply, equipment, or material from any supplier other than Franchisor or a supplier designated by Franchisor, Franchisor shall, upon request of Franchisee, furnish to Franchisee specifications, by established brand name wherever possible, for all such times. Franchisee shall deliver

written notice to Franchisor of its desire to do so, which notice shall identify the name and address of such supplier and the items desired to be purchased from such supplier. Should Franchisor not deliver to Franchisee, within ten (10) days after its receipt of such notice, a written statement of disapproval with respect to such supplier, it shall be deemed that such supplier is approved by Franchisor as a supplier of the goods described in the notice until such time as Franchisor may subsequently withdraw such approval. Franchisor shall be entitled to disapprove or to subsequently withdraw its approval of any supplier selected by Franchisee only upon the ground that such supplier has failed to meet one or more of the requirements hereinabove set forth. Once Franchisee has delivered a notice of its desire to purchase the specified items from any such supplier, it shall be entitled to purchase same from such supplier until it shall have received a timely statement of disapproval from Franchisor; provided, however, that should Franchisee designate a supplier in any such notice who shall previously have been disapproved by Franchisor, it shall not be permitted to purchase from such supplier unless and until the ten (10) day period from delivery of such notice shall have expired without delivery from Franchisor of a statement of disapproval.

(c) In some instances, the Franchisor's specifications may be such that only a single supplier or a limited number of suppliers can meet such specifications. With respect to such products, Franchisee shall purchase such products only from the source or sources designated by Franchisor.

5.09 Insurance.

(a) Franchisee agrees to procure and maintain at Franchisee's or its subfranchisees' expense during the term hereof, policies of liability insurance meeting minimum standards, coverages, and limits and insuring Franchisee or its subfranchisees against the insurable risks prescribed in Franchisor's Operations Bulletins. All such policies of liability insurance shall name Franchisor and such other nominees of Franchisor as it may designate as additional insureds, as their interests may appear.

(b) If Franchisee fails or refuses to purchase insurance conforming to the requirements prescribed by the Operations Bulletins, Franchisor may but shall not be obligated to obtain, through agents and insurance companies of its own choosing, such insurance as is necessary to meet

such requirements. Payments for such insurance shall be borne by Franchisee. Nothing herein shall be construed or deemed to impose any duty or obligation on Franchisor to obtain such insurance or as an undertaking or representation by Franchisor that such insurance as may be obtained by Franchisee or by Franchisor for Franchisee will insure Franchisee against any or all insurable risks of loss which may or can arise out of, or in connection with the Franchised Restaurants. Franchisee may obtain such other or additional insurance as Franchisee deems proper in connection with the operation of its business.

5.10 Taxes. Franchisee agrees to pay and to cause its subfranchisees to pay in full any and all city, county, state and federal taxes arising in connection with or levied or assessed by any of said governmental bodies in connection with all or any part of this Agreement, or the operation of any IHOP restaurant in the Franchised Area, or all or any of the merchandise and assets being sold hereunder, promptly when due, and prior to any delinquency.

VI

TRADEMARKS

6.01 Nature of Grant. Franchisor hereby grants to Franchisee and its subfranchisees, and Franchisee hereby accepts, the right, during the term hereof, upon the terms and conditions contained herein, to use and display IHOP service marks, Trademarks, trade names and insignia and the labels and designs pertaining thereto (herein called the "Trademarks"), and to use Franchisor's trade secrets, formulae, processes, methods of operation and goodwill, but only in connection with the retail sale at IHOP restaurants in the Franchised Area of those items contained on the standard menu of IHOP restaurants as established in the Operations Bulletins from time to time. Nothing herein shall give Franchisee or its subfranchisees any right, title or interest in or to said service marks, Trademarks, trade names, insignia, labels or designs, trade secrets, formulae, processes, methods of operation or goodwill, or any of the same except a mere privilege and license, during the term hereof, to display and use the same according to the foregoing limitations and upon the terms, covenants and conditions contained herein. Upon the expiration or termination of this Agreement for any reason, Franchisee and its subfranchisees shall deliver and surrender up to Franchisor each and all manuals, bulletins, instruction sheets, forms, marks, devices, and Trademarks, and shall not

thereafter use any of the same or any such trade secrets, formulae, processes, methods of operation, goodwill, or any of them; provided Franchisor shall purchase from Franchisee and its subfranchisees at a price equal to Franchisee's book value, consisting of Franchisee's cost therefor less depreciation computed in accordance with GAAP, paper goods, dishes, and other similar, small items of personal property purchased by Franchisee and its subfranchisees in the ordinary course of their business which are, in Franchisor's reasonable judgment, in good, usable condition, and which bear any Trademarks of Franchisor. Franchisee acknowledges that the material and information now and hereafter provided or revealed to it pursuant to this Agreement are revealed in confidence and Franchisee expressly agrees to keep and respect the confidence so reposed. Nothing herein contained shall be construed so as to require Franchisor to divulge any secret processes, formulae or ingredients. Franchisor expressly reserves all rights with respect to IHOP's goods, products, Trademarks, trade secrets, formulae, processes, ingredients and methods of operation, except as may be expressly granted to Franchisee herein.

6.02 Acts in Derogation of Franchisor's Trademark.

(a) Franchisee agrees that, as between Franchisor and Franchisee, the Trademarks of Franchisor are the sole and exclusive property of Franchisor and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed use thereof. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the Franchisor's rights in connection with the same, either during the term of this Agreement or thereafter, and that it will use same only for the uses and in the manner licensed hereunder and as herein provided.

(b) From and after the date of execution hereof, Franchisee shall not use, or permit the use by subfranchisees, as part of the name of any Franchisee or subfranchisee corporation, the phrases "IHOP," "International House of Pancakes," "House of Pancakes," or any phrase or combination of words confusingly similar thereto.

6.03 Prohibition Against Disputing Franchisor's Rights. Franchisee agrees that it will not, during or after the term of this Agreement, in any way, dispute or impugn the validity of the Trademarks licensed hereunder, or the rights of Franchisor thereto, or the right of Franchisor and other franchisees

of Franchisor to use the same both during the term of this Agreement and thereafter.

6.04 Use of Franchisor's Name. Franchisee agrees that the restaurants herein franchised shall be named the "International House of Pancakes" or "International House of Pancakes Restaurant," as specified by Franchisor, without any suffix or prefix attached thereto and all signs, advertising and slogans will only bear the name "International House of Pancakes," or "International House of Pancakes Restaurant," or such other Trademarks as Franchisor may hereafter specify in its Operations Bulletins. Franchisee shall and shall cause its subfranchisees to use Franchisee's or its subfranchisees' correct name on all invoices, orders, vouchers, checks, letterheads, and other similar materials, identifying the franchise as being a franchise of Franchisor which is independently owned and operated by Franchisee or its subfranchisee(s).

6.05 Relationship of Franchisee to Franchisor. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of Franchisor and Franchisee, and that it is not the intention of either party to undertake a joint venture or to make Franchisee or any of its subfranchisees in any sense an agent, partner, employee or affiliate of Franchisor. It is further agreed that Franchisee has no authority to create or assume in

Franchisor's name or on behalf of Franchisor any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever.

VII

ASSIGNMENT

7.01 Assignment by Franchisee. Franchisee shall have the right to assign this Agreement, entirely or partially, to any party only with the prior written consent of Franchisor, which shall not be unreasonably withheld. Any sale, assignment or other transfer in the aggregate of more than forty-nine percent (49%) of the stock of Franchisee shall be deemed an assignment hereunder, except that transfers among CORINNE FINKEL, LESLIE FREEDMAN, NATHAN FINKEL and MARTIN B. FREEDMAN and their children shall not be prohibited.

VIII

REMEDIES FOR BREACH

8.01 Strict Performance. Franchisee acknowledges that strict performance of all of the terms of this Agreement is necessary not only for the protection of Franchisor but also for the protection of all operators of International House of Pancakes Restaurants. It is therefore agreed that strict and exact performance by Franchisee of each of its promises, covenants, and obligations hereunder is a condition precedent to the continuance of this franchise.

8.02 Right of Termination After Notice of Default. If Franchisee shall be in default in the performance of any of the terms of this Agreement, and such default shall not be cured within thirty (30) days after it shall be determined that there is a default as hereinafter provided, or if bankruptcy, debtor, or insolvency proceedings are commenced by or against Franchisee, or if Franchisee makes an assignment for benefit of creditors, or if a receiver is appointed to take possession of the business of Franchisee, or if Franchisee transfers a substantial part of its business voluntarily without Franchisor's consent or involuntarily, then in any such event, in addition to all other remedies it may have at law or in equity, Franchisor may terminate this Agreement.

8.03 Franchisee's Obligations Upon Termination. Upon termination of this Agreement, whether by lapse of time, default, or other cause, Franchisee shall immediately discontinue all use of Franchisor's trade name, trade secrets, and procedures, shall assign to Franchisor all rights (excluding those in equipment, tangible personal property and real estate holdings) it may have in or to its Agreements with its subfranchisees, shall remove from its own restaurants, at its sole cost and expense, all signs, decor and decoration characteristic of Franchisor's operations, and shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that it is dispensing, selling, or serving any of Franchisor's products, or that it is operating a restaurant similar to an "International House of Pancakes." Franchisee expressly recognizes and acknowledges the right of Franchisor at its election and in addition to all other remedies, to obtain a permanent injunction to enforce the foregoing

provisions.

Expiration or termination of this Agreement shall be without prejudice to the rights of Franchisor against Franchisee, nor shall such expiration or termination relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination.

8.04 Form of Notice. A default by Franchisee shall be determined in the following manner: Franchisor shall give notice, in writing, to Franchisee of any claimed default in the performance of this Agreement. Franchisee shall perform the work required or otherwise comply with Franchisor's demands within thirty (30) days after the mailing of such written notice. If the default shall be other than in the payment of money, and if it shall be of such a nature that it cannot reasonably be cured within said thirty (30) day period, then Franchisee shall commence to cure said default within said thirty (30) day period and shall diligently proceed to do such acts as may be necessary to cure said default. If Franchisee shall in good faith believe that it is not in default as claimed by Franchisor, it shall within said thirty (30) day period proceed to initiate an arbitration proceeding as provided in Article IX hereof. If Franchisee shall neither cure the default nor initiate arbitration within the period aforementioned, then the existence of the default shall be deemed conclusively determined. If Franchisee shall initiate arbitration, the default shall not be deemed determined until the arbitration shall have been completed and the Franchisee shall have failed to perform the arbitrator's award in the time specified by the arbitrator.

8.05 Conformity With Laws. If any law or regulation by any competent authority with jurisdiction over this Agreement shall limit Franchisor's rights of termination or require a longer or different notice than that specified in this Article VIII, same shall be deemed amended to conform with the minimum requirements of such law or regulation.

IX

ARBITRATION AND REMEDIES

9.01 Arbitration. Any controversy or claim arising out of or relating to this Agreement, or any agreement relating thereto, or any breach of this Agreement including without limitation any claim that this Agreement or any portion thereof is invalid, illegal or otherwise voidable, shall be submitted to

arbitration before and in accordance with the rules of the American Arbitration Association provided that the jurisdiction of the arbitrators shall be limited to a decision rendered pursuant to California common and statutory law and judgment upon the award may be entered in any court having jurisdiction thereof; provided, however, that this clause shall not limit Franchisor's right to obtain any provisional remedy, including without limitation injunctive relief or similar relief, from any court of competent jurisdiction, as Franchisor deems to be necessary or appropriate in Franchisor's sole subjective judgment, to compel Franchisee to comply, or to prohibit Franchisee's noncompliance, with its obligations hereunder, or to protect the Trademarks or other property rights of Franchisor. Franchisor may, as part of such action or proceeding, seek damages, costs and expenses caused to or incurred by it by reason of the act or action or nonaction of Franchisee which caused Franchisor to institute such action or proceeding. The institution of any such action or proceeding by Franchisor shall not be deemed a waiver on its part to institution of an arbitration proceeding pursuant to the provisions of this Article.

X

RIGHT TO CURE DEFAULTS

10.01 General. In addition to all other remedies herein granted, if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Franchisor may, at its election, immediately or at anytime thereafter, without waiving any claim for breach hereunder and without notice to Franchisee cure such default for the account and on behalf of Franchisee, and the cost to Franchisor thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Franchisor hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of Franchisor.

XI

SERVICE OF PROCESS

11.01 General. Franchisee, by the execution and delivery hereof, hereby irrevocably authorizes and confers power on The Prentice Hall Corporation System, Inc., at Los Angeles, California, to accept in the name and on behalf of Franchisee service of process issued in any action or proceeding instituted

against Franchisee by Franchisor pertaining directly or indirectly to this Agreement or any matter arising therefrom. A copy of any such process shall be mailed to Franchisee by registered mail. Time to answer shall be according to California law.

XII

OBLIGATIONS UPON TERMINATION

12.01 General. In the event of the termination or expiration of this Agreement for whatever reason, the Franchisee and its subfranchisees shall forthwith discontinue the use of the Franchisor's Trademarks and shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that they are either directly or indirectly associated, affiliated, franchised or licensed by or related to, the IHOP restaurant system, and shall not, either directly or indirectly, use any name, logotype, symbol or format confusing similar to the IHOP Trademarks or formats. In addition, since Franchisor's restaurants have a distinctive color scheme, Franchisee shall promptly upon demand by Franchisor repaint or cause its subfranchisees to repaint the IHOP restaurants, if Franchisee retains control thereof, in a different color scheme. Further, upon such expiration or termination, the Franchisee and its subfranchisees shall not, either directly or indirectly, for any purpose whatsoever, use any of the Franchisor's trade secrets, procedures, techniques, or materials acquired by the Franchisee by virtue of the relationship created by this Franchise Agreement, including, but without limitation, (a) recipes, formulae and descriptions of food products; (b) the Operations Bulletins and all manuals, bulletins, instruction sheets, and supplements thereto; (c) all forms, advertising matter, marks, devises, insignias, slogans and designs used from time to time in connection with IHOP restaurauts; and (d) all copyrights, Trademarks and patents now or hereafter applied for or granted in connection with the operation of IHOP restaurants.

XIII

NON-COMPETITION

13.01 General. Franchisee shall not during the term of this Agreement, or any extension or renewal thereof, directly or indirectly, own, operate, control or have any financial interest in any pancake house or coffee shop with more than three (3) varieties of pancakes and shall devote its best efforts to the International House of Pancakes restaurant system. The foregoing prohibition

shall not apply to ownership by Franchisee of less than three percent (3%) of the issued and outstanding stock of any company whose shares are listed for trading over any public exchange or over-the-counter market and whose business includes the owning, operating, or franchising of pancake houses, or coffee shops, with more than three (3) varieties of pancakes, provided Franchisee does not control any such company. Franchisee also agrees that it will not at any

time communicate, divulge, or use for the benefit of itself or any other person or entity, other than in the course of conduct of the restaurant franchised hereunder, any information or knowledge which it may have acquired in connection with the operation of the Franchised Restaurants, and that it will not do any act prejudicial or injurious to the business or goodwill of Franchisor, or any other IHOP franchisee.

XIV

INDEMNITY BY FRANCHISEE

14.01 General. Franchisee agrees to defend, indemnify and hold Franchisor harmless from and against any and all claims, demands, losses, damages, costs, liabilities and expenses (including, but not limited to, attorneys' fees and costs of suit) of whatever kind or character, on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with the operation of the Franchised Restaurants.

XV

ENTIRE AGREEMENT

15.01 General. This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the specific subject matter hereof; provided, however, that for purposes of default, with respect to any other agreements relating hereto, which were entered into prior to, contemporaneously with, or subsequent to the date hereof between Franchisee and Franchisor, or between Franchisee and third parties, any material default thereof shall also be a material breach of this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or

promise. This Agreement cannot be modified or changed except by written instrument expressly referring to this Agreement, signed by all of the parties hereto.

XV

SEVERABILITY

16.01 General. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Operations Bulletins and any present or future statute, law, ordinance, regulation, or judicial decision, contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provision of this Agreement or the Operations Bulletins thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, Article, paragraph, sentence or clause of this Agreement or the Operations Bulletins shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of the Agreement shall continue in full force and effect, unless said provision pertains to the payment of fees, pursuant to Article IV hereof, in which case this Agreement shall, at Franchisor's option, terminate.

XVII

WAIVER AND DELAY

17.01 General. No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or negiect of Franchisor either to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Operations Bulletins, shall constitute a waiver of the provisions of this Agreement or the Operations Bulletins with respect to any prior, concurrent or subsequent breach thereof or a waiver by Franchisor of its rights at any time thereafter to require exact and strict compliance with the provisions thereof.

XVIII

SURVIVAL OF COVENANTS

18.01 General. The covenants contained in this Agreement which by their terms require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

XIX

SUCCESSORS AND ASSIGNS

19.01 General. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Franchisor and shall be binding upon and inure to the benefit of the Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on assignment contained herein.

XX

JOINT AND SEVERAL LIABILITY

20.01 General. If the Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to the Franchisor are joint and several.

XXI

GOVERNING LAW

21.01 General. This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of California without giving effect to conflict of laws.

XXII

COUNTERPARTS

22.01 General. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

XXIII

FEES AND EXPENSES

23.01 General. Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any

provision hereof, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, or commence any appeal therefrom, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection herewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

XXIV

NOTICES

24.01 General. All notices which Franchisor is required or may desire to give to Franchisee under or in connection with this Agreement may be delivered to Franchisee or may be sent by certified or registered mail, postage prepaid, addressed to Franchisee at 2655 N. E. 189th Street, North Miami Beach, Florida 33180, Attention: Chief Operating Officer.

All notices which Franchisee is required or may desire to give to Franchisor under or in connection with this Agreement, must be sent by certified or registered mail, postage prepaid, addressed to Franchisor as follows:

General Counsel
International House of Pancakes, Inc.

6837 Lankershim Boulevard
North Hollywood, California 91605

The addresses herein given for notice may be changed at any time by either party by written notice given to the other party as herein provided. Notices shall be deemed effective five (5) days after deposit in the United States mails.

XXV

SUBMISSION OF AGREEMENT

25.01 General. The submission of this Agreement does not constitute an offer, and this Agreement shall become effective only upon the execution thereof by the Franchisor and the Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE FRANCHISOR. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS THE FRANCHISEE SHALL HAVE RECEIVED A FRANCHISE OFFERING CIRCULAR IN SUCH FORM AND MANNER AS MAY BE REQUIRED UNDER OR PURSUANT

TO APPLICABLE LAW.

IN WITNESS WHEREOF, the Franchisor and the Franchisee have caused this Agreement to be executed as of the day and year written below.

WITNESSES:

/s/ Catherine P. Celano

/s/ Joseph J. London

FRANCHISOR

INTERNATIONAL HOUSE OF PANCAKES, INC.
a Delaware corporation

BY: /s/ Richard K. Herzer
RICHARD K. HERZER

Its: President Date: 4-27-88

ATTEST: /s/ Larry Kay

LARRY KAY, SECRETARY

(CORPORATE SEAL)

I HEREBY ACKNOWLEDGE THAT AT MY FIRST PERSONAL MEETING WITH FRANCHISOR, AT LEAST TEN (10) BUSINESS DAYS PRIOR TO THE DATE THAT I HAVE EXECUTED THIS AGREEMENT, OR HAVE PAID ANY CONSIDERATION THEREFOR, I RECEIVED, AND HAVE SINCE READ, THE FRANCHISOR'S UNIFORM FRANCHISE OFFERING CIRCULAR; I HEREBY ALSO ACKNOWLEDGE THAT I RECEIVED A COMPLETELY PREPARED COPY OF THIS AGREEMENT MORE ThAN FIVE (5) BUSINESS DAYS PRIOR TO THE DATE I HAVE EXECUTED SAME.

WITNESSES:

/s/ Charlene A. Kirsch

/s/ Valerie A. Slaughter
(As to NATHAN FINKEL)

FRANCHISEE

FMS MANAGEMENT SYSTEMS, INC.

BY: /s/ Nathan Finkel
NATHAN FINKEL

Its: Vice President Date: May 5, 1988

BY: /s/ Martin B. Freedman
MARTIN B. FREEDMAN

Its: Vice President Date: May 5, 1988

/s/ Charlene A. Kirsch

/s/ Valerie A. Slaughter
(As to Martin B. Freedman)

ATTEST: /s/ Mary DeJesus
MARY DEJESUS, Assistant Secretary

(CORPORATE SEAL)

Exhibit 10.10

AMENDMENT NO. 3
TO THE
INTERNATIONAL HOUSE OF PANCAKES
EMPLOYEE STOCK OWNERSHIP PLAN
As Amended and Restated Effective as of January 1, 2001

WHEREAS, the IHOP Corp. (the "Company") established and maintains the International House of Pancakes Employee Stock Ownership Plan, amended and restated effective as of January 1, 2001 (the "Plan") for the benefit of its eligible Employees;

WHEREAS, the Company desires to conform the Plan to the applicable provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001("EGTRRA"), to reflect the Internal Revenue Service ("IRS") guidance concerning deemed contributions to cafeteria plans under Section 125 under the Internal Revenue Code ("Code"), the April 17, 2002 final and temporary regulations from the IRS relating to age 70 ½ minimum distributions under Section 401(a)(9) of the Code and the Department of Labor regulations regarding disability claims.

NOW, THEREFORE, the Plan as previously amended, is further amended as follows:

1. Effective January 1, 2002, Section 1 (Nature of the Plan) is amended by adding the following paragraph at the end thereto:

The Plan contains provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). The EGTRRA provisions are intended as good faith compliance with the requirements of EGTRRA and guidance issued thereunder. Except as otherwise provided, the EGTRRA provisions shall be effective January 1, 2002.

2. Effective January 1, 2002, the definition of "Compensation" in Section 2 (Definitions) is amended in its entirety to read as follows:

Compensation	The compensation of a Participant received from IHOP during the calendar year ending on or about the end of the Plan Year, as reported on the Participant's Wage and Tax Statement (Form W-2), including amounts paid in cash as salary, wages, bonuses, overtime pay, tips and taxable fringe benefits as well as the amount of any elective deferrals made on a Participant's behalf by IHOP to the 401(k) Plan for the Plan Year and any amounts withheld by IHOP pursuant to a "cafeteria plan" under Section 125 of the Code, and effective January 1, 2001 any amounts not includible in an Employee's gross income by reason of Section 132(f)(4) of the Code; but effective January 1, 2002, excluding any amount in excess of $200,000, as adjusted for increases in the cost of living pursuant to Section 401(a)(17) of the Code. Effective January 1, 2002, any amounts withheld because of a "cafeteria plan" under Section 125 of the Code include any amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under Section 125 only if the IHOP does not request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

3. Effective January 1, 2002, the definition of "Statutory Compensation" in Section 2 (Definitions) is amended in its entirety to read as follows:

Statutory Compensation	The total remuneration paid to an Employee by IHOP during the Plan Year for personal services rendered, including the amount of any elective deferrals made on his behalf by IHOP to the 401(k) Plan for the Plan Year and any amounts withheld by IHOP pursuant to a "cafeteria plan" under Section 125 of the Code, but excluding employer contributions to a plan of deferred compensation, amounts realized in connection with stock options and amounts which receive special tax benefits. Effective January 1, 2001 Statutory Compensation shall also include any amount not includible in an Employee's gross income by reason of Section 132(f)(4) of the Code. Effective January 1, 2002, any amounts withheld because of a "cafeteria plan" under Section 125 of the Code include any amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under Section 125 only if the IHOP does not request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

4. Effective January 1, 2002, Section 10(a)(1) is amended in its entirety to read as follows:

(1) A Participant's interest in his Accounts shall become 100% vested and nonforfeitable without regard to his Credited Service if he (A) is employed by IHOP or

an Affiliate on or after attaining 65, (B) terminates Service by reason of Disability, (C) dies while employed by IHOP or an Affiliate, or (D) elects to have cash dividends payable attributable to shares of IHOP Stock held in his IHOP Stock Account reinvested in IHOP Stock as provided in Section 13(a) (but only with respect to such dividends); provided, however, that a Participant's interest is his Account attributable to Safe Harbor Contributions shall be 100% vested and nonforfeitable at all times.

5. Effective for determining required minimum distributions for calendar years beginning on or after January 1, 2003, Section 12(c) is amended by adding the following paragraph to the end thereto:

Notwithstanding any provision of the Plan to the contrary, the minimum amount that must be distributed to the Participant as a required minimum distribution in accordance with Section 12 (c) may not be less than:

(1) the Participant's Capital Accumulation divided by the applicable distribution period described in Section 1.401(a)(9)-9 of the Treasury Regulations based on the Participant's age as of his birthday in the applicable calendar year; or,

(2) if the Participant's sole designated beneficiary is his spouse, the Participant's Capital Accumulation divided by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, based on the Participant's and the spouse's ages as of their birthdays in the applicable calendar year.

6. Effective for all claims filed on or after January 1, 2002, Section 18 (Claims Procedures) is restated in its entirety to read as follows:

Section 18. Claims Procedures

(a) Claims Procedures. A Participant or Beneficiary (the "claimant") who does not receive a distribution of benefits to which he believes he is entitled to may present a claim to the Committee or IHOP Corp. Claims for benefits and requests for reviews of denied claims for benefits shall be administered as follows:

(1) Authorized Representative. The claimant may have an authorized representative to act on the claimant's behalf in pursuing a benefit claim or appeal of the denial of the benefit. In order for a representative to be recognized as acting on behalf of the claimant, the claimant must provide in writing to the Committee the name, address and phone number of his authorized representative and a statement that the representative is authorized to act in his behalf concerning his claim for the benefit, and if applicable, an appeal of the denial of the benefit.

(2) Non-Disability Claims. Except as provided in subsection (3) below, all claims for benefits under the Plan shall be submitted to, and within 90 days thereafter decided by, in writing by the Committee. If the Committee determines that an extension of time for processing the claim is required, the Committee may extend the date by which a decision is required to 180 days after the claim is submitted provided that the Committee provides written notice of the extension to the claimant prior to the termination of the initial 90-day period, including the special circumstances requiring an extension of time and the date by which the Committee expects to render a decision.

(3) Disability Claims. All claims for benefits under the Plan that are based upon the Participant's Disability (each a "Disability Claim") shall be submitted to, and within 45 days thereafter decided by, in writing by the Committee. If the Committee determines that an extension of time for processing the Disability Claim is required, the Committee may extend the date by which a decision is required to 75 days after the Disability Claim is submitted, provided that the Committee provides written notice of the extension to the claimant prior to the termination of the initial 45-day period, including the special circumstances requiring an extension of time and the date by which the Committee expects to render a decision. If the Committee determines that, due to matters beyond the control of the Plan, a decision on a Disability Claim cannot be rendered within 75 days after the Disability Claim is submitted, the Committee may extend the date by which the decision is required to 105 days after the Disability Claim is filed, provided that the Committee notifies the claimant, prior to the expiration of the 75-day period, of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. In the case of any extension of the 45-day or 75-day review period, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the Disability Claim and the additional information needed to resolve those issues, and the claimant shall be afforded at least 45 days within which to provide the specified information.

(b) Information Provided Upon Denial of Claim (Including Disability Claims). Written notice of the decision on each claim (including any Disability Claim) shall be furnished reasonably promptly to the claimant. If the claim is wholly or partially denied, such

written notice shall set forth (i) the specific reason or reasons for the denial, (ii) reference to the specific Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, (iv) a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA, following the denial of a claim on review, (v) in the case of a denial of a Disability Claim, if an internal rule, guideline, protocol, or other criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion, or a statement that such a rule, guideline, protocol, or other similar criterion was relied upon in denying the claim and that a copy of such rule, guideline, protocol, or other criterion will be provided free of charge to the claimant upon request.

(c) Review of Denial of Non-Disability Claim. Except as provided in subsection (d) below, a claimant may request a review by the Committee of a decision denying a claim in writing within 60 days following receipt of the denial. All such reviews shall be decided in writing by the Committee within 60 days after receipt of the request for review. If the Committee determines that an extension of time for processing the review is required, the Committee may extend the date by which a decision is required to 120 days after the request for review is submitted provided that the Committee provide written notice of the extension to the claimant prior to the termination of the initial 60-day period, including the special circumstances requiring an extension of time and the date by which the Committee expects to render a decision.

(d) Review of Denial of Disability Claim. A claimant may request a review by the Board of Directors of a decision denying a Disability Claim in writing within 180 days following receipt of the denial. All such reviews shall be decided in writing by the Board of Directors within 45 days after receipt of the request for review. If the Board of Directors determines that an extension of time for processing the review is required, the Board of Directors may extend the date by which a decision is required to 90 days after the request for review is submitted provided that the Board of Directors provides written notice of the extension to the claimant prior to the termination of the initial 45-day period, including the special circumstances requiring an extension of time and the date by which the Board of Directs expects to render a decision. If the Board of Directors cannot reach a decision about a claimant's request for review because the claimant has not submitted information requested by the Board of Directors, the 45-days (or 45-day extension if applicable) shall be tolled until the date on which the claimant responds to the request for additional information. The Board of Directors may delegate its duty to review denied Disability Claims hereunder provided that the person or entity to whom such duty is delegated shall not be the member of the Committee who conducted the initial review or a subordinate of that Committee member. Any review of a denied Disability Claim hereunder shall be without deference to the Committee's denial of the Disability Claim.

(e) Review Procedures for All Claims. In connection with a review of a denied claim for benefits (including a Disability Claim), a claimant shall (i) have the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits, and (ii) be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim

for benefits. The review of a denied claim shall take into account all comments, documents, records, and other information submitted by the claimant related to the claim, without regard to whether such information was submitted or considered in the initial review of the claim. If a claim is denied upon review, the written notice of the denial shall specify (i) the specific reason or reasons for the denial, (ii) reference to the specific Plan provisions upon which the denial is based, and (iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant to the claimant's claim for benefits.

(f) Additional Review Procedures for Disability Claims. If the denial of a Disability Claim upon review is based in whole or in part on a medical judgment, the Board of Directors or its delegate shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such professional shall be an individual who is neither an individual who was consulted in connection with the initial denial of the Disability Claim nor the subordinate of any such individual. The Board of Directors or its delegate shall provide for the identification of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a denied Disability Claim without regard as to whether the advice was relied upon in making the benefit determination. If an internal rule, guideline or protocol, or other similar criterion was relied upon in denying a Disability Claim upon review, the notice denying such claim upon review shall set forth either the specific rule, guideline, protocol, or other similar criterion, or a statement that such rule, guideline, protocol, or other criterion was relied upon in denying the claim and that a copy of the rule, guideline,

protocol, or other similar criterion will be provided free of charge to the claimant upon request. Any notice denying a Disability Claim upon review shall contain the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

7. Effective January 1, 2002, Section 21 is amended by adding paragraph (d) as follows:

(d) Effective Date. This paragraph (d) shall apply for purposes of determining whether the Plan is a top-heavy plan under Section 416(g) of

the Code effective January 1, 2002. This paragraph modifies Section 22 (a), (b) and (c) of the Plan.

(1) Key Employee. Key employee means any Participant or former Participant (including deceased Participants) who at any time during the Plan Year that includes the determination date was an officer of IHOP Corp. having annual compensation greater than $130,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a five-percent owner of IHOP Corp., or a one-percent owner of IHOP Corp. having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Section 416(i)(1) of the Code and applicable regulations and other guidance of general applicability issued thereunder.

(2) Determination of Account Balances. This Section 21(d)(2) shall apply for purposes of determining the Account balances of Participants as of the determination date.

(A) Distributions during Year Ending on the Determination Date. Account balances of a Participant as of a determination date shall be increased by distributions made with respect to the Participant under the Plan and any other plan aggregated with the Plan under Section 416(g)(2) of the Code during the one-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution

made for a reason other than separation from Service, death or disability, this provision shall be applied by substituting "five-year period" for "one-year period."

(B) Participants Not Performing Services During Year Ending on the Determination Date. The Accounts of any individual who has not performed services for IHOP Corp. during the one-year period ending on the determination date shall not be taken into account.

(2) Matching Contributions. IHOP matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the Plan. IHOP matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code.

To record this Amendment No. 3 of the Plan, the Company has caused it to be executed on this day of December, 2002.

IHOP CORP.

By _____

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EXHIBIT 11.0

IHOP CORP. AND SUBSIDIARIES
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS
(in thousands, except per share data)

	Year Ended December 31,		
	2002	2001	2000
INCOME PER SHARE—BASIC			
Weighted average common shares outstanding	20,946	20,398	20,017
Net income available to common shareholders	$ 40,848	$ 40,288	$ 35,338
Net income per share—basic	$ 1.95	$ 1.98	$ 1.77
NET INCOME PER SHARE—DILUTED			
Weighted average common shares outstanding	20,946	20,398	20,017
Net effect of dilutive stock options based on the treasury stock method using the average market price	323	364	246
Total	21,269	20,762	20,263
Net income available to common shareholders	$ 40,848	$ 40,288	$ 35,338
Net income per share—diluted	$ 1.92	$ 1.94	$ 1.74

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EXHIBIT 11.0

EXHIBIT 21.0

IHOP CORP. and SUBSIDIARIES

List of Subsidiaries

Listed below are the subsidiaries of IHOP Corp. which are directly or indirectly 100% owned as of December 31, 2001.

Blue Roof Advertising, Inc.	United States
IHOP Enterprises, Inc.	United States
IHOP Properties, Inc.	United States
IHOP Realty Corp.	United States
III Industries of Canada, Ltd.	Canada
International House of Pancakes, Inc.	United States

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EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-46361 and 333-71768) of IHOP Corp. of our report dated February 14, 2003 relating to the consolidated financial statements, which appears in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Los Angeles, California
March 25, 2003

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CONSENT OF INDEPENDENT ACCOUNTANTS

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.1

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of IHOP Corp. (the "Company") on Form 10-K for the fiscal year ended December 31, 2002, as filed with the Securities and Exchange Commission on March 28, 2003 (the "Report"), Julia A. Stewart, as President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 28, 2003

/s/ JULIA A. STEWART

Julia A. Stewart
President and Chief Executive Officer

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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Exhibit 99.1

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Exhibit 99.2

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of IHOP Corp. (the "Company") on Form 10-K for the fiscal year ended December 31, 2002, as filed with the Securities and Exchange Commission on March 28, 2003 (the "Report"), Tom Conforti, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 28, 2003

/s/ TOM CONFORTI

Tom Conforti
Chief Financial Officer (Principal Financial Officer)

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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Exhibit 99.2