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IHOP CORP. AND SUBSIDIARIES INDEX

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from to

Commission File Number 001-15283

IHOP CORP.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-3038279** (I.R.S. Employer Identification No.)
450 North Brand Boulevard, Glendale, California (Address of principal executive offices)	**91203-1903** (Zip Code)

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

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

Class	Outstanding as of October 18, 2007
Common Stock, $.01 par value	16,995,612

IHOP CORP. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

IHOP CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	September 30, 2007	December 31, 2006
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 33,838	$ 19,516
Receivables, net	42,761	45,571
Reacquired franchises and equipment held for sale, net	137	—
Inventories	322	396
Prepaid expenses	8,686	7,493
Deferred income taxes	6,209	5,417
Total current assets	91,953	78,393
Long-term receivables	291,282	302,088
Property and equipment, net	296,522	309,737
Goodwill	10,767	10,767
Deferred rent	69,392	61,763
Deferred income taxes	13,279	—
Other assets	27,938	6,122
Total assets	$ 801,133	$ 768,870
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ —	$ 19,738
Accounts payable	14,109	14,689
Accrued employee compensation and benefits	12,351	13,359
Derivative financial instrument	70,306	—
Other accrued expenses	10,708	11,317
Capital lease obligations	5,500	5,002
Total current liabilities	112,974	64,105
Long-term debt, less current maturities	175,000	94,468
Deferred income taxes	61,474	76,017
Capital lease obligations	166,253	170,412
Other liabilities	77,554	74,655
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $1 par value, 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.01 par value, 40,000,000 shares authorized; September 30, 2007: 23,249,424 shares issued and 16,995,229 shares outstanding; December 31, 2006: 22,818,007 shares issued and 17,873,548 shares outstanding	229	227
Additional paid-in capital	147,442	131,748
Retained earnings	359,269	358,975
Accumulated other comprehensive loss	(21,408)	(133)
Treasury stock, at cost (6,254,195 shares and 4,944,459 shares at September 30, 2007 and December 31, 2006, respectively)	(277,654)	(201,604)
Total stockholders' equity	207,878	289,213
Total liabilities and stockholders' equity	$ 801,133	$ 768,870

See the accompanying Notes to Consolidated Financial Statements.

IHOP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Revenues				
Franchise revenues	$ 48,782	$ 45,961	$ 142,766	$ 133,706
Rental income	33,242	33,428	99,310	99,032
Company restaurant sales	4,546	3,492	13,155	9,649
Financing revenues	4,785	5,156	15,735	19,241
Total revenues	91,355	88,037	270,966	261,628
Costs and Expenses				
Franchise expenses	22,478	21,520	65,068	61,244
Rental expenses	24,678	24,371	73,853	73,526
Company restaurant expenses	5,109	4,054	14,984	10,941
Financing expenses	38,676	2,092	43,627	9,961
General and administrative expenses	17,842	16,230	48,066	46,508
Other expense, net	1,315	1,567	3,800	3,718
Early debt extinguishment costs	—	—	2,223	—
Total costs and expenses	110,098	69,834	251,621	205,898
Income (loss) before provision for income taxes	(18,743)	18,203	19,345	55,730
Provision (benefit) for income taxes	(7,127)	6,880	5,518	21,507
Net (Loss) Income	$ (11,616)	$ 11,323	$ 13,827	$ 34,223
Net Income Per Share				
Basic	$ (0.69)	$ 0.63	$ 0.80	$ 1.88
Diluted	$ (0.69)	$ 0.62	$ 0.80	$ 1.86
Weighted Average Shares Outstanding				
Basic	16,935	17,921	17,310	18,168
Diluted	16,935	18,123	17,351	18,381
Dividends Declared Per Share	$ 0.25	$ 0.25	$ 0.75	$ 0.75
Dividends Paid Per Share	$ 0.25	$ 0.25	$ 0.75	$ 0.75

See the accompanying Notes to Consolidated Financial Statements.

IHOP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities		
Net income	$ 13,827	$ 34,223
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation and amortization	16,461	15,042
Debt extinguishment costs	2,223	—
Loss on derivative financial instrument	35,618	—
Deferred income taxes	(15,690)	7,358
Stock-based compensation expense	3,820	2,902
Tax benefit from stock-based compensation	2,991	594
Excess tax benefit from stock-based compensation	(2,689)	(594)
Gain on sale of land	(98)	—
Changes in operating assets and liabilities		
Receivables	961	2,020
Inventories	74	178
Prepaid expenses	(1,193)	(315)
Accounts payable	(6,718)	(6,886)
Accrued employee compensation and benefits	(1,008)	(210)
Other accrued expenses	2,480	2,794
Deferred rent	(4,304)	(4,201)
Other	(444)	973
Cash flows provided by operating activities	46,311	53,878
Cash flows from investing activities		
Additions to property and equipment	(2,246)	(7,373)
Business acquisition costs	(6,512)	—
Additions and reductions to long-term receivables	611	255
Principal receipts from notes and equipment contracts receivable	12,044	13,129
Additions to reacquired franchises held for sale	(169)	(581)
Property insurance proceeds, net	(415)	2,034
Proceeds from sale of land	795	—
Cash flows provided by investing activities	4,108	7,464
Cash flows from financing activities		
Proceeds from issuance of long-term debt, including revolving line of credit	208,000	—
Repayment of long-term debt	(147,206)	(1,566)
Payment of debt issuance costs	(14,491)	—
Prepayment penalties on early debt extinguishment	(1,219)	—
Principal payments on capital lease obligations	(3,661)	(3,252)
Dividends paid	(13,044)	(13,681)
Purchase of treasury stock	(77,020)	(42,695)
Reissuance of treasury stock	970	—
Proceeds from stock options exercised	8,885	2,557
Excess tax benefit from stock-based compensation	2,689	594
Cash flows used in financing activities	(36,097)	(58,043)
Net change in cash and cash equivalents	14,322	3,299
Cash and cash equivalents at beginning of period	19,516	23,111
Cash and cash equivalents at end of period	$ 33,838	$ 26,410
Supplemental disclosures		
Interest paid	$ 23,383	$ 20,894
Income taxes paid	19,200	17,350
Capital lease obligations incurred	—	1,840

See the accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General: The accompanying unaudited consolidated financial statements of IHOP Corp. (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

2. Presentation: The Company's fiscal quarter ends on the Sunday closest to the last day of each calendar quarter. For convenience, we report all fiscal quarter endings on March 31, June 30, September 30 and December 31.

3. Segments: Our revenues and expenses are recorded in four categories: franchise operations, rental operations, company restaurant operations and financing operations.

Franchise operations revenue consists primarily of royalty revenues, sales of proprietary products, advertising fees and the portion of franchise fees allocated to the Company's intellectual property. Franchise operations expenses include contributions to the national advertising fund, the cost of proprietary products, pre-opening training expenses and other franchise related costs.

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

Company restaurant sales are retail sales at company-operated restaurants. Company restaurant expenses are operating expenses at company-operated restaurants and include food, labor and benefits, utilities, rent and other restaurant operating costs.

Financing operations revenue consists of the portion of franchise fees not allocated to the Company's intellectual property and sales of equipment as well as interest income from the financing of franchise fees and equipment leases. Financing operations expenses are primarily the cost of restaurant equipment and interest expense not associated with capital leases.

Information on segments is as follows:

	Franchise Operations	Rental Operations	Company Restaurant Operations	Financing Operations	General and Administrative and Other	Consolidated Total
			(In thousands)			
Three Months Ended September 30, 2007						
Revenues from external customers	$ 48,782	$ 33,242	$ 4,546	$ 4,785	$ —	$ 91,355
Depreciation and amortization	—	3,055	230	—	2,346	5,631
Interest expense	—	5,134	125	38,248	—	43,507
Benefit for income taxes	—	—	—	—	(7,127)	(7,127)
Income (loss) before provision for income taxes	26,304	8,564	(563)	(33,891)	(19,157)	(18,743)
Three Months Ended September 30, 2006						
Revenues from external customers	$ 45,961	$ 33,428	$ 3,492	$ 5,156	$ —	$ 88,037
Intercompany real estate charges	—	5,137	92	—	(5,229)	—
Depreciation and amortization	—	1,552	94	—	3,408	5,054
Interest expense	—	5,317	272	1,970	—	7,559
Provision for income taxes	—	—	—	—	6,880	6,880
Income (loss) before provision for income taxes	24,441	9,057	(562)	3,064	(17,797)	18,203
Nine Months Ended September 30, 2007						
Revenues from external customers	$ 142,766	$ 99,310	$ 13,155	$ 15,735	$ —	$ 270,966
Intercompany real estate charges	—	3,424	141	—	(3,565)	—
Depreciation and amortization	—	8,997	669	—	6,795	16,461
Interest expense	—	15,663	371	42,685	—	58,719
Provision for income taxes	—	—	—	—	5,518	5,518
Income (loss) before provision for income taxes	77,698	25,457	(1,829)	(27,892)	(54,089)	19,345
Nine Months Ended September 30, 2006						
Revenues from external customers	$ 133,706	$ 99,032	$ 9,649	$ 19,241	$ —	$ 261,628
Intercompany real estate charges	—	15,399	191	—	(15,590)	—
Depreciation and amortization	—	4,727	257	—	10,058	15,042
Interest expense	—	16,069	417	5,955	—	22,441
Provision for income taxes	—	—	—	—	21,507	21,507
Income (loss) before provision for income taxes	72,462	25,506	(1,292)	9,280	(50,226)	55,730

4. Stock-Based Compensation: From time to time, the Company grants stock options and restricted stock to officers, directors and employees of the Company under the 2001 Stock Incentive Plan (the "2001 Plan") and the 2005 Stock Incentive Plan for Non-Employee Directors (the "2005 Plan"). The stock options generally vest over a three-year period and have a maturity of ten years from the issuance date. Option exercise prices equal the closing price of the common stock on the New York Stock Exchange on the date of grant. Restricted stock provides for the issuance of a share of the Company's common stock at no cost to the holder and generally vests over terms determined by the Compensation Committee of the Company's Board of Directors. The restricted stock generally vests only if the employee is actively employed by the Company on the vesting date, and unvested restricted shares are forfeited upon termination, retirement before age 65, death or disability, unless the Compensation Committee of the Company's Board of Directors determines otherwise. When vested options and restricted stock are issued, the Company generally issues new shares from its authorized but unissued share pool or utilizes treasury stock. Stock-based compensation for the nine months ended September 30, 2007 of $3.8 million has been recognized as a component of general and administrative expenses in the accompanying Consolidated Financial Statements.

The estimated fair values of the options granted year to date 2007 were calculated using a Black-Scholes option pricing model. The following summarizes the assumptions used in the 2007 Black-Scholes model:

Risk-free interest rate	4.63%
Weighted average volatility	21.0%
Dividend yield	1.82%
Expected years until exercise	5.0
Forfeitures	6.72%
Weighted average fair value of options granted	$12.27

The following table summarizes the components of the Company's stock-based compensation programs recorded as expense (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Restricted Stock:				
Pre-tax compensation expense	$ 1,191	$ 576	$ 2,783	$ 1,386
Tax benefit	(453)	(218)	(794)	(535)
Restricted stock expense, net of tax	$ 738	$ 358	$ 1,989	$ 851
Stock Options:				
Pre-tax compensation expense	$ 384	$ 467	$ 1,037	$ 1,516
Tax benefit	(146)	(176)	(296)	(585)
Stock option expense, net of tax	$ 238	$ 291	$ 741	$ 931
Total Stock-Based Compensation:				
Pre-tax compensation expense	$ 1,575	$ 1,043	$ 3,820	$ 2,902
Tax benefit	(599)	(394)	(1,090)	(1,120)
Total Stock-Based compensation expense, net of tax	$ 976	$ 649	$ 2,730	$ 1,782

As of September 30, 2007, $12.5 million and $1.0 million (including forfeitures) of total unrecognized compensation cost related to restricted stock and stock options, respectively, is expected to be recognized over a weighted average period of approximately 2.2 years for restricted stock and 0.6 years for stock options.

Option activity under the Company's stock option plan as of September 30, 2007 and changes during the nine months ended September 30, 2007 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007	824,789	$ 34.71		
Granted	5,300	55.02		
Exercised	(281,467)	31.65		
Forfeited	(7,816)	48.67		
Outstanding at September 30, 2007	540,806	$ 36.30	5.77	$ 14,617,808
Vested and Expected to Vest at September 30, 2007	527,069	$ 36.00	5.72	$ 14,406,345
Exercisable at September 30, 2007	443,131	$ 33.73	5.37	$ 13,115,488

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the third quarter of 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on September 30, 2007. The amount of aggregate intrinsic value will change based on the fair market value of the Company's stock and the number of in-the-money options.

A summary of activity related to restricted stock for the nine months ended September 30, 2007 is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2007	170,300	$ 50.32
Granted	162,650	59.07
Forfeited	(12,200)	52.64
Nonvested at September 30, 2007	320,750	$ 54.67

5. New Accounting Pronouncements: In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* ("SFAS No. 157") which defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined. SFAS No. 157 may require companies to provide additional disclosures based on that hierarchy. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact adoption of SFAS No. 157 may have on our consolidated financial statements.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option of Financial Assets and Financial Liabilities* ("SFAS No. 159"), which permits entities to measure many financial instruments and certain other items of fair value. SFAS No. 159's overall objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge

accounting provisions. SFAS No. 159 applies to all entities, including not-for-profit organization, and most of its provisions apply only to entities that elect the fair value option, although FAS 159's amendment to FAS 115 applies to all entities with available-for-sale and trading securities. This Statement shall be effective as of the beginning of each reporting entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the first interim period of earlier fiscal years, provided the entity also elects to early adopt SFAS No. 157, Fair Value Measurements. We are currently evaluating the impact adoption of SFAS No. 159 may have on our consolidated financial statements.

6. Hedging Activities: The Company utilizes derivative financial instruments to manage its exposure to interest rate risks. The Company accounts for derivatives in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133"). All derivatives are recognized on the balance sheet at their fair value. On the date that the Company enters into a derivative contract, management formally documents all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedge transactions.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge (a "swap"), to the extent that the hedge is effective, are recorded in accumulated other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction. The Company measures effectiveness of the swap at each quarter end, using the Hypothetical Derivative Method. Under this method, hedge effectiveness is measured based on a comparison of the change in fair value of the actual swap designated as the hedging instrument and the change in fair value of the hypothetical swap which would have the terms that identically match the critical terms of the hedged cash flows from the anticipated debt issuance. The amount of ineffectiveness, if any, recorded in earnings would be equal to the excess of the cumulative change in the fair value of the swap over the cumulative change in the fair value of the plain vanilla swap lock, as defined in the accounting literature.

7. Income Taxes: The Company or one of its subsidiaries files income tax returns in the federal jurisdiction, Canada and various state jurisdictions. With few exceptions, the Company is no longer subject to federal, state or non-U.S. income tax examinations by tax authorities for years before 2004 for federal and 2000 for other jurisdictions. In November 2006, the Company reached a settlement with respect to the Internal Revenue Service examination of the Company's federal income tax returns for the years 2000 through 2003. The settlement requires the Company to accelerate the recognition of income related to the reporting of initial franchise fees for the years under examination. As a result of the settlement, the Company recognized additional taxable income of $21.9 million in total for the tax years 2000 through 2003 and paid additional tax and interest of $11.0 million. As provided in the settlement, the Company is entitled to deduct the reversal of the $21.9 million in the tax years 2004 through 2008 at a rate of $4.4 million per year.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("Interpretation 48"), on January 1, 2007. As a result of the implementation of Interpretation 48, the Company recognized approximately a $0.7 million increase in the liability for unrecognized tax benefits, excluding related income tax benefits, which was accounted for as a reduction of retained earnings at January 1, 2007.

The total unrecognized tax benefit as of December 31, 2006 was $4.4 million, excluding interest, penalties and related income tax benefits, including interest. The $4.4 million would be included in the effective tax rate if recognized. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as a component of income tax expense. As of December 31, 2006, the accrued interest and penalties were $1.0 million and $0.1 million, respectively, excluding any related income tax benefits.

As a result of the lapse of the applicable statute of limitations during the quarter ended June 30, 2007, uncertainty related to the recognition of certain income was eliminated, resulting in a $2.0 million tax benefit. For the quarter ended September 30, 2007, the Company recognized approximately a $0.1 million increase in the liability for unrecognized tax benefits, excluding related income tax benefits, related to additional unrecognized tax benefits partially offset by payments of state income tax audits. The remaining total unrecognized tax benefit as of September 30, 2007 was $3.5 million, excluding interest, penalties and related income tax benefits.

8. Securitized Debt: *Securitization Transaction.* On March 16, 2007, IHOP Franchising, LLC and its wholly owned subsidiary, IHOP IP, LLC (collectively, the "Co-Issuers"), issued $175 million of Series 2007-1 Fixed Rate Notes (the "Fixed Rate Notes") and completed a securitized financing facility providing for the issuance of up to $25 million of 2007-2 Variable Funding Notes (the "Variable Funding Notes" and together with the Fixed Rate Notes, the "Notes"). The Notes are the first issuances under a program that will allow the Co-Issuers to make additional borrowings through the sale of new series of notes from time to time.

The Fixed Rate Notes and the Variable Funding Notes were issued under a Base Indenture dated March 16, 2007 (the "Base Indenture") and related Series Supplements, each dated March 16, 2007 (together with the Base Indenture, the "Indenture") among the Co-Issuers and Wells Fargo Bank, National Association, as the Indenture Trustee. The Notes are secured under the Indenture by various types of collateral as described herein. The Notes were issued in private transactions.

Fixed Rate Notes. The Fixed Rate Notes have a stated fixed interest rate of 5.144% per annum, an anticipated repayment date in March 2012, and a legal final payment date in March 2037. The effective interest rate on the Fixed Rate Notes is anticipated to be 7.218%, after taking account of the premium on the Insurance Policy (described below under "Third Party Credit Enhancement") and the amortization of certain transaction related expenditures. The anticipated repayment date of the Fixed Rate Notes may be extended for two successive one-year periods at the election of the Co-Issuers subject to satisfaction of certain conditions as specified in the Indenture. The interest rate on the Fixed Rate Notes would increase by 0.25% during any such extension period.

Variable Funding Notes. The Variable Funding Notes allow for drawings on a revolving basis and have been issued pursuant to the Series 2007-2 Note Purchase Agreement, dated March 16, 2007 (the "Variable Funding Note Purchase Agreement"), among the Co-Issuers, International House of Pancakes, Inc. ("IHOP Inc."), as Servicer, Wells Fargo Bank, National Association, as Indenture Trustee and Administrative Agent, and certain investors and financial institutions. The Variable Funding Notes will be governed by the Variable Funding Note Purchase Agreement and by certain generally applicable terms contained in the Indenture. Interest on the Variable Funding Notes will generally be payable (a) in the event that commercial paper is issued to fund the Variable Funding Notes, at the rate, which is the per annum rate equivalent to the weighted average of the per annum rate payable by the commercial paper conduit in respect of promissory notes issued by the commercial paper conduit to fund the Variable Funding Notes, and (b) in the event that other means are used to fund the Variable

Funding Notes, at per annum rates equal to (i) a base rate of either the prime rate or the Federal funds rate, plus 0.40%, or (ii) a Eurodollar rate to be determined by reference to the British Banker's Association Interest Settlement Rates for deposits in dollars for the applicable period. While no drawing was made on the Variable Funding Notes at closing, it is expected that amounts will be drawn under the Variable Funding Notes from time to time as needed by the Co-Issuers in connection with the operation of the IHOP franchising business. In the second quarter of 2007, a total of $18.0 million was drawn on the Variable Funding Notes for share repurchases, all of which was paid back during the third quarter of 2007. There is a commitment fee on the unused portion of the Variable Funding Notes of 0.15% per annum.

New Subsidiaries. The Co-Issuers are newly created indirect wholly-owned subsidiaries of the Company that hold substantially all of the franchising assets used in the operation of the IHOP restaurant franchising business. In connection with the securitization transaction, two other limited liability companies, IHOP Property Leasing, LLC and IHOP Real Estate, LLC, were formed as subsidiaries of IHOP Franchising, LLC and an existing subsidiary, IHOP Properties, Inc. was transferred to IHOP Franchising, LLC and converted to a limited liability company. On and after the closing of the securitization transaction, these three subsidiaries (the "Real Estate Subsidiaries") own the real property assets related to the IHOP franchising business, including the fee and leasehold interests on the real property on which many IHOP restaurants are located and the related leases and sub-leases, respectively, to franchisees.

Assets Transferred to Subsidiaries; Collateral for the Notes. In connection with the securitization transaction, the franchise agreements, franchise notes, area license agreements (related to the United States and Mexico), product sales agreements, equipment leases and other assets related to the IHOP franchising business were transferred to IHOP Franchising, LLC, the intellectual property related to the IHOP franchise business, among other things, was transferred to IHOP IP, LLC, the fee interests in real property and related franchisee leases were transferred to IHOP Real Estate, LLC and certain of the leasehold interests related to the IHOP franchised restaurants and the related subleases to franchisees were transferred to IHOP Property Leasing, LLC. The remaining leasehold interests and franchisee subleases are owned by IHOP Properties, LLC. The Co-Issuers have pledged all of their assets to the Indenture Trustee as security for the Notes. Although the Notes are expected to be repaid solely from these subsidiaries' assets, the Notes are solely obligations of the Co-Issuers and none of the Company, its direct or indirect subsidiaries, including the Real Estate Subsidiaries, guarantee or are in any way liable for the Co-Issuers' obligations under the Indenture, the Notes or any other obligation in connection with the issuance of the Notes. The Company has agreed, however, to guarantee the performance of the obligations of IHOP Inc., its wholly owned direct subsidiary, in connection with the servicing of the assets included as collateral for the Notes and certain indemnity obligations relating to the transfer of the collateral assets to the Co-Issuers and the Real Estate Subsidiaries.

Third Party Credit Enhancement. The Notes are rated "Aaa," and "AAA" by Moody's Investors Services, Inc. and Standard & Poor's Ratings Services, respectively. Timely payment of interest (other than contingent interest) and the outstanding principal of the Notes are insured under a financial guaranty insurance policy issued by Financial Guaranty Insurance Company ("FGIC"), the obligations of which are rated "Aaa" and "AAA." The insurance policy has been issued under an Insurance and Indemnity Agreement among FGIC, the Company and various subsidiaries of the Company.

Covenants/Restrictions. The Notes are subject to a series of covenants and restrictions under the Indenture customary for transactions of this type, including those relating to (i) the maintenance of specified reserve accounts to be used to make required payments in respect of the Notes, (ii) certain

debt service coverage ratios to be met, the failure of which may result in early amortization of the outstanding principal amounts due in respect of the Notes or removal of IHOP Inc., as servicer, among other things, (iii) optional prepayment subject to certain conditions, (iv) the Company's maintenance of more than 50% ownership interest in IHOP Inc. and a restriction on the Company's merger with unaffiliated entities, unless the Company is the surviving entity or the surviving entity assumes all of the Company's obligations in connection with the securitization transaction and certain other conditions are satisfied, (v) limitations on indebtedness that may be incurred by the Company on a consolidated basis, and (vi) recordkeeping, access to information and similar matters. The Notes are also subject to customary events of default, including events relating to non-payment of interest and principal due on or in respect of the Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breach of representations and warranties, failure of security interest to be effective, a valid claim being made under the relevant insurance policy and the failure to meet the applicable debt service coverage ratio.

Use of Proceeds. The net proceeds from the sale of the Fixed Rate Notes on March 16, 2007 were $171.7 million. Of this amount, $114.2 million was used to repay existing indebtedness of the Company; $2,408,000 was deposited into an interest reserve account for the Fixed Rate Notes; and $3,110,000 was deposited into a lease payment account for payment to third-party property lessors. The Company used the remaining proceeds primarily to pay the costs of the transaction and for share repurchases. In the second quarter of 2007, a total of $18.0 million was drawn on the Variable Funding Notes for share repurchases, all of which was repaid during the third quarter of 2007.

9. Business Acquisition: *Acquisition.* The Company and its wholly owned subsidiary, CHLH Corp., a Delaware corporation ("Merger Sub," and, together with the Company, the "Purchasers"), have entered into an Agreement and Plan of Merger, dated as of July 15, 2007 (the "Merger Agreement"), with Applebee's International, Inc., a Delaware corporation ("Applebee's"). Pursuant to the terms of the Merger Agreement, Merger Sub will be merged with and into Applebee's (the "Merger"), and Applebee's will continue as the surviving corporation in the Merger and as a wholly owned subsidiary of the Company (the "Surviving Company").

At the effective time of the Merger, each outstanding share of common stock of Applebee's (the "Common Stock") (other than treasury shares, shares held by the Company, Merger Sub or any subsidiary of Applebee's, and shares with respect to which appraisal rights are perfected in accordance with Section 262 of the Delaware General Corporation Law ("Section 262")), will be automatically converted into the right to receive $25.50 in cash, without interest (the "Merger Consideration"), representing a total transaction value of approximately $2.1 billion.

Shares with respect to which appraisal rights are perfected in accordance with Section 262 will not be converted into the Merger Consideration, and, instead, holders of such shares will be entitled to payment of the fair value of such shares in accordance with Section 262.

The Merger does not require the approval of the Company's stockholders and is not conditioned on receipt of financing by the Company. However, the Merger is subject to customary closing conditions, including the approval of Applebee's stockholders and the receipt of required antitrust approvals or clearances, which clearance was received in August 2007. A special meeting of the Applebee's shareholders for the purpose of voting on the proposed Merger is scheduled for October 30, 2007.

The Purchasers and Applebee's have made customary representations and warranties in the Merger Agreement and have agreed to customary covenants, including Applebee's covenant regarding

operation of its business prior to the closing and Applebee's covenant prohibiting Applebee's, its subsidiaries and its representatives from soliciting, or providing confidential information or entering into discussions with respect to alternative transactions, except in limited circumstances relating to proposals that constitute, or are reasonably likely to lead to, a superior proposal.

The Merger Agreement provides that, upon termination under specified circumstances related to a competing acquisition proposal, Applebee's would be required to pay a termination fee of $60 million to the Company.

The Company intends to finance the Merger with a combination of debt and equity financing. The debt financing is expected to be comprised of two separate securitization transactions consisting of an additional issuance of asset-backed notes under the existing IHOP securitization program and the issuance of asset-backed notes under a securitization program to be established for Applebee's assets. The Company has secured a bridge facility commitment to fund the transaction pending the completion of both securitizations. If the asset-backed notes to be issued under both securitization programs have not been sold before the Merger, the Company may utilize up to $2.139 billion of bridge credit facilities (the "Bridge Facilities") provided by Lehman Brothers Inc., Lehman Brothers Commercial Bank and Lehman Commercial Paper Inc. (collectively, "Lehman"). Pursuant to a commitment letter, dated July 15, 2007 (the "Commitment Letter"), Lehman has committed to provide the Bridge Facilities, consisting of (i) a first lien term loan of up to $1.85 billion, (ii) a first lien revolving credit facility of up to $100 million, and (iii) a second lien term loan of up to $189 million.

Lehman's commitment is subject to the satisfaction of certain customary conditions, including the execution of satisfactory documentation, the consummation of the equity financing described below, its receipt of the Company's and Applebee's interim financial statements and other financial information, the satisfaction of the conditions in the Merger Agreement that are material to the interests of the lenders under the Bridge Facilities, the accuracy of certain specified representations and warranties, the granting of liens for the benefit of the lenders under the Bridge Facilities and the obtaining by the Company of waivers and amendments to the existing IHOP securitization program. The Commitment Letter terminates on the earlier to occur of (i) the consummation of the Merger without utilization of the Bridge Facilities, (ii) the termination of the Merger Agreement and (iii) April 15, 2008. Loans will bear interest at either LIBOR or the higher of (i) the Federal Funds rate, as published by the Federal Reserve Bank of New York, plus $^{1}/_{2}$ of 1%, and (ii) the prime commercial lending rate, in each case, plus a certain margin. The Bridge Facilities will be secured by substantially all of Applebee's assets and any assets not subject to the Company's existing financing arrangements.

The equity financing consists of preferred stock to be sold to MSD SBI, L.P., an affiliate of MSD Capital, L.P. ("MSD"), and affiliates of Chilton Investment Company, LLC (collectively, "Chilton"). The Company has entered into a stock purchase agreement, dated as of July 15, 2007 (the "MSD Stock Purchase Agreement"), with MSD, pursuant to which MSD has agreed to purchase, concurrently with the closing of the Merger, between $50.0 million and $133.8 million of a newly created series of perpetual preferred stock of the Company (the exact dollar amount of the investment to be specified by the Company at least two business days prior to the closing). In addition, the Company has entered into a stock purchase agreement, dated as of July 15, 2007 (the "Chilton Stock Purchase Agreement"), with Chilton, pursuant to which Chilton has agreed to purchase, concurrently with the closing of the Merger, $35.0 million of a newly created series of convertible preferred stock of the Company (convertible into shares of the Company's common stock). MSD's and Chilton's obligations to purchase the preferred stock are subject to specified conditions, including the simultaneous closing of the transaction contemplated by the Merger Agreement.

Interest Rate Swap Agreement. On July 16, 2007, IHOP Corp. entered into an interest rate swap transaction (the "Swap") with Lehman Brothers Special Financing Inc. ("LBSFI"), guaranteed by Lehman Brothers Holdings, Inc. ("LBHI"). The Swap is intended to hedge the Company's interest payments on the asset-backed notes expected to be issued between November 2007 and July 2008 under a securitization program to finance the Company's proposed acquisition of Applebee's.

The Swap sets forth the terms of a five-year interest rate swap in which the Company would be the fixed rate payer and LBSFI would be the floating rate payer (the "Reference Swap"). The Reference Swap has an effective date of July 16, 2008, a notional amount of $2.039 billion, a floating rate of LIBOR and a fixed rate of 5.694%. The Swap provides that in all cases the Reference Swap will be terminated rather than come into effect.

The Swap is contingent upon the Company completing both the acquisition of Applebee's and the related securitization program by July 16, 2008. If either of those events does not occur by that date, the Reference Swap will terminate at no cost to either party unless the acquisition is terminated due to a breach by the Company. If both of those events do occur by that date, the Reference Swap will be terminated at the time the securitization occurs and the related termination payment by or to the Company will hedge the Company's interest payments on the asset-backed notes.

For the quarter ended September 30, 2007, the fair value of the Swap was $70.3 million. Using the Hypothetical Derivative Method (see Note 6), the Company determined that the change in fair value of the effective portion of the Swap amounted to $34.7 million ($21.4 million net of tax effect) and is included as "Accumulated other comprehensive loss" in the accompanying Consolidated Balance Sheets. The Company also determined, based upon management's estimate of future pay down of the related debt, that the change in fair value of the ineffective portion of the Swap resulted in additional interest expense of $35.6 million for the three months and nine months ended September 30, 2007, which is included in the accompanying Consolidated Statements of Income.

Acquisition Related Expenditures. To date, the Company has incurred approximately $12.7 million in costs associated with the merger and financing of the Applebee's transaction. These costs include a portion of the fees payable to the investment banker, charges associated with the Company's due diligence efforts and expenses related to the negotiation and financing of the deal and have been capitalized in other assets in the accompanying Consolidated Balance Sheets as of September 30, 2007.

Litigation. On July 26, 2007, New Jersey Building Laborers Pension and Annuity Funds filed a class action lawsuit on behalf of the public shareholders of Applebee's against Applebee's, each member of the Applebee's Board of Directors and the Company. The complaint, which was filed in the Court of Chancery for the State of Delaware (No. 3124), alleges that Applebee's and its directors breached their fiduciary duties to Applebee's stockholders because they failed to properly value Applebee's; failed to shop Applebee's in an open and fair process that was designed to achieve the highest price; and they favored the Company by not shopping Applebee's before agreeing to the proposed acquisition of Applebee's by the Company. The plaintiffs allege that the Company aided and abetted such breaches of fiduciary duties. The suit seeks an injunction of the proposed merger or, alternatively, rescission and unspecified damages in the event that the proposed merger is consummated. The parties to the litigation have agreed in principle to the broad terms of a disclosure-based settlement as described in a Memorandum of Understanding executed on behalf of the parties by their respective attorneys and submitted to the Delaware Court of Chancery on October 12, 2007. As a result, certain disclosures were added to the Applebee's proxy statement in support of the merger.

To satisfy its fiduciary obligations to the proposed class, plaintiff's counsel has undertaken "confirmatory" discovery to confirm that the terms of the settlement are fair. Assuming that plaintiff's counsel remains satisfied with the settlement after confirmatory discovery, the parties will present the settlement to the court for its approval. A formal stipulation is to be prepared within ten (10) business days of the completion of confirmatory discovery.

The Company does not believe, based on current knowledge, that the foregoing legal proceedings are likely to have a material adverse effect on its consolidated financial position, results of operations or cash flows.

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

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements in certain circumstances. Certain forward-looking statements are contained in this report. They use such words as "may," "will," "expect," "believe," "plan," or other similar terminology, and include statements regarding the timing and certainty of closing the Merger, strategic and financial benefits of the Merger, expectations regarding accretion, integration and cost savings, and other financial guidance. These statements involve known and unknown risks, uncertainties and other factors, which 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 strategic growth plan; the availability of suitable locations and terms for the sites designated for development; the ability of franchise developers to fulfill their commitments to build new IHOP restaurants in the numbers and time frames covered by their development agreements; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; uncertainty as to whether the Merger will be completed; the failure to obtain the approval of Applebee's stockholders; the inability to obtain, or meet conditions imposed for, applicable regulatory requirements relating to the Merger; the failure of either party to meet the closing conditions set forth in the definitive agreement; the Company's failure to obtain financing for the Merger on satisfactory terms or at all; risks associated with successfully integrating the Company and Applebee's; risks associated with executing the Company's strategic plan for Applebee's; risks associated with the Company's incurrence of significant indebtedness to finance the Merger; the failure to realize the synergies and other perceived advantages resulting from the Merger; costs and potential litigation associated with the Merger; the ability to retain key personnel both before and after the Merger; conditions beyond the Company's control such as weather, natural disasters, disease outbreaks, epidemics or pandemics impacting the Company's customer base or food supplies or acts of war or terrorism; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the IHOP, International House of Pancakes and Applebee's brands and concepts by guests and franchisees; the Company's and Applebee'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 the Company's and Applebee's press releases, public statements and/or filings with the Securities and Exchange Commission, especially the "Risk Factors" sections of the Annual and Quarterly Reports on Forms 10-K and 10-Q of the Company and Applebee's.

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Restaurant Data

The following table sets forth, for the current year and prior year, the number of effective restaurants in the IHOP system, and information regarding the percentage change in sales at those restaurants compared to the same period in the prior year. "Effective restaurants" are the number of restaurants in a given period, adjusted to account for restaurants open for only a portion of the period. Information is presented for all effective restaurants in the IHOP system, which includes IHOP restaurants owned by the Company, as well as those owned by franchisees and area licensees. Sales of restaurants that are owned by franchisees and area licensees are not attributable to the Company. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties and advertising fees that are usually based on a percentage of their sales, as well as rental payments under leases that are usually based on a percentage of their sales. Management also uses this information to make decisions about future plans for the development of additional restaurants as well as evaluation of current operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Restaurant Data				
Effective restaurants(a)				
Franchise	1,151	1,099	1,139	1,088
Company	12	8	12	7
Area license	158	156	159	155
Total	1,321	1,263	1,310	1,250
System-wide(b)				
Sales percentage change(c)	7.2%	6.2%	6.6%	7.8%
Same-store sales percentage change(d)	2.0%	1.3%	1.8%	3.1%
Franchise(b)				
Sales percentage change(c)	7.3%	6.3%	6.7%	8.1%
Same-store sales percentage change(d)	2.0%	1.3%	1.8%	3.1%
Company				
Sales percentage change(c)	30.2%	(2.3)%	36.3%	(15.1)%
Area License(b)				
Sales percentage change(c)	3.9%	5.5%	4.3%	6.7%

(a) "Effective restaurants" are the number of restaurants in a given fiscal period adjusted to account for restaurants open for only a portion of the period. Information is presented for all effective restaurants in the IHOP system, which includes IHOP restaurants owned by the Company as well as those owned by franchisees and area licensees.

(b) "System-wide sales" are retail sales at IHOP restaurants operated by franchisees, area licensees and the Company, as reported to the Company. Franchise restaurant sales were $525.2 million and $1,535.0 million for the third quarter and nine months ended September 30, 2007, respectively, and sales at area license restaurants were $51.6 million and $159.9 million for the third quarter and nine months ended September 30, 2007, respectively. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company.

(c) "Sales percentage change" reflects, for each category of restaurants, the percentage change in sales in any given fiscal period compared to the prior fiscal period for all restaurants in that category.

(d) "Same-store sales percentage change" reflects the percentage change in sales, in any given fiscal period compared to the prior fiscal period, for restaurants that have been operated throughout both fiscal periods that are being compared and have been open for at least 18 months. Because of new unit openings and store closures, the restaurants open throughout both fiscal periods being compared will be different from period to period. Same-store sales percentage change does not include data on restaurants located in Florida.

The following table summarizes our restaurant development and franchising activity:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Restaurant Development Activity				
Beginning of period	1,319	1,264	1,302	1,242
New openings				
Company-developed	—	2	—	3
Franchisee-developed	14	12	35	35
International franchisee-developed	—	—	2	—
Area license	—	3	—	6
Total new openings	14	17	37	44
Closings				
Company and franchise	(2)	(3)	(7)	(7)
Area license	(3)	—	(4)	(1)
End of period	1,328	1,278	1,328	1,278
Summary—end of period				
Franchise	1,161	1,111	1,161	1,111
Company	11	9	11	9
Area license	156	158	156	158
Total	1,328	1,278	1,328	1,278
Restaurant Franchising Activity				
Company-developed	—	—	—	—
Franchisee-developed	14	12	35	35
International franchisee-developed	—	—	2	—
Rehabilitated and refranchised	2	—	4	8
Total restaurants franchised	16	12	41	43
Reacquired by the Company	—	—	(6)	(7)
Closed	(2)	(3)	(6)	(7)
Net addition	14	9	29	29

General

Our approach to franchising is similar to that of most franchising systems in the foodservice industry. Franchisees can undertake individual store development or multi-store development. Under the single store development program, the franchisee is 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 is credited against an initial franchise fee of $50,000. The franchisee then uses his or her capital and financial resources to acquire the site, build and equip the business and fund working capital needs.

In addition to offering single store development agreements for individual restaurants, the Company offers multi-store development agreements for certain qualified franchisees. These multi-store development agreements provide franchisees with an exclusive right to develop new IHOP restaurants in designated geographic territories for a specified period of time. Multi-store developers are required to develop and operate a specified number of restaurants according to an agreed upon development schedule. Multi-store developers are 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, the franchise developer must pay an initial franchise fee of $40,000 against which the development fee of $20,000 is credited. The Company recognizes the franchise fees as income upon the opening of each restaurant. The number of stores and the schedule of stores to be developed under multi-store development agreements are negotiated on an individual basis.

With respect to restaurants developed, the Company receives 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; and (3) local and national advertising fees totaling approximately 3% of the restaurant's sales, which is allocated between local and national advertising based on agreements with franchisees.

The following table represents our development commitments including options as of September 30, 2007.

	Number of Signed Agreements at 9/30/07	Scheduled Opening of Restaurants				
		Remainder of 2007	2008	2009	2010 and thereafter	Total
Single-store development agreements	11	4	5	2	—	11
Multi-store development agreements	88	29	73	65	239	406
International development agreements	3	2	2	3	17	24
	102	35	80	70	256	441

Prior to 2004, we financed and developed the large majority of new IHOP restaurants prior to franchising them (the "Old Business Model"). Under the Old Business Model, when the restaurant was ultimately franchised, we typically became the franchisee's landlord and equipment lessor. Our new business model (the "New Business Model") relies on franchisees to find sources of financing and develop IHOP restaurants. Under the New Business Model, we approve the franchisees' proposed sites but do not contribute capital or become the franchisee's landlord. Under the New Business Model, substantially all new IHOP restaurants are financed and developed by franchisees or area licensees.

Comparison of the third quarter and nine months ended September 30, 2007 and 2006

Overview

Our results for the third quarter and first nine months of 2007 were impacted by the swap-related interest expense, which was partially offset by an increase in franchise operations profit, due to higher revenues associated with franchise restaurant retail sales. In comparing our financial results for the third quarter and first nine months of 2007 to those in 2006, we note that:

- Franchise operations profit increased by $1.9 million or 7.6% in the third quarter and $5.2 million or 7.2% in the first nine months of 2007;
- Interest expense which is included in our Financing operations increased by $36.3 million or, 1,841.5% in the third quarter and $36.7 million or 616.8% for the first nine months of 2007;
- General and administrative expenses increased by $1.6 million or 9.9% in the third quarter and $1.6 million or 3.3% for the first nine months of 2007;
- Diluted weighted average shares outstanding decreased by 6.6% in the third quarter and 5.6% in the first nine months of 2007; and
- Effective tax rate for the third quarter and first nine months of 2007 was 38.0% and 28.5%, respectively, compared to 37.8% and 38.6% for the first quarter and first nine months of 2006, respectively.

Franchise Operations

Franchise revenues consist primarily of royalty revenues, sales of proprietary products, advertising fees and the portion of the franchise fees allocated to the Company's intellectual property. Franchise expenses include contributions to the national advertising fund, the cost of proprietary products, pre-opening training expenses and other franchise related expenses. Key factors which can be used in evaluating and understanding our franchise operations segment include:

- Franchise retail sales; and
- Number of restaurants franchised.

Franchise operations profit, which is franchise revenues less franchise expenses, increased by $1.9 million or 7.6% in the third quarter of 2007 and by $5.2 million or 7.2% in the first nine months of 2007 compared to the same periods in 2006. The increase in franchise operations profit was due to the changes in franchise revenues and expenses discussed below.

Franchise restaurant retail sales are sales recorded at restaurants that are owned by franchisees and area licensees and are not attributable to the Company. Franchise restaurant retail sales are useful in analyzing our franchise revenues because franchisees and area licensees pay us royalties and other fees that are generally based on a percentage of their sales.

Franchise revenues grew by $2.8 million or 6.1% in the third quarter of 2007 and by $9.1 million or 6.8% in the first nine months of 2007 compared to the same periods in 2006. Franchise revenues grew primarily due to a 7.3% increase in franchise restaurant retail sales in the third quarter and a 6.7% increase in the first nine months of 2007. The increase in franchise restaurant retail sales was primarily attributable to the following:

- Effective franchise restaurants increased by 4.7% in the third quarter and first nine months of 2007; and
- Same-store sales for franchise restaurants increased by 2.0% in the third quarter and by 1.8% in the first nine months of 2007.

"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. Effective franchise restaurants increased by 52 or 4.7% in the third quarter and increased by 51 or 4.7% in the first nine months of 2007 compared to the same periods in 2006 due to new restaurant openings in 2007 and the annualized effect of new restaurant development in 2006.

Franchise expenses increased by $1.0 million or 4.5% in the third quarter of 2007 and increased by $3.8 million or 6.2% in the first nine months of 2007 compared to the same periods in 2006. Franchise expenses such as advertising and the cost of proprietary products are related to franchise restaurant retail sales. The increase in franchise expenses was primarily a result of the increase in franchise restaurant retail sales, increasing advertising costs and the cost of proprietary products.

Rental Operations

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

A prime lease is a lease between the Company and a third party, the landlord, whereby the Company pays rent to the landlord. Restaurants on these leases are either subleased to a franchisee or, in a few instances, operated by the Company. A sublease is a lease between the Company and a franchisee, whereby the franchisee pays rent to the Company.

Rental operations profit, which is rental income less rental expenses, decreased by $0.5 million or 5.4% in the third quarter of 2007 compared to the third quarter of 2006, and decreased by a de minimis amount in the first nine months of 2007 compared to the same period in 2006. Rental operations profit in the third quarter of 2007 decreased primarily as a result of declining deferred rental income from the underlying sub-leases maturing and approaching expiration. Rental operations profit comparisons in the first nine months of 2007 compared to 2006 were impacted by the write-off of deferred rent resulting from terminated subleases on restaurants reacquired in 2006. Deferred rent on operating subleases is the difference between straight-line rent and the actual amount received. Straight-line rent is the amount of rent over the full lease term spread over equal monthly amounts. In the first nine months of 2007, deferred rent in the amount of $0.3 million was written off compared to $0.9 million in the same period in 2006.

Company Restaurant Operations

Company restaurant operations is comprised of our dedicated research and development company-operations market in Cincinnati, Ohio. In addition, from time to time, restaurants developed by the Company under the Old Business Model are returned by franchisees to the Company and operated by the Company.

Company restaurant sales are retail sales at company-operated restaurants. Company restaurant expenses are operating expenses at company-operated restaurants and include food, labor and benefits, utilities, rent and other restaurant operating costs. Key factors which can be used in evaluating and understanding our company operations segment include:

- Company restaurant retail sales;
- Labor and benefits costs;
- Food costs; and
- Changes in the number of effective company-operated restaurants.

Company restaurant operations loss, which is company restaurant sales less company restaurant expenses, was $0.6 million in the third quarter of 2007, which was the same as the loss in the third quarter of 2006. Company restaurant operations loss was $1.8 million in the first nine months of 2007, or 41.6% more than the loss of $1.3 million in the first nine months of 2006. Company restaurant operations loss in the third quarter and first nine months of 2007 was due primarily to lower levels of sales at some recently opened locations in our Cincinnati market. At the end of the third quarter of 2007, we operated 11 restaurants, ten of which are located in our dedicated Company market.

Financing Operations

Financing revenues consist of franchise fees not allocated to the Company's intellectual property, sales of equipment, as well as interest income from the financing of franchise fees and equipment leases. Financing expenses are primarily the cost of restaurant equipment and interest expense not associated with capital leases. Key factors which can be used in evaluating and understanding our financing operations segment include:

- Changes in franchise and equipment note balances;
- Franchise fees of franchise restaurants, which are based on the number and the average price of company-developed restaurants refranchised; and
- Amount of debt outstanding.

Financing operations profit, which is financing revenues less financing expenses, decreased by $37.0 million or 1,206.1% in the third quarter of 2007 and decreased by $37.2 million or 400.6% in the

first nine months of 2007 compared to the same periods in 2006. The decrease in financing operations profit was primarily a result of an increase in interest expense of $36.7 million due to the Swap agreement and the higher level of debt associated with the March 2007 securitization, as well as the decrease in franchise and equipment note interest due to the expected reduction in franchise fee note balances. As further described under "Liquidity and Capital Resources", we entered into a Swap arrangement in July 2007. The change in fair value of the ineffective portion of the Swap resulted in additional interest expense of $35.6 million for the three months ended September 30, 2007, which is included in the accompanying Consolidated Statements of Income. These decreases were partially offset by an increase in the sale of franchise and equipment net profit margin associated with company-developed and rehabilitated and refranchised restaurants. In the first nine months of 2007, the Company had a net profit margin of $0.3 million associated with four refranchised restaurants, compared to a negative margin of $0.6 million associated with eight refranchised restaurants in the first nine months of 2006.

General and Administrative Expenses

General and administrative expenses increased by $1.6 million or 9.9% in the third quarter of 2007 compared to the third quarter of 2006, and increased by $1.6 million or 3.3% in the first nine months of 2007 compared to the prior year. The increase in general and administrative expenses in the third quarter and first nine months of 2007 was primarily due to increased expenses related to equity based compensation plans and other compensation. Equity based compensation increased by $1.0 million in the third quarter of 2007 compared to the third quarter of 2006, and increased by $1.3 million in the first nine months of 2007 compared to the same period in the prior year. In addition. in the third quarter of 2007 other compensation increased by $0.4 million compared to the third quarter of 2006.

Early Debt Extinguishment Costs

Early debt extinguishment costs in the amount of $2.2 million in the first nine months of 2007 resulted from early debt retirement with funds generated by the securitization transaction. These costs include $1.2 million for prepayment penalties as a result of paying off pre-existing debt, and $1.0 million related to the write-off of deferred financing costs.

Provision for Income Taxes

Our effective tax rates for the third quarter and first nine months of 2007 were 38.0% and 28.5%, respectively, compared to 37.8% and 38.6% for the third quarter and first nine months of 2006, respectively. The decrease in our effective tax rates was primarily due to a release of tax contingency reserves as a result of the expiration of certain statutes of limitations.

Liquidity and Capital Resources

Our cash from operations and principal receipts from notes and equipment contracts receivable are the sources of cash that allow us to pursue our capital investment strategies and return cash to our stockholders. An additional source of cash in the first quarter of 2007 was the proceeds from the securitization transaction which was completed on March 16, 2007. Over the last several years we have utilized our cash flow to:

- Repurchase our common stock in order to return capital to our stockholders and provide further capital return to our stockholders through dividends, which we began paying in 2003;
- Invest in information technology which includes supporting point-of-sales systems in our franchise restaurants and improving franchise support at the Restaurant Support Center; and
- Invest in new assets related to the development of our company operations market in Cincinnati, Ohio for the purpose of developing operations initiatives, testing products, and implementing training programs.

On July 15, 2007, the Company entered into an agreement (the "Merger Agreement") to acquire Applebee's International Inc. for $25.50 per share, representing a total transaction value of approximately $2.1 billion (the "Acquisition"). The Company intends to finance the Merger with a combination of debt and equity financing. The debt financing is expected to consist of two separate securitization transactions consisting of an additional issuance of asset-backed notes under the existing IHOP securitization program and the issuance of asset-backed notes under a securitization program to be established for Applebee's assets. The Company has secured a bridge facility commitment to fund the transaction pending the completion of both securitizations. If the asset-backed notes to be issued under both securitization programs have not been sold before the Merger, the Company may utilize up to $2.139 billion of bridge credit facilities (the "Bridge Facilities") provided by Lehman Brothers Inc., Lehman Brothers Commercial Bank and Lehman Commercial Paper Inc. (collectively, "Lehman"). Pursuant to a commitment letter, dated July 15, 2007 (the "Commitment Letter"), Lehman has committed to provide the Bridge Facilities, consisting of (i) a first lien term loan of up to $1.85 billion, (ii) a first lien revolving credit facility of up to $100 million, and (iii) a second lien term loan of up to $189 million.

Lehman's commitment is subject to the satisfaction of certain customary conditions, including the execution of satisfactory documentation, the consummation of the equity financing described below, its receipt of the Company's and Applebee's interim financial statements and other financial information, the satisfaction of the conditions in the Merger Agreement that are material to the interests of the lenders under the Bridge Facilities, the accuracy of certain specified representations and warranties, the granting of liens for the benefit of the lenders under the Bridge Facilities and the obtaining by the Company of waivers and amendments to the existing IHOP securitization program. The Commitment Letter terminates on the earlier to occur of (i) the consummation of the Merger without utilization of the Bridge Facilities, (ii) the termination of the Merger Agreement and (iii) April 15, 2008. Loans will bear interest at either LIBOR or the higher of (i) the Federal Funds rate, as published by the Federal Reserve Bank of New York, plus $^{1}/_{2}$ of 1%, and (ii) the prime commercial lending rate, in each case, plus a certain margin. The Bridge Facilities will be secured by substantially all of Applebee's assets and any assets not subject to the Company's existing financing arrangements.

The equity financing consists of preferred stock to be sold to MSD SBI, L.P., an affiliate of MSD Capital, L.P. ("MSD"), and affiliates of Chilton Investment Company, LLC (collectively, "Chilton"). The Company has entered into a stock purchase agreement, dated as of July 15, 2007 (the "MSD Stock Purchase Agreement"), with MSD, pursuant to which MSD has agreed to purchase, concurrently with the closing of the Merger, between $50.0 million and $133.8 million of a newly created series of perpetual preferred stock of the Company (the exact dollar amount of the investment to be specified

by the Company at least two business days prior to the closing). In addition, the Company has entered into a stock purchase agreement, dated as of July 15, 2007 (the "Chilton Stock Purchase Agreement"), with Chilton, pursuant to which Chilton has agreed to purchase, concurrently with the closing of the Merger, $35.0 million of a newly created series of convertible preferred stock of the Company (convertible into shares of the Company's common stock). MSD's and Chilton's obligation to purchase the preferred stock are subject to specified conditions, including the simultaneous closing of the transaction contemplated by the Merger Agreement.

On July 16, 2007, IHOP Corp. entered into an interest rate swap transaction (the "Swap") with Lehman Brothers Special Financing Inc. ("LBSFI"), guaranteed by Lehman Brothers Holdings, Inc. ("LBHI"). The Swap is intended to hedge the Company's interest payments on the asset-backed notes expected to be issued between November 2007 and July 2008 under a securitization program to finance the Company's proposed acquisition of Applebee's.

The Swap sets forth the terms of a five-year interest rate swap in which we would be the fixed rate payer and LBSFI would be the floating rate payer (the "Reference Swap"). The Reference Swap has an effective date of July 16, 2008, a notional amount of $2.039 billion, a floating rate of LIBOR and a fixed rate of 5.694%. The Swap provides that in all cases the Reference Swap will be terminated rather than come into effect.

The Swap is contingent upon our completing both the acquisition of Applebee's and the related securitization program by July 16, 2008. If either of those events does not occur by that date, the Reference Swap will terminate at no cost to either party unless the acquisition is terminated due to a breach by us. If both of those events do occur by that date, the Reference Swap will be terminated at the time the securitization occurs and the related termination payment by or to us will hedge our interest payments on the asset-backed notes.

For the quarter ending September 30, 2007, the fair value of the Swap was $70.3 million. Using the Hypothetical Derivative Method we determined that the change in fair value of the effective portion of the Swap amounted to $34.7 million ($21.4 million net of tax effect) and is included as "Accumulated other comprehensive loss" in the accompanying Consolidated Balance Sheets. We also determined, based upon management's estimate of future pay down of the related debt, that the change in fair value of the ineffective portion of the Swap resulted in additional interest expense of $35.6 million for the three months and nine months ended September 30, 2007, which is included in the accompanying Consolidated Statements of Income.

If the Acquisition is completed, we do not expect to repurchase shares for the remainder of 2007 or throughout 2008, but we plan to resume share repurchases in 2009. We plan to utilize cash flow and proceeds from the sale of assets at Applebee's over the next two to three years to pay down debt.

Sources and Uses of Cash

Our primary sources of liquidity are cash provided by operating activities and principal receipts from notes and equipment contracts receivable from our franchisees. Principal uses of cash historically have been common stock repurchases, payments of dividends, capital investment and payments on debt.

Cash provided by operating activities is primarily driven by revenues earned and collected from our franchisees. Franchise revenues primarily are royalties, advertising fees and sales of proprietary products which fluctuate with increases or decreases in franchise retail sales. Franchise retail sales are impacted by the development of IHOP restaurants by our franchisees and by fluctuations in same-store sales.

Cash provided by operating activities decreased to $46.3 million in the first nine months of 2007 from $53.9 million in the same period in 2006. The decrease was primarily the result of lower taxes payable due to the build up of payables in 2006 associated with the settlement of an IRS tax audit and

lower other accrued liabilities, as well as the timing of tax payments in the first quarter of 2007 compared to the first quarter in 2006.

Share Repurchases and Dividends

On August 21, 2006, our Board of Directors approved a 2.0 million share increase in the Company's ongoing share repurchase authorization. Based on this and previous share repurchase authorizations, the Company repurchased 1,336,301 shares of common stock for $77.0 million in the first nine months of 2007 under our stock repurchase program. As of September 30, 2007, 0.9 million shares remained available for repurchase from the Company's total share repurchase authorization. Since 2003, the Company has bought back 6.3 million shares for a total of $280.0 million.

The Company has paid regular quarterly dividends of $0.25 per common share since May 2003. The Company declared a quarterly cash dividend on April 5, 2007, which was paid on May 22, 2007 to stockholders of record as of May 1, 2007. On July 11, 2007, the Company declared a quarterly cash dividend of $0.25 per common share, which was paid on August 21, 2007, to stockholders of record as of July 31, 2007. On October 5, 2007, the Company declared a quarterly cash dividend of $0.25 per common share, payable on November 20, 2007, to stockholders of record as of October 30, 2007. Future dividends will be declared at the discretion of the Board of Directors.

Debt Instruments and Related Covenants

On March 16, 2007, the Company refinanced all existing bank indebtedness through a securitization transaction consisting of $175 million of Series 2007-1 Fixed Rate Notes and a securitized financing facility providing for the issuance of up to $25 million of 2007-2 Variable Funding Notes. Please refer to Note 8 in the Notes to the Consolidated Financial Statements for further discussion of the details of this transaction.

Post-Closing Business Strategy for Applebee's U.S. Restaurant Business

Following the closing of the Applebee's Acquisition, we will seek to apply our core competencies in franchising, development, capital efficiency and cost reduction to effectively manage and grow the Applebee's restaurant business. The following are the business strategies which we expect to implement following completion of the Acquisition:

Refranchise company-operated restaurants and sell owned real estate. We intend to implement a strategy that is based on our extensive experience in our transition during the period from 2003 to 2006 from a more capital-intensive development model to a less capital-intensive development model. To implement this strategy, we intend to:

- sell most of the approximately 200 real estate properties owned in fee simple on which the existing company-owned Applebee's restaurants are located in sale/leaseback transactions sometime in 2008; and
- reduce the number of company-owned Applebee's restaurants located in the United States from 508 company-owned restaurants as of July 1, 2007 to between 30 to 40 company-owned restaurants over a period of 24 to 36 months following the closing date by refranchising the company-owned restaurants.

The net after-tax cash proceeds from the sale of company-owned real property and the refranchising of the company-owned restaurants will be applied to repay debt used to finance the Acquisition. The real estate sale/leaseback and refranchising strategy is also designed to reduce or eliminate on-going operating costs attributable to the refranchised restaurants and reduce the capital requirements associated with Applebee's U.S. restaurant business to approximately $15 million per year.

Re-energize the Applebee's brand. We will apply many of the same strategies previously applied by us to our restaurant business in order to drive improved top-line performance and enhance customer demand at Applebee's restaurants. The strategy will be to pinpoint the brand positioning of Applebee's restaurants based on consumer feedback and marketing research, and deliver a clear, focused and consistent message as to the dining experience offered by Applebee's restaurants. As part of this strategy, we will seek to refine the advertising and menu promotion strategy, and to improve and refocus the media strategy. In a manner similar to our approach to the IHOP restaurant business, we intend to establish a clear approach to the physical plant and appearance of Applebee's restaurants by developing a revamped model image while retaining the "neighborhood" characteristics that are a hallmark of Applebee's restaurants. We will also seek to implement a detailed "touch-point" application in order to cause each element of the customer experience at the Applebee's restaurants (e.g., uniforms, silverware, dinnerware and other similar elements) to communicate a unified customer message.

Improve restaurant operations. We will seek to improve operations at Applebee's restaurants by improving the quality and consistency of the food through enhanced training, quality control and menu initiatives to simplify and enhance execution across all Applebee's restaurants. We will also seek to emphasize operational excellence and efficiency by engaging franchisees to participate in the revitalization program through the use of a franchisee ratings system and other tools applied by us to improve the performance of our restaurant business. We will also seek to improve overall service levels and operations efficiency through providing new channels for customer feedback. In addition, we will seek to reduce costs and improve supply chain efficiency by capitalizing on supply chain synergies between IHOP restaurants and Applebee's' restaurants.

Optimize development. We will seek to continue prudent development of the Applebee's system to optimize growth in revenues and profitability for its franchisees, based on the principle that more profitable franchisees will develop franchise areas more quickly and will have better operations, which will contribute to brand equity. We will seek to expand existing relationships and seek new qualified franchisees through the refranchising initiative. We will also focus on brand message in rolling-out a new remodel design that is intended to help communicate the new, focused customer message.

Partner with franchisees. We intend to re-engage the franchisee base, most of whom have extensive qualifications and experience running Applebee's restaurants. We will seek to keep a high level of collaboration with franchisees and will seek feedback from them in order to build a close relationship with the franchisees. The goal of this strategy is better execution and restaurant development by franchisees who feel valued and included in the process.

There can be no assurance that the strategy described above will be implemented in whole or part, including the sale/leaseback of most of the company-owned real property, and the refranchising of most of the existing company-owned U.S. restaurants, within the anticipated time frame described above. We may elect to discontinue the changes to the operations of the Applebee's U.S. restaurant business described above at any time in our discretion and may make other changes to the operations in response to changes in market conditions and other considerations as we deem appropriate from time to time.

Critical Accounting Policies

We prepare our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires senior management to make estimates, assumptions and subjective or complex judgments that are inherently uncertain and may significantly impact the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Changes in the estimates, assumptions and judgments affecting the application of these policies may result in materially different amounts being reported under different conditions or

using different assumptions. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our Consolidated Financial Statements.

Derivative Financial Instruments

In the normal course of business we utilize derivative instruments to manage our exposure to interest rate risks. We account for our derivative instruments under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138 and SFAS No. 149. The standard requires that all derivative instruments be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of the hedging relationships.

We use derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. All derivatives are recognized on the balance sheet at fair value. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings (for example, in "interest expense" when the hedged transactions are interest cash flows associated with debt). The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in other income/expense in current earnings during the period of change.

At inception of the hedge, we choose the Hypothetical Derivative Method of effectiveness calculation, which we must use for the life of the contract and we will measure effectiveness quarterly. When hedge treatment is achieved under SFAS No. 133, the changes in fair values related to the effective portion of the derivatives are recorded in other comprehensive income or in income, depending on the designation of the derivative as a cash flow hedge. We obtain the values on a quarterly basis from the counterparty of the derivative contracts. The ineffective portion of the derivative contract is calculated and recorded in Company's Consolidated Statements of Income at each quarter end.

Income Taxes

We provide for income taxes based on our estimate of federal and state tax liabilities. Our estimates include, but are not limited to, effective state and local income tax rates, allowable tax credits for items such as FICA taxes paid on reported tip income and estimates related to depreciation expense allowable for tax purposes. We usually file our income tax returns several months after our fiscal year-end. All tax returns are subject to audit by federal and state governments, usually years after the returns are filed, and could be subject to differing interpretation of the tax laws.

Deferred tax accounting requires that we evaluate net deferred tax assets to determine if these assets will more likely than not be realized in the foreseeable future. This test requires projection of our taxable income into future years to determine if there will be taxable income sufficient to realize the tax assets. The preparation of the projections requires considerable judgment and is subject to change to reflect future events and changes in the tax laws.

We adopted FASB Interpretation 48, "*Accounting for Uncertainty in Income Taxes*" ("FIN 48") on January 1, 2007. FIN 48 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon

ultimate resolution. The impact of our reassessment of its tax positions in accordance with FIN 48 did not have a material impact on the results of operations, financial condition or liquidity.

Leases

Of the 1,161 franchisee-operated restaurants, 62 were located on sites owned by us, 718 were located on sites leased by us from third parties and 381 were located on sites owned or leased by franchisees. We account for our leases under the provisions of FASB Statement No. 13, *Accounting for Leases* (SFAS 13) and subsequent amendments, which require that our leases be evaluated and classified as operating or capital leases for financial reporting purposes. We recognize rent expense for our operating leases, which have escalating rentals over the term of the lease, on the straight-line basis over the initial term. In addition, the lease term is deemed to commence when we take physical possession of the leased property. Prior to January 2006, we capitalized rent expense through the construction period and reported the related asset in property and equipment. Capitalized rent was amortized through depreciation and amortization expense over the estimated useful life of the related assets limited to the lease term. Beginning in January 2006, we expense rent on a straight-line basis from possession date through restaurant open date as an operating expense, in accordance with *FASB Staff Position No. 13-1, "Accounting for Rental Costs Incurred During a Construction Period"*. We use a consistent lease term when calculating depreciation of leasehold improvements, when determining straight-line rent expense and when determining classification of our leases as either operating or capital. Contingent rents are generally amounts due as a result of sales in excess of amounts stipulated in certain restaurant leases and are included in rent expense as they accrue.

Certain of our lease agreements contain tenant improvement allowances. For purposes of recognizing incentives, we amortize the incentives over the shorter of the estimated useful life or lease term. For tenant improvement allowances, we also record a deferred rent liability or an obligation in our non-current liabilities on the consolidated balance sheets.

Stock-Based Compensation

We account for stock-based compensation in accordance with SFAS 123R. Under the provisions of SFAS 123R, stock-based compensation cost is estimated at the grant date based on the award's fair-value as calculated by a Black Scholes Merton option pricing model (the "Black Scholes model") and is recognized as expense ratably over the requisite service period. The Black Scholes model requires various highly judgmental assumptions including volatility, forfeiture rates, and expected option life. If any of the assumptions used in the model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

Accounting for Long-Lived Assets

We regularly evaluate our long-lived assets for impairment at the individual restaurant level. Restaurant assets are evaluated for impairment on a quarterly basis or whenever events or circumstances indicate that the carrying value of a restaurant may not be recoverable. We consider factors such as the number of years the restaurant has been operated by the Company, sales trends, cash flow trends, remaining lease life, and other factors which apply on a case by case basis. These impairment evaluations require an estimation of cash flows over the remaining useful life of the asset.

Recoverability of the restaurant's assets is measured by comparing the assets' carrying value to the undiscounted future cash flows expected to be generated over the assets' remaining useful life or remaining lease term, whichever is less. If the total expected undiscounted future cash flows are less than the carrying amount of the assets, the carrying amount is written down to the estimated fair value, and a loss resulting from impairment is recognized by a charge to earnings. The fair value is determined by discounting the estimated future cash flows based on our cost of capital.

Judgments and estimates made by us related to long-lived assets are affected by factors such as economic conditions, changes in franchise historical resale values, and changes in operating performance. As we assesses the ongoing expected cash flows and carrying value of its long-lived assets, these factors could cause us to realize impairment charges which would be reflected in the Consolidated Statements of Income.

New Accounting Pronouncements

In September 2006, the FASB issued *FASB Statement No. 157, "Fair Value Measurements"* ("SFAS No. 157") which defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined. SFAS No. 157 may require companies to provide additional disclosures based on that hierarchy. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact adoption or SFAS No. 157 may have on our consolidated financial statements.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option of Financial Assets and Financial Liabilities" ("SFAS No. 159"), which permits entities to measure many financial instruments and certain other items of fair value. SFAS No. 159's overall objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 applies to all entities, including not-for-profit organization, and most of its provisions apply only to entities that elect the fair value option, although FAS 159's amendment to FAS 115 applies to all entities with available-for-sale and trading securities. This Statement shall be effective as of the beginning of each reporting entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the first interim period of earlier fiscal years, provided the entity also elects to early adopt SFAS No. 157, Fair Value Measurements. We are currently evaluating the impact adoption of SFAS No. 159 may have on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes from the information contained in the Company's Annual Report on Form 10-K as of December 31, 2006.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

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

Changes in Internal Control Over Financial Reporting.

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are party to certain litigation arising in the ordinary course of business which, in the opinion of management, should not have a material adverse effect upon either our consolidated financial position or results of operations.

On July 26, 2007, New Jersey Building Laborers Pension and Annuity Funds filed a class action lawsuit on behalf of the public shareholders of Applebee's against Applebee's, each member of the Applebee's Board of Directors and the Company. The complaint, which was filed in the Court of Chancery for the State of Delaware (No. 3124), alleges that Applebee's and its directors breached their fiduciary duties to Applebee's stockholders because they failed to properly value Applebee's; failed to shop Applebee's in an open and fair process that was designed to achieve the highest price; and they favored the Company by not shopping Applebee's before agreeing to the proposed acquisition of Applebee's by the Company. The plaintiffs allege that the Company aided and abetted such breaches of fiduciary duties. The suit seeks an injunction of the proposed merger or, alternatively, recission and unspecified damages in the event that the proposed merger is consummated. The parties to the litigation have agreed in principle to the broad terms of a disclosure-based settlement as described in a Memorandum of Understanding executed on behalf of the parties by their respective attorneys and submitted to the Delaware Court of Chancery on October 12, 2007. As a result, certain disclosures were added to the Applebee's proxy statement in support of the merger.

To satisfy its fiduciary obligations to the proposed class, plaintiff's counsel has undertaken "confirmatory" discovery to confirm that the terms of the settlement are fair. Assuming that plaintiff's counsel remains satisfied with the settlement after confirmatory discovery, the parties will present the settlement to the court for its approval. A formal stipulation is to be prepared within ten (10) business days of the completion of confirmatory discovery.

The Company does not believe, based on current knowledge, that the foregoing legal proceedings are likely to have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors.

There were no material changes from the information contained in the Company's Annual Report on Form 10-K as of December 31, 2006, except the following risks related to the Company's pending acquisition of Applebee's (the "Acquisition").

We may be unable to complete the Acquisition, which may adversely affect our financial results and operations and the market price of our common stock. We cannot be assured that the conditions to closing set forth in the Merger Agreement will be satisfied. Failure to complete the Acquisition would prevent us from realizing the anticipated benefits of the Acquisition. In addition, if the Acquisition is not completed, we will have incurred significant costs, including the diversion of management resources, for which we will have received little or no benefit. In addition, if the Acquisition is not completed, we may experience negative reactions from the financial markets and our franchisees and employees. Each of these factors may adversely affect the trading price of our common stock and our financial results and operations.

The conditions of the debt markets are in a state of flux. The market spreads, in general, are widening. This could increase the cost of total indebtedness for us if such conditions exist at the time we complete our financing transactions associated with the Acquisition. As a result of investor concerns about the extent of exposure of bond insurance carriers to risks associated with subprime mortgage debt in recent months, there have been increases in the interest rates at which asset-backed debt can be sold. In addition it appears that there has been a decrease in the number of investors participating in the

market. We intend to finance a substantial majority of the acquisition cost with asset-backed debt. We cannot predict the interest rate we will pay to finance the acquisition cost.

We will incur substantial costs in connection with the Acquisition. We expect to incur substantial costs associated with the Acquisition. These costs are primarily associated with the fees of attorneys, accountants and our financial advisors. In addition, substantial unanticipated costs may be incurred in connection with the integration of the business of Applebee's with our business. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses will offset these costs over time, this net benefit may not be achieved in the near term, or at all.

We may be unable to successfully integrate the business of Applebee's with our business. Our ability to realize the anticipated benefits of the Acquisition will depend, in part, on our ability to integrate the business of Applebee's with our business. The combination of two independent companies is a complex, costly and time-consuming process. This process may disrupt the business of either or both of the companies, and may not result in the full benefits we expect. The difficulties of combining the operations of the companies include, among others:

- unanticipated issues in integrating information, communications and other systems;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management's attention from ongoing business concerns; and
- coordinating geographically separate organizations.

We cannot assure you that the combination of Applebee's with us will result in the realization of the full benefits anticipated from the Acquisition.

If we fail to improve the operations of Applebee's, we may be unable to achieve the expected benefits of the Acquisition. We intend to effect marketing and operational improvements with a view to improving Applebee's system performance. We may experience delays or difficulties in effecting these improvements. If we are unable to improve Applebee's system performance we may be unable to achieve the expected benefits of the Acquisition.

We will have more long-term debt after the Acquisition, which could adversely affect our cash flows and business. As of September 30, 2007, we had outstanding long-term debt of $175.0 million. We intend to finance the Acquisition with up to $2.139 billion of additional long-term debt. As a result of the increase in debt, demands on our cash resources will increase after the completion of the Acquisition. The increased levels of debt could, among other things:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for working capital, capital expenditures, acquisitions and other purposes;
- increase our vulnerability to, and limit our flexibility in planning for, adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, additional acquisitions and other general corporate requirements;
- create competitive disadvantages compared to other companies with less indebtedness; and
- limit our ability to apply proceeds from an offering or asset sale to purposes other than the repayment of debt.

There are risks associated with IHOP's business strategy for Applebee's. Upon completion of the Acquisition, we expect to apply a new business strategy to the Applebee's restaurant business that includes, among other things, (i) the sale of most of the company-owned real property in sale/leaseback transactions, (ii) the refranchising of most of the company-owned Applebee's restaurants, (iii) specific changes in the manner in which the Applebee's restaurant business is managed and serviced, such as the establishment of purchasing cooperatives on behalf of the franchisees, and (iv) more generally, an improvement to the overall performance of the Applebee's restaurant business by applying many of the same strategies previously applied by us to the IHOP restaurant business.

The business strategy historically applied by Applebee's to the domestic Applebee's restaurant business provided for a mix of franchised restaurants and company-owned restaurants. The business strategy to be applied following the Acquisition will include strategies applied by us to the IHOP restaurant business. However, the Applebee's restaurant business is different in many respects from the IHOP restaurant business. In particular, the Applebee's restaurant business is part of the casual dining segment of the restaurant business, whereas the IHOP restaurant business is part of the family dining segment of the restaurant business and the Applebee's restaurant business is larger and distributed differently across the United States and appeals to a different segment of the consumer market. Therefore there can be no assurance that the business strategy to be applied to the Applebee's restaurant business following the Acquisition will be suitable to the Applebee's restaurant business or will achieve similar results to the application of such business strategy to the IHOP restaurant business. In particular, the refranchising of company-owned Applebee's restaurants may not improve the performance of such restaurants to the extent anticipated or result in the other intended benefits of the strategy. The conversion of a company-owned Applebee's restaurant to a franchised Applebee's restaurant will reduce the total monthly revenue received from the restaurant because franchise payments will be less than the revenues generated by a company-owned restaurant. However, the conversion of a company-owned Applebee's restaurant to a franchised Applebee's restaurant will be expected to reduce or eliminate the operating costs incurred in connection with the restaurant because the operating costs will be the responsibility of the unaffiliated franchisee that owns and operates the restaurant. The actual benefit from the refranchising of the restaurants is highly uncertain and may be less than anticipated and may not be sufficient to offset the loss of revenues from the conversion of the company-owned Applebee's restaurants. There also can be no assurance that Applebee's and its affiliates will be able to sell most of the company-owned real property or refranchise most of the company-owned Applebee's restaurants on desirable terms or within the anticipated time frame. Finally, the operational improvements initiatives or purchasing initiatives may not be successful or achieve the desired results. In particular, there can be no assurance that the existing franchisees will respond favorably to such initiatives. The concentration of the franchised Applebee's restaurants in a limited number of franchisees magnifies the effect of the response of individual franchisees to such initiatives.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a)—(b) Not applicable

(c) The following table provides information relating to the Company's repurchases of stock during the third quarter of 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
July 1, 2007—July 31, 2007	—	$ —	—	872,123
August 1, 2007—August 31, 2007	—	$ —	—	872,123
September 1, 2007—September 30, 2007	—	$ —	—	872,123
Total	—	$ —	—	872,123

(1) Total number of shares repurchased through September 30, 2007 under the stock repurchase plan announced in January 2003 is 6,327,877. This includes 4,991,576 shares repurchased in 2003, 2004, 2005 and 2006.

(2) The above mentioned stock repurchase plan provided for the repurchase of up to 7.2 million shares, which includes a 2.0 million share increase authorized by our Board of Directors on August 21, 2006.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

3.1	Restated Certificate of Incorporation of IHOP Corp. (Exhibit 3.1 to IHOP Corp.'s Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference).
3.2	Bylaws of IHOP Corp. (Exhibit 3.2 to IHOP Corp.'s Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference).
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).
*10.1	Commitment Letter, dated July 15, 2007, by and among IHOP Corp., CHLH Corp., Lehman Brothers Commercial Bank, Lehman Brothers Inc. and Lehman Commercial Paper Inc.
11.0	Statement Regarding Computation of Per Share Earnings.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Portions of the exhibit have been redacted and are subject to a confidential treatment request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

SIGNATURES

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

IHOP Corp.
(Registrant)

October 24, 2007	BY:	/s/ JULIA A. STEWART
(Date)		*Chairman and Chief Executive Officer (Principal Executive Officer)*
October 24, 2007		/s/ THOMAS CONFORTI
(Date)		*Chief Financial Officer (Principal Financial Officer)*

Exhibit 10.1

LEHMAN BROTHERS INC.
LEHMAN BROTHERS COMMERCIAL BANK
LEHMAN COMMERCIAL PAPER INC.
745 SEVENTH AVENUE
NEW YORK, NY 10019

July 15, 2007

IHOP Corp.
CHLH Corp.
450 North Brand Boulevard
Glendale, CA 91203-2306
Attention: Tom Conforti

$1,950,000,000 First Lien Securitization Bridge Facilities
$189,000,000 Second Lien Securitization Bridge Loan Facility
Commitment Letter

Ladies and Gentlemen:

You have advised Lehman Brothers Inc. ("Lehman Brothers" or the "Sole Arranger"), Lehman Brothers Commercial Bank ("LBCB") and Lehman Commercial Paper Inc. ("LCPI;" and together with Lehman Brothers and LBCB, the "Commitment Parties" or "we" or "us") that CHLH Corp. ("Merger Sub"), a newly formed Delaware corporation and a wholly owned subsidiary of IHOP Corp., a Delaware corporation (the "Borrower" or "you"), intends to acquire (the "Acquisition") 100% of the outstanding capital stock of Applebee's International, Inc., a Delaware corporation (the "Target;" and, together with each of its subsidiaries, the "Acquired Business") pursuant to an Agreement and Plan of Merger, dated as of July 15, 2007, by and among the Borrower, Merger Sub and the Target (together with the schedules and exhibits thereto, the "Acquisition Agreement"). All references to "dollars" or "$" in this letter agreement and the attachments hereto (collectively, this "Commitment Letter") are references to United States dollars.

We understand that the sources of funds required to fund the Acquisition, to repay all existing indebtedness of the Acquired Business (the "Refinancing"), other than capital lease obligations to be agreed, to pay fees and expenses in connection with the Transactions (as defined below) and to provide for ongoing working capital requirements of the Borrower and its subsidiaries (including the Acquired Business) following the Transactions will include:

- securitization bridge facilities consisting of (i) a first priority securitization bridge term loan facility to the Borrower of up to $1,850,000,000 (the "First Lien Securitization Bridge Term Loan Facility"), together with a securitization bridge revolving credit facility to the Borrower of $100,000,000, of which no more than $50,000,000 may be funded on the Closing Date (as hereinafter defined) (plus an aggregate face amount to be agreed of letters of credit posted thereunder) (the "First Lien Securitization Bridge Revolving Credit Facility" and, together with the First Lien Securitization Bridge Term Loan Facility, the "First Lien Securitization Bridge Facilities"), as described in the Summary of Terms of First Lien Securitization Bridge Facilities attached hereto as

Annex I (the "First Lien Securitization Bridge Term Sheet"), and (ii) a second priority securitization bridge term loan facility to the Borrower of up to $189,000,000 (the "Second Lien Securitization Bridge Loan Facility" and, together with the First Lien Securitization Bridge Facilities, the "Securitization Bridge Facilities") as described in the Summary of Terms of Second Lien Securitization Bridge Loan Facility attached hereto as Annex II (the "Second Lien Securitization Bridge Term Sheet" and, together with the First Lien Securitization Bridge Term Sheet, the "Securitization Bridge Term Sheets"); and

- equity investments in the Borrower, directly or indirectly, in a form and pursuant to documentation reasonably satisfactory to the Sole Arranger by one or more investors in an aggregate amount of not less than $90,000,000 (the "Equity Financing").

No other financing will be required for the uses described above. As used herein, the term "Transactions" means the Acquisition, the initial borrowings under the Securitization Bridge Facilities, the Refinancing, the Equity Financing and the payments of fees and expenses in connection with each of the foregoing.

It is contemplated that if the Securitization Bridge Facilities are drawn, then they will be repaid in full (and all commitments thereunder terminated) upon the consummation of one or more subsequent sales of securitized debt securities by the Acquired Business or any other subsidiary of the Borrower (each, a "Securitization") with the net proceeds of such Securitizations. Accordingly, completion of a Securitization is not a condition precedent to the initial funding of the Securitization Bridge Facilities.

Commitments.

You have requested that Lehman Brothers act as the exclusive structuring advisor, sole arranger and sole bookrunner for the Securitization Bridge Facilities, that Lehman Brothers agree to arrange and syndicate the Securitization Bridge Facilities and that LBCB and LCPI commit to provide or cause one or more of their respective affiliates to provide the Securitization Bridge Facilities.

Lehman Brothers is pleased to advise you that it is willing to act as the exclusive structuring advisor, sole arranger and sole bookrunner for the Securitization Bridge Facilities. LBCB and LCPI are pleased to advise you of their commitment to provide (either individually, collectively or through one or more of their affiliates) the entire principal amount of the Securitization Bridge Facilities (in such capacity, collectively, the "Initial Securitization Bridge Lender") upon the terms and subject to the conditions set forth in this Commitment Letter (collectively, the "Commitments"). By signing below, you hereby agree that (i) Lehman Brothers will act as the exclusive structuring advisor, sole arranger and sole bookrunner for the Securitization Bridge Facilities, (ii) LBCB or LCPI will act as sole and exclusive administrative agent and collateral agent for the Securitization Bridge Facilities, (iii) LBCB, LCPI or one of their affiliates will act as sole and exclusive syndication agent for the Securitization Bridge Facilities and (iv) each of the Commitment Parties will, in such capacities, perform the duties and exercise the authority customarily associated with such roles.

No other agents, co-agents, arrangers or bookrunners will be appointed and no Securitization Bridge Lender (as defined below) will receive compensation with respect to any of the Securitization Bridge Facilities outside the terms contained herein and in the letter or letters of even date herewith addressed to you providing, among other things, for certain fees relating to the Securitization Bridge Facilities (the "Fee Letter") in order to obtain its commitment to participate in such Securitization Bridge Facilities, in each case, unless you and we so agree.

The closing date of the Securitization Bridge Facilities (the "Closing Date") shall not occur until the conditions described in the paragraphs below under the heading "Conditions" have been satisfied or waived.

Syndication and Cooperation.

The Initial Securitization Bridge Lender reserves the right, prior to or after execution of the Securitization Bridge Documentation (as defined in Annex III hereto (the "Conditions Annex")) to syndicate all or a portion of their Commitments to banks, financial institutions or other institutional lenders identified by the Sole Arranger in consultation with you (other than certain financial institutions identified in writing by you to the Sole Arranger prior to the commencement of syndication of the Securitization Bridge Facilities), that will become parties to the Securitization Bridge Documentation (the Initial Securitization Bridge Lender and the banks, financial institutions and other institutional lenders becoming parties to the Securitization Bridge Documentation, the "Securitization Bridge Lenders"). Notwithstanding the Initial Securitization Bridge Lender's right to syndicate the Securitization Bridge Facilities and receive commitments with respect thereto, it is understood that any assignment of the Initial Securitization Bridge Lender's Commitment prior to the Closing Date shall not reduce the Initial Securitization Bridge Lender's obligations to fund its Commitments in the event the subject assignee shall fail to do so; provided, that notwithstanding any assignment or participation prior to the Closing Date, the Sole Arranger shall retain all rights to approve any amendments, modifications, waivers or other changes to this Commitment Letter.

Without limitation of the preceding paragraph, the Sole Arranger will, in consultation with you, manage all aspects of the syndication of the Securitization Bridge Facilities, including selection of additional Securitization Bridge Lenders in consultation with you (other than certain financial institutions identified in writing by you to the Sole Arranger prior to the commencement of syndication of the Securitization Bridge Facilities), determination of when the Sole Arranger will approach potential additional Securitization Bridge Lenders, any naming rights (except as set forth above), the final allocations of the Commitments in respect of the Securitization Bridge Facilities among the additional Securitization Bridge Lenders and the amount and distribution of fees among the Securitization Bridge Lenders. To assist the Sole Arranger in its syndication efforts, you agree that you will, and will cause your representatives and advisors to, and will use commercially reasonable efforts to cause the Acquired Business and its representatives and advisors to, (a) prepare and provide all financial and other information as we may reasonably request with respect to you, your existing securitization facility, the Acquired Business and the Transactions, (b) use commercially reasonable efforts to ensure that such syndication efforts benefit from existing lending relationships of the Borrower and the Acquired Business, (c) make available to prospective Securitization Bridge Lenders your senior management and use commercially reasonable efforts to make available the senior management of the Acquired Business, both at times and in locations to be mutually agreed upon, (d) host, with the Sole Arranger, one or more meetings (which meetings may be a teleconference) with prospective Securitization Bridge Lenders under each of the Securitization Bridge Facilities, (e) assist the Sole Arranger in the preparation of one or more confidential information memoranda and other marketing materials to be used in connection with the syndication of each of the Securitization Bridge Facilities which are customary for syndication of such facilities, (f) use commercially reasonable efforts to obtain prior to the commencement of the syndication process (as measured from the date of receipt of marketing materials satisfactory to the Sole Arranger), at your expense, and to the extent deemed necessary by the Sole Arranger in its sole discretion, monitored public ratings of the Borrower and the Securitization Bridge Facilities from Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P"), and to participate in the process of securing such ratings, including having your senior management, and using commercially reasonable efforts to have senior management of the Acquired Business, meet with such rating agencies and (g) use commercially reasonable efforts to ensure that there is a period of not less than fifteen consecutive

business days between the date of completion of the materials described in clause (e) above and the Closing Date to market and syndicate the Securitization Bridge Facilities; provided, however, that notwithstanding anything in this clause (g) to the contrary, your compliance with this clause (g) shall not be deemed to require that the Closing Date occur later than the date that is two business days after the date of completion of the "Bridge Marketing Period" (as defined in the Acquisition Agreement as in effect on the date hereof).

Information.

You hereby represent that (a) all information (other than financial projections (the "Projections"), general economic and industry data and other forward looking statements) that has been or will be made available to the Initial Securitization Bridge Lender by or on behalf of you in connection with the Transactions (the "Information") (to your knowledge, to the extent of information relating to the Acquired Business), when taken as a whole, is, and in the case of Information made available after the date hereof will be, when furnished, true and correct in all material respects and does not and will not, when furnished, taken as a whole with all other Information, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which such statements are made, not materially misleading and (b) the Projections that have been or will be made available to the Commitment Parties by or on behalf of you in connection with the Transactions have been or, in the case of Projections made available after the date hereof, will be prepared in good faith based upon assumptions believed by you to be reasonable at the time made, it being understood that projections are, by their nature, inherently uncertain and actual results may vary materially from the Projections. You agree that if at any time prior to the Closing Date any of the representations in the preceding sentence would, to the best of your knowledge, be incorrect in any material respect if the Information or Projections were being furnished, and such representations were being made, at such time, you will supplement the Information and the Projections so that such representations will be correct in all material respects under those circumstances.

You hereby acknowledge that (a) the Sole Arranger will make available Information and Projections (collectively, "Borrower Materials") to the proposed syndicate of Securitization Bridge Lenders by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the proposed Securitization Bridge Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or the Target or any of their respective securities) (each, a "Public Lender"). You hereby agree that, so long as the Borrower or the Target is the issuer of any outstanding debt or equity securities that are registered or issued pursuant to a private offering or are actively contemplating issuing any such securities, (w) you will, and will use commercially reasonable efforts to cause the Acquired Business to, identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," you shall be deemed to have authorized the Sole Arranger and the proposed Securitization Bridge Lenders to treat such Borrower Materials as not containing any material non-public information with respect to you or the Target or any of your or their respective securities for purposes of United States federal and state securities laws, it being understood that certain of such Borrower Materials may be subject to the confidentiality requirements of the definitive credit documentation; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Sole Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor." Notwithstanding the foregoing, you shall be under no obligation to mark any Borrower Materials "PUBLIC."

Fees and Expenses.

As consideration for the Commitments of the Initial Securitization Bridge Lender hereunder with respect to the Securitization Bridge Facilities, the agreement of the Sole Arranger to structure, arrange and syndicate the Securitization Bridge Facilities, you agree to pay, or cause to be paid, to the Initial Securitization Bridge Lender the fees and expenses set forth in the Securitization Bridge Term Sheets and the Fee Letter on the dates set forth in the Securitization Bridge Term Sheets and the Fee Letter.

Conditions.

The several commitments of the Initial Securitization Bridge Lender and obligations of the Commitment Parties hereunder with respect to each of the Securitization Bridge Facilities are subject to the following conditions: (i) there not having occurred, since the date of the Acquisition Agreement, a Material Adverse Effect (as defined in the Acquisition Agreement) and (ii) the other conditions set forth in either Securitization Bridge Term Sheet under the heading "Conditions to Initial Borrowing" or in the Conditions Annex having been satisfied or waived.

Notwithstanding anything in this Commitment Letter, the Securitization Bridge Term Sheets, the Conditions Annex, the Fee Letter, the Securitization Bridge Documentation or any other letter agreement or other undertaking concerning the financing of the Transactions to the contrary, (i) the only representations, the making of which shall be a condition to availability of the Securitization Bridge Facilities on the Closing Date, shall be (A) the representations and warranties made by the Target in the Acquisition Agreement material to the interests of the Securitization Bridge Lenders, and only to the extent any breach of such representations and warranties shall give you the right to terminate your obligations under the Acquisition Agreement, and (B) the Specified Representations (as defined below) and (ii) the terms of the Securitization Bridge Documentation shall be in a form such that they do not impair availability of the Securitization Bridge Facilities on the Closing Date if the conditions described or referred to under this heading "Conditions" are satisfied (it being understood that, to the extent any Collateral (as defined in the Annexes hereto) (other than (x) the pledge and perfection of the security interests in capital stock of U.S. subsidiaries held by the Borrower or any Guarantor, (y) other assets pursuant to which a lien may be perfected by the filing of a financing statement under the Uniform Commercial Code and (z) owned intellectual property registered in the U.S. Copyright Office or the U.S. Patent and Trademark Office pursuant to which a lien may be perfected by the filing of an appropriate notice of security interest in such office) is not provided on the Closing Date after your use of commercially reasonable efforts to do so, the delivery of such Collateral shall not constitute a condition precedent to the availability of the Securitization Bridge Facilities on the Closing Date but shall be required to be delivered after the Closing Date pursuant to arrangements to be mutually agreed). Without limiting the foregoing, the Securitization Bridge Documentation shall not contain any conditions precedent to the initial borrowing other than the conditions precedent described or referred to under this heading "Conditions." For purposes hereof, "Specified Representations" means the representations and warranties with respect to the Borrower and its subsidiaries and the Acquired Business set forth in the Securitization Bridge Term Sheets relating to due authorization, execution, delivery and enforceability of the Securitization Bridge Documentation (if applicable), corporate power and authority, Federal Reserve margin regulations, the Investment Company Act and validity and perfection of security interests in the Collateral (but subject to the parenthetical at the end of clause (ii) of the previous sentence).

Clear Market.

From the date of this Commitment Letter until the earlier of (x) 365 days after the Closing Date and (y) the repayment in full of the Securitization Bridge Facilities and the termination of

the commitments thereunder, you will ensure that no debt or equity financing (other than (i) the Securitization Bridge Facilities, any Securitization and any other debt or equity financing used to refinance the Securitization Bridge Facilities and (ii) any purchase money indebtedness, trade payables, capital leases or letters of credit issued to support insurance policies, in each case in the clause (ii), incurred in the ordinary course of business) and no debt securities offering for the Borrower or any of its subsidiaries, and, prior to the Closing Date, will use commercially reasonable efforts to ensure than no debt or equity financing for the Acquired Business or any of its subsidiaries, is announced, syndicated or placed without the prior written consent of the Sole Arranger if such financing, syndication or placement would have, in the reasonable judgment of the Sole Arranger, a materially detrimental effect upon such syndication; provided, that the foregoing provision shall not apply to any indebtedness permitted to be incurred by the Acquired Business pursuant to the Acquisition Agreement as in effect on the date hereof.

You also agree that from the date of this Commitment Letter until the Closing Date, neither you nor any of your subsidiaries will issue, incur or otherwise become liable for any additional indebtedness under the provisions of the documentation governing the Borrower's existing securitization facility (the "IHOP Securitization") without the prior written consent of the Sole Arranger.

Indemnity.

The Borrower and Merger Sub hereby jointly and severally agree to indemnify and hold harmless the Initial Securitization Bridge Lender, the Sole Arranger, the other Securitization Bridge Lenders and each of their respective affiliates and all their respective officers, directors, partners, trustees, employees, shareholders, advisors, agents, attorneys and controlling persons and each of their respective heirs, successors and assigns (each, an "Indemnified Person") from and against any and all losses, claims, damages and liabilities to which any Indemnified Person may become subject arising out of or in connection with this Commitment Letter, the Securitization Bridge Facilities, the use of the proceeds therefrom, the Acquisition, any of the other transactions contemplated hereby or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any Indemnified Person is a party thereto, and to reimburse each Indemnified Person promptly upon demand for all documented reasonable legal and other expenses reasonably incurred by it in connection with investigating, preparing to defend or defending, or providing evidence in or preparing to serve or serving as a witness with respect to, any lawsuit, investigation, claim or other proceeding relating to any of the foregoing (including, without limitation, in connection with the enforcement of the indemnification obligations set forth herein); provided, however, that no Indemnified Person will be entitled to indemnity hereunder in respect of any loss, claim, damage, liability or expense (i) to the extent that it resulted from the gross negligence, willful misconduct or bad faith of, or material breach of this Commitment Letter by, such Indemnified Person or any of its related parties as determined by a court of competent jurisdiction or (ii) arising out of or in connection with any claim, litigation, investigation or proceeding that does not involve an act or omission of you or any of your affiliates and that is brought by an Indemnified Person against any other Indemnified Person. In no event will any Indemnified Person be liable on any theory of liability for indirect, special or consequential damages, lost profits or punitive damages as a result of any failure to fund any of the Securitization Bridge Facilities contemplated hereby or otherwise in connection with the Transactions or the Securitization Bridge Facilities. No Indemnified Person will be liable for any damages arising from the use by others of information, projections or other materials sent through electronic, telecommunications or other information transmission systems, except to the extent such damages resulted directly from the gross negligence, willful misconduct or bad faith of, or material breach of this Commitment Letter by, such Indemnified Person or any of its related parties as determined by a court of competent jurisdiction.

The Borrower and Merger Sub each further agrees that, without the prior written consent of each of the Commitment Parties, which consent will not be unreasonably withheld or delayed, none of

them will enter into any settlement of a lawsuit, claim or other proceeding arising out of this Commitment Letter or the transactions contemplated by this Commitment Letter unless such settlement includes an explicit and unconditional release from the party bringing such lawsuit, claim or other proceeding of all Indemnified Persons.

The Borrower, Merger Sub and each Commitment Party agree that if any indemnification or reimbursement sought pursuant to this Commitment Letter is judicially determined to be unavailable for a reason other than the gross negligence, willful misconduct or bad faith of, or material breach of this Commitment Letter by, such Indemnified Person, then you will contribute to the amount paid or payable by such Commitment Party as a result of such losses, claims, damages, liabilities and expenses for which such indemnification or reimbursement is held unavailable (i) in such proportion as is appropriate to reflect the relative benefits to you, on the one hand, and such Commitment Party, on the other hand, in connection with the transactions to which such indemnification or reimbursement relates, or (ii) if the allocation provided by clause (i) above is judicially determined not to be permitted, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of you, on the one hand, and such Commitment Party, on the other hand, as well as any other equitable considerations; provided, however, that upon execution of the Securitization Bridge Documentation the indemnification provisions contained therein shall supersede those contained herein.

Confidentiality.

This Commitment Letter is furnished for your benefit, and may not be relied on by any other person or entity. Neither the existence of this Commitment Letter, the Securitization Bridge Term Sheets, the Conditions Annex, the Fee Letter, nor any of their contents may be disclosed by you or any of your affiliates, directly or indirectly, to any other person, except that such existence and contents (including this Commitment Letter, the Securitization Bridge Term Sheets, the Conditions Annex and the Fee Letter) may be disclosed (i) as may be compelled in a judicial or administrative proceeding or as otherwise required by law or the Securities and Exchange Commission or other governmental authority having jurisdiction over you or any such affiliate (in which case you agree, to the extent permitted by law and reasonably practicable, to inform the Sole Arranger promptly thereof), (ii) to your directors, officers, employees, affiliates, advisors (including legal advisors) and agents, in each case on a confidential and “need-to-know” basis and only in connection with the transactions contemplated hereby and (iii) in connection with any dispute or adversarial process related to this Commitment Letter, and as reasonably required for syndication. In addition, this Commitment Letter, the Securitization Bridge Term Sheets, the Conditions Annex and the Fee Letter (but only with appropriate redactions to the Fee Letter to delete all fee amounts) may be disclosed to the Acquired Business and its directors, officers, employees, advisors (including legal advisors) and agents on a confidential and “need-to-know” basis and only in connection with the transactions contemplated hereby. Furthermore, this Commitment Letter and the Fee Letter (but only with appropriate redactions to the Fee Letter to delete all fee amounts) may be disclosed by you to any ratings agencies or any monoline insurance company or other provider of credit enhancement, in each case, on a confidential and “need-to-know” basis and only in connection with the transactions contemplated hereby.

Other Services.

You acknowledge that the Initial Securitization Bridge Lender, the Sole Arranger and their respective affiliates (the term “Initial Securitization Bridge Lender” or “Sole Arranger” as used below in this paragraph being understood to include such affiliates) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you, the Acquired Business or any of your or the Acquired Business’ respective subsidiaries may have conflicting interests regarding the transactions described herein and otherwise. The Initial

Securitization Bridge Lender and the Sole Arranger will not use confidential information obtained from you by virtue of the transactions contemplated by this Commitment Letter or its other relationships with you or the Acquired Business in connection with the performance by the Initial Securitization Bridge Lender or the Sole Arranger of services for other companies, and the Initial Securitization Bridge Lender and the Sole Arranger will not furnish any such information to other companies. The Sole Arranger and its affiliates will use all confidential information provided to them or such affiliates by or on behalf of you or the Acquired Business hereunder solely for the purpose of providing the services which are the subject of this Commitment Letter and shall treat confidentially all such information. You also acknowledge that the Initial Securitization Bridge Lender and the Sole Arranger shall not have any obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, the Acquired Business or any of your or the Acquired Business' respective affiliates, confidential information obtained from other companies. You further acknowledge that the Sole Arranger is a full service securities firm and it and the Initial Securitization Bridge Lender may from time to time effect transactions, for their own or their affiliates' account or the account of customers, and hold positions in loans, securities or options on loans or securities of the Borrower, Merger Sub or any of their respective affiliates and other companies that may be the subject of the transactions contemplated by this Commitment Letter.

Governing Law, Etc.

This Commitment Letter and the commitment of the Securitization Bridge Lenders shall not be assignable by you without the prior written consent of the Commitment Parties, and any purported assignment without such consent shall be void; provided, however, that you may assign your rights and delegate your obligations hereunder to one or more affiliates of the Borrower controlled by the Borrower and formed for the purpose of effecting the Transactions. This Commitment Letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by each Commitment Party and you. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Commitment Letter by facsimile transmission or electronic photocopy (i.e., "pdf") shall be effective as delivery of a manually executed counterpart of this Commitment Letter. Headings are for convenience only. This Commitment Letter is intended to be for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto, the Securitization Bridge Lenders and, with respect to the indemnification provided under the heading "Indemnity," each Indemnified Person. **This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York. Any right to trial by jury with respect to any claim or action arising out of this Commitment Letter is hereby waived.** The parties hereto hereby submit to the non-exclusive jurisdiction of the federal and New York State courts located in The City of New York (and appellate courts thereof) in connection with any dispute related to this Commitment Letter or any of the matters contemplated hereby. The parties hereto irrevocably and unconditionally waive any objection to the laying of such venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. A final judgment in any such suit, action or proceeding brought in any such court may be enforced in any other courts to whose jurisdiction the party subject to such judgment is or may be subject by suit upon judgment.

Compliance and Patriot Act.

We hereby notify you that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "Patriot Act"), the Commitment Parties and the Securitization Bridge Lenders are required to obtain, verify and record information that identifies the Borrower, which information includes the name, address and tax identification number of the Borrower

and other information regarding the Borrower that will allow such Commitment Party or such Securitization Bridge Lender to identify the Borrower in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective as to the Commitment Parties and the Securitization Bridge Lenders. The Borrower and each of the Guarantors (as defined in the Annexes hereto) agree to provide, at least five days prior to the Closing Date, the documentation and other information to the Administrative Agent (as defined in the Annexes hereto) that is required by regulatory authorities under applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act.

* * *

Please indicate your acceptance of the terms hereof and of the Securitization Bridge Term Sheets, the Conditions Annex and the Fee Letter by returning to us executed counterparts of this Commitment Letter and the Fee Letter not later than 5:00 p.m., New York City time, on July 16, 2007. This Commitment Letter and the agreement of the Commitment Parties to provide the services described herein will automatically expire at such time if we have not received such executed counterparts of this Commitment Letter and the Fee Letter in accordance with the preceding sentence. If you do so execute and deliver to the Commitment Parties, this Commitment Letter and the Fee Letter, the Initial Securitization Bridge Lender agrees to hold its Commitments available for you until the earliest of (i) the termination of the Acquisition Agreement, (ii) the consummation of the Acquisition without utilization of the Securitization Bridge Facilities and (iii) 11:59 p.m., New York City time, on the Outside Date (as defined in the Acquisition Agreement), at which time the Commitments shall expire. The compensation, expense reimbursement, confidentiality, indemnification and governing law and forum provisions hereof and in the Securitization Bridge Term Sheets and the Fee Letter shall survive termination of this Commitment Letter (or any portion hereof) or the commitments of the Securitization Bridge Lenders hereunder; provided, that in the event the Securitization Bridge Documentation is executed, the expense reimbursement and indemnification provisions hereof shall be terminated and superseded by the expense reimbursement and indemnification provisions in the Securitization Bridge Documentation. The provisions under the headings "Syndication and Cooperation" and "Clear Market" above shall survive the execution and delivery of the Securitization Bridge Documentation.

We are pleased to have been given the opportunity to assist you in connection with the financing for the Transactions.

Very truly yours,

LEHMAN BROTHERS COMMERCIAL BANK

By: /s/ George Janes
Name: George Janes
Title: Chief Credit Officer

LEHMAN BROTHERS INC.

By: /s/ Laurie B. Perper
Name: Laurie B. Perper
Title: Senior Vice President

LEHMAN COMMERCIAL PAPER INC.

By: /s/ Laurie B. Perper
Name: Laurie B. Perper
Title: Senior Vice President

Signature page to Commitment Letter

Accepted and agreed to as of
the date first written above:

IHOP CORP.

By: /s/ Thomas Conforti
Name: Thomas Conforti
Title: Chief Financial Officer

CHLH CORP.

By: /s/ Thomas Conforti
Name: Thomas Conforti
Title: Chief Financial Officer

Signature page to Commitment Letter

ANNEX I

SUMMARY OF TERMS OF FIRST LIEN SECURITIZATION BRIDGE FACILITIES

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Commitment Letter, to which this summary is attached.

Borrower:	IHOP Corp.
Exclusive Structuring Advisor:	Lehman Brothers Inc. ("Lehman Brothers").
Sole Arranger and Sole Bookrunner:	Lehman Brothers.
First Lien Securitization Bridge Lenders:	The Initial Securitization Bridge Lender or a syndicate of banks, financial institutions and other entities, arranged by the Sole Arranger (collectively, the "First Lien Securitization Bridge Lenders"); provided that any such syndication shall comply with the terms and conditions set forth in the Commitment Letter.
Administrative Agent and Collateral Agent:	Lehman Brothers Commercial Bank ("LBCB") or Lehman Commercial Paper Inc. ("LCPI").
Swing Line Lender:	LBCB or LCPI.
Letter of Credit Issuing Entity:	To be determined.
Syndication Agent:	LBCB, LCPI or one of their affiliates.
Type and Amount of Facilities:	First Lien Securitization Bridge Term Loan Facility: A one-year term securitization bridge term loan facility to be made available to the Borrower in U.S. dollars in the manner provided herein (the "First Lien Securitization Bridge Term Loan Facility"; and the loans made under the First Lien Securitization Bridge Term Loan Facility, the "First Lien Securitization Bridge Term Loans") in an aggregate principal amount of up to $1,850,000,000. First Lien Securitization Bridge Revolving Credit Facility: A one-year revolving credit facility to be made available to the Borrower in the manner provided herein (the "First Lien Securitization Bridge Revolving Credit Facility", and the loans thereunder, the "Securitization Bridge Revolving Credit Loans") with aggregate commitments (the "Securitization Bridge Revolving

Credit Commitments") of $100,000,000. Each First Lien Securitization Bridge Lender holding a Securitization Bridge Revolving Credit Commitment shall be referred to herein as a "First Lien Securitization Bridge Revolving Credit Lender."

The First Lien Securitization Bridge Term Loan Facility and the First Lien Securitization Bridge Revolving Credit Facility are referred to herein collectively as the "First Lien Securitization Bridge Facilities" and the First Lien Securitization Bridge Term Loans and the Securitization Bridge Revolving Credit Loans are referred to herein collectively as the "First Lien Securitization Bridge Loans".

Purpose: Proceeds of the First Lien Securitization Bridge Term Loan Facility will be used on the Closing Date (as defined below) to finance a portion of the Acquisition, to effect the Refinancing, to fund one or more interest reserve accounts and to pay fees and expenses in connection therewith. The First Lien Securitization Bridge Revolving Credit Facility will be used by the Borrower for working capital and general corporate purposes.

Closing Date: The date of consummation of the Acquisition and the initial funding under the First Lien Securitization Bridge Facilities.

Definitive Documentation: The terms of the definitive documentation governing the First Lien Securitization Bridge Facilities (the "First Lien Securitization Bridge Documentation") shall be consistent with the terms and conditions of the Commitment Letter.

Maturity Dates: First Lien Securitization Bridge Term Loan Facility: First anniversary of the Closing Date ("Initial Maturity Date").

First Lien Securitization Bridge Revolving Credit Facility: Initial Maturity Date.

If any First Lien Securitization Bridge Term Loans (the "Senior Initial Loans" and, together with the Second Lien Initial Loans, the "Initial Loans") have not been paid in full on or prior to the date that is one year following the Closing Date (the "Conversion Date"), subject to the conditions outlined below under "Conditions to Conversion of Senior Initial Loans," such Senior Initial Loans shall be converted into a senior term

loan (each, a "Senior Term Loan") maturing on the fourth anniversary of the Conversion Date (the "Senior Term Loan Maturity Date"). Other than the maturity date, all other terms and conditions set forth herein applicable to the First Lien Securitization Bridge Facilities shall apply to the Senior Term Loan.

If the Senior Initial Loans are converted into Senior Term Loans as provided above, then the maturity date of the First Lien Securitization Bridge Revolving Credit Facility will be extended to the Senior Term Loan Maturity Date.

Conditions to Conversion of Senior Initial Loans:

On the Conversion Date, unless a payment or bankruptcy default has occurred and is continuing under the First Lien Securitization Bridge Documentation, the Senior Initial Loans shall, upon payment of the Conversion Fee (as defined in the Fee Letter), be converted into Senior Term Loans.

Availability:

First Lien Securitization Bridge Term Loan Facility: A single drawing may be made on the Closing Date of up to the full amount of the First Lien Securitization Bridge Term Loan Facility; provided, that if (i) securitized debt securities (the "Additional IHOP Securitization Securities") under the IHOP Securitization are issued on the Closing Date, the amount of the First Lien Securitization Bridge Term Loan Facility shall be reduced by an amount equal to the greater of (A) the aggregate amount of gross cash proceeds received from the issuance of such Additional IHOP Securitization Securities and (B) * (ii) a Securitization with respect to the Acquired Business (an "Applebee's Securitization") is consummated on the Closing Date, the amount of the First Lien Securitization Bridge Term Loan Facility shall be reduced by *, (iii) the Borrower or any of its subsidiaries receives proceeds from the unwind of the interest rate derivative described in item 5 of Annex III or any replacement thereof on or prior to the Closing Date, the amount of the First Lien Securitization Bridge Term Loan Facility shall be reduced by the aggregate gross proceeds of such unwind or (iv) the Borrower or any of its subsidiaries receives proceeds from any sale-leaseback transaction on or prior to the Closing Date, the amount of the First Lien Securitization Bridge Term Loan Facility shall be reduced by the aggregate net proceeds of such sale-leaseback transaction.

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	First Lien Securitization Bridge Revolving Credit Facility: Borrowings may be made (i) on the Closing Date in an aggregate amount not to exceed $50,000,000 (plus an aggregate face amount to be agreed of letters of credit posted thereunder) and (ii) at any time after the Closing Date to but excluding the business day preceding the maturity date of the First Lien Securitization Bridge Revolving Credit Facility; provided, that if an Applebee's Securitization is consummated pursuant to which securities are issued in a principal amount equal to or greater than * (which for the avoidance of doubt, includes the amount of any variable funding note regardless of whether such note is funded), the commitments under the First Lien Securitization Bridge Revolving Credit Facility shall terminate.
Letters of Credit:	$50,000,000 of the First Lien Securitization Bridge Revolving Credit Facility will be available for letters of credit, on customary terms and conditions to be set forth in the First Lien Securitization Bridge Documentation. Each letter of credit shall expire not later than the third day prior to the maturity date of the First Lien Securitization Bridge Revolving Credit Facility; provided that, subject to the terms of the First Lien Securitization Bridge Documentation, a letter of credit may provide that it shall automatically renew for additional periods.
Swing Line Facility:	A portion of the First Lien Securitization Bridge Revolving Credit Facility in an amount to be determined will be available for swingline loans on same day notice and on terms and conditions to be set forth in the First Lien Securitization Bridge Documentation.
Amortization:	First Lien Securitization Bridge Term Loan Facility: The First Lien Securitization Bridge Term Loan Facility will amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the aggregate principal amount of the First Lien Securitization Bridge Term Loans as of the Closing Date, with the balance thereof due at maturity. First Lien Securitization Bridge Revolving Credit Facility: None.

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Interest on First Lien Securitization Bridge Term Loans and Securitization Bridge Revolving Credit Loans:

At the Borrower's option, First Lien Securitization Bridge Term Loans and Securitization Bridge Revolving Credit Loans will bear interest based on the Base Rate or LIBOR; provided that until the date that is 30 days following the Closing Date, the First Lien Securitization Bridge Loans shall be made and maintained as Base Rate Loans or LIBOR Loans having an interest period of one month, as selected by the Borrower, as described below:

A. Base Rate Option

Interest will be at the Base Rate plus the applicable Interest Margin (as defined below), calculated on the basis of the actual number of days elapsed in a year of 365/66 days and payable quarterly in arrears. The Base Rate is defined as the higher of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1% and (ii) the prime commercial lending rate as set forth on Reuters' Telerate Page 5. First Lien Securitization Bridge Loans bearing interest based on the Base Rate shall be referred to herein as "Base Rate Loans."

Base Rate borrowings will require one business day's prior notice and will be in minimum amounts to be agreed upon.

B. LIBOR Option

Interest will be determined for periods ("Interest Periods") of one, two, three or six months (as selected by the Borrower) and will be at an annual rate equal to the London Interbank Offered Rate ("LIBOR") for the corresponding deposits of U.S. dollars, plus the applicable Interest Margin. LIBOR will be determined by the Administrative Agent at the start of each Interest Period and will be fixed through such period. Interest will be paid at the end of each Interest Period or, in the case of Interest Periods longer than three months, quarterly, and will be calculated on the basis of the actual number of days elapsed in a year of 360 days. LIBOR will be adjusted for maximum statutory reserve requirements (if any). First Lien Securitization Bridge Loans bearing interest based on LIBOR shall be referred to herein as "LIBOR Loans."

	LIBOR borrowings will require three business days' prior notice and will be in minimum amounts to be agreed upon.
Default Interest:	Upon the occurrence and during the continuance of a payment default, interest will accrue on any overdue amount of a loan or other overdue amount payable under the First Lien Securitization Bridge Facilities at a rate of 2% per annum in excess of the rate (including the applicable Interest Margin (as defined below)) otherwise applicable to such loan or other amount and will be payable on demand.
Interest Margins:	The interest margins applicable to each of the First Lien Securitization Bridge Term Loans and the Securitization Bridge Revolving Credit Loans will be the percentages set forth in the following table *

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Revolving Credit Commitment Fees:	A Revolving Credit Commitment Fee shall accrue on the unused amounts of the commitments under the First Lien Securitization Bridge Revolving Credit Facility at a rate equal to 0.50% per annum. Accrued Revolving Credit Commitment Fees will be payable quarterly in arrears (calculated on a 360-day basis) for the account of the First Lien Securitization Bridge Revolving Credit Lenders from the Closing Date.
Letter of Credit Fees:	The Borrower will pay (i) the Letter of Credit Issuing Entity a fronting fee in an amount to be agreed on the face amount of each letter of credit issued by such Letter of Credit Issuing Entity and (ii) letter of credit participation fees to the First Lien Securitization Bridge Revolving Credit Lenders in an amount equal to the Interest Margin for LIBOR Loans under the First Lien Securitization Bridge Revolving Credit Facility, in each case, on the undrawn amount of all such outstanding letters of credit. In addition, the Borrower will pay the Letter of Credit Issuing Entity customary and market rate issuances fees, which may not be rebated.

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Mandatory Prepayments:	An amount equal to (a) 100% of the net proceeds (including insurance and condemnation proceeds) received from the sale or other disposition of all or any part of the assets (other than sales of assets in the ordinary course of business to be agreed) of the Borrower or any of its subsidiaries after the Closing Date other than in the ordinary course and other than amounts reinvested within 6 months of the sale or other disposition and subject to other exceptions to be agreed and otherwise consistent with recent credit documentation governing securitization bridge facilities of this type, provided, that the net proceeds of any sale-leaseback transaction shall be applied as a mandatory prepayment without any such reinvestment option, (b) 100% of the gross proceeds received by the Borrower or any of its affiliates in connection with the closing of an Applebee's Securitization, (c) 100% of the gross proceeds received by the Borrower or any of its affiliates in connection with the sale of the Additional IHOP Securitization Securities, (d) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from any other Securitization or the issuance of other debt (other than certain debt permitted to be incurred or assumed under the First Lien Securitization Bridge Documentation) or the issuance of any equity after the Closing Date (other than exceptions to be agreed), (e) 100% of the gross proceeds received by the Borrower or any of its subsidiaries from the unwind of the interest rate derivative described in item 5 of Annex III or any replacement thereof and (f) beginning with fiscal year 2008, 50% of excess cash flow of the Borrower and its subsidiaries (to be defined in a mutually satisfactory manner); provided, that any voluntary prepayments of loans under the Securitization Bridge Facilities (including Securitization Bridge Revolving Credit Loans to the extent the aggregate Securitization Bridge Revolving Credit Commitments are permanently reduced (ratably among the Securitization Bridge Revolving Credit Lenders) by the amount of such prepayments), other than prepayments funded with the proceeds of indebtedness, asset sales or other financing transactions, shall be deducted from excess cash flow for purposes of calculating amounts available for the excess cash flow mandatory prepayment. There will be no prepayment penalties (except LIBOR breakage costs) for mandatory prepayments.

Optional Prepayments:	Permitted in whole or in part and, in the case of the First Lien Securitization Bridge Term Loans, may not be reborrowed, with one business day's prior notice in the case of Base Rate Loans and three business day's prior notice in the case of LIBOR Loans, but without premium or penalty (except LIBOR breakage costs in the case of a prepayment other than on the last day of the relevant interest period) and including accrued and unpaid interest, subject to limitations as to minimum amounts of prepayments to be agreed. There will be no prepayment penalties (except LIBOR breakage costs) for optional prepayments.
Application of Prepayments:	All mandatory prepayments will be applied, first, to the prepayment of the First Lien Securitization Bridge Term Loans, second, to the repayment of the First Lien Securitization Bridge Revolving Credit Facility (but with no permanent reduction in the commitments thereof) and third, to the prepayment of the Second Lien Securitization Bridge Term Loans; provided, that a mandatory prepayment described in clause (b) of "Mandatory Prepayments" above in connection with a release of the Collateral Agent's lien on the assets of the Acquired Business (as described in "Release of Acquired Business Collateral" below) will be applied, first, to the prepayment of the First Lien Securitization Bridge Term Loans, second, to the repayment of the First Lien Securitization Bridge Revolving Credit Facility (with a corresponding permanent reduction in the commitments thereof), and third, to the prepayment of the Second Lien Securitization Bridge Term Loans. Optional prepayments may be applied to the First Lien Securitization Bridge Term Loan or the First Lien Securitization Bridge Revolving Credit Facility as directed by the Borrower. No optional or mandatory prepayments may be applied to the Second Lien Securitization Bridge Term Loans until all extensions of credit under the First Lien Securitization Bridge Facilities shall have been paid in full and all commitments thereunder shall have been terminated. Each prepayment of the First Lien Securitization Bridge Term Loans may not be reborrowed. Prepayments of Securitization Bridge Revolving Credit Loans may be reborrowed. Each mandatory and optional prepayment of the First Lien Securitization Bridge Term Loans will be applied to the remaining amortization payments of the First Lien

Securitization Bridge Term Loan Facility in the manner directed by the Borrower.

Guarantees: The obligations of the Borrower under the First Lien Securitization Bridge Term Loan Facility and the First Lien Securitization Bridge Revolving Credit Facility and any exposure under hedging agreements and, at the Borrower's option, cash management arrangements, entered into with a person that was, at the time of such entry, a Securitization Bridge Lender (or an affiliate thereof) under the First Lien Securitization Bridge Term Loan Facility or the First Lien Securitization Bridge Revolving Credit Facility (collectively, the "Obligations") will be fully and unconditionally guaranteed on a joint and several basis by all existing and future direct and indirect domestic subsidiaries of the Borrower, other than any subsidiaries that are or are intended to become bankruptcy remote securitization entities (and such entities' bankruptcy remote subsidiaries) under the Securitization or the IHOP Securitization (the "Guarantors", and, together with the Borrower, the "Loan Parties").

Security: As security for the Obligations of each Loan Party, each Loan Party shall grant to the Collateral Agent, for the benefit of the First Lien Securitization Bridge Lenders and each other holder of the Obligations, valid and perfected first priority liens and security interests in all of the following (collectively, the "Collateral"), subject to the terms of the Conditions Annex:

(a) a first-priority pledge of (i) all notes owned by the Loan Parties, including, without limitation, all intercompany notes owing to the Loan Parties (and any collateral pledged as security therefor) and (ii) all capital stock held by the Loan Parties in their respective subsidiaries (whether existing or subsequently acquired or organized, or domestic or foreign); provided, that in the case of any first-tier foreign subsidiary, not more than 66% of the voting stock of such foreign subsidiary shall be pledged by the applicable Loan Party as security for the Obligations; and

(b) perfected first-priority security interests in, and mortgages on, all owned, leased or licensed material tangible and intangible assets (including, without limitation, accounts receivable, inventory, equipment, vehicles, general intangibles, insurance policies, investment property, intellectual property, cash and deposit accounts, the interest reserve accounts (which

shall be at LBCB pursuant to documentation reasonably satisfactory to the Collateral Agent) and funded with an estimated three months' aggregate interest under the Applebee's Securitization and IHOP Securitization) and owned real property) and proceeds of the foregoing of the Loan Parties, wherever located, now or hereafter owned; provided, however, that the Loan Parties shall not be required to perfect such security interests in (x) vehicles, (y) deposit accounts until 90 days following the Closing Date or, if an Event of Default has occurred and is continuing, upon the request of the Collateral Agent, and (z) owned real property until 180 days following the Closing Date or, if an Event of Default has occurred and is continuing, upon the reasonable request of the Collateral Agent. The foregoing notwithstanding, the Collateral shall not include (i) assets as to which the Administrative Agent shall reasonably determine that the costs of obtaining such a security interest are excessive in relation to the value of the security to be afforded thereby, (ii) assets to the extent that the granting of such security interest would violate any applicable law or the enforceable anti-assignment provisions of any contract, (iii) leasehold interests in real property, (iv) off-the-shelf software licenses and (v) other exceptions to be agreed.

The obligations under the Second Lien Securitization Bridge Loan Facility will be secured by a second-priority security interest in the Collateral. The priority of the security interests and the related creditor rights among the First Lien Securitization Bridge Facilities and the Second Lien Securitization Bridge Loan Facility will be set forth in an intercreditor agreement ("Intercreditor Agreement") to be agreed upon.

The Borrower may designate certain interest hedging and cash management obligations in respect of the Securitization Bridge Facilities or the corresponding Securitization securities on terms and with counterparties acceptable to the Administrative Agent to share in the first-priority security interest in the Collateral.

Conditions to Initial Borrowings: Conditions precedent to initial borrowings under the First Lien Securitization Bridge Facilities will be limited to those described or referred to under the heading "Conditions" in the Commitment Letter, and those conditions set forth in Annex III to the Commitment Letter and the following: (1) the accuracy of the Specified Representations and (2) delivery of a duly

executed notice of borrowing under the First Lien Securitization Bridge Facilities.

Conditions to Each Borrowing (other than the Initial Borrowings):	Conditions precedent to each borrowing or issuance (other than the initial borrowings) under the First Lien Securitization Bridge Facilities will be limited to the following: (1) the absence of any continuing default or event of default, (2) the accuracy of representations and warranties in all material respects and (3) delivery of a duly executed notice of borrowing.
Representations and Warranties:	Representations and warranties will be subject to materiality thresholds and exceptions to be agreed, apply to the Borrower and its subsidiaries (including, without limitation, the Acquired Business) and will be limited to the following: financial statements (including pro forma financial statements); absence of undisclosed liabilities; no material adverse change; corporate existence; compliance with law; corporate power and authority; enforceability of the First Lien Securitization Bridge Documentation; no conflict with law or contractual obligations; no material litigation; no default; ownership of property; liens; intellectual property; real property; taxes; permits; governmental and other approvals; subsidiaries; governmental regulations (including Federal Reserve regulations; ERISA; the Investment Company Act and the Patriot Act); environmental matters; solvency; labor matters; employment and management agreements; accuracy of disclosure; insurance; creation and perfection of security interests; capitalization; use of proceeds; delivery of documents; and fees and expenses.
Affirmative Covenants:	Affirmative covenants will be subject to materiality thresholds and exceptions to be agreed, apply to the Borrower and its subsidiaries (including, without limitation, the Acquired Business) and will be limited to the following: delivery of financial statements, management reports, accountants' letters, business plan, officers' certificates and other customary information; payment of taxes and other obligations; continuation of business and maintenance of existence and material rights and privileges; compliance with material laws and regulations (including, without limitation, environmental, ERISA and tax laws and regulations); maintenance of property and insurance; maintenance of books and records; inspection rights; notices of defaults, litigation and other material events; environmental

	matters; use of proceeds; fiscal year; material contracts; interest rate protection; transfer of assets to special purpose entity; and further assurances with respect to guarantees, security interests and related matters.
<u>Negative Covenants</u>:	Negative covenants will be subject to materiality thresholds and exceptions to be agreed, apply to the Borrower and its subsidiaries (including, without limitation, the Acquired Business) and will be limited to the following: limitation on asset sales and changes of business; limitation on mergers, liquidations, dissolutions and other fundamental changes; prohibition on cash dividends, stock repurchases and redemptions (including, without limitation, with respect to any preferred stock) (other than *); and <u>provided</u>, <u>further</u>, that, no payment may be made under clause (i), (ii) or (iii) above unless both immediately before and after giving effect to such payment, no Default or Event of Default exists); limitation on indebtedness (including preferred stock of subsidiaries and guarantees and other contingent obligations); limitation on investments; limitation on liens and negative pledge with respect to unperfected collateral; limitation on transactions with affiliates;

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limitation on hedging agreements; prohibition on prepayments of subordinated indebtedness; limitation on prepayments under the Second Lien Securitization Bridge Facility; no modification, amendment or waiver of the terms of constituent documents or the documents governing the IHOP Securitization in any manner materially adverse to the First Lien Securitization Bridge Lenders without the consent of the Requisite First Lien Securitization Bridge Lenders (as defined below); limitation on sale-leaseback transactions; limitation on restrictions on distributions from subsidiaries and granting of negative pledge clauses; limitation on change to line of business; limitation on changes in accounting treatment or reporting practices (with exceptions relating to accounting changes necessitated by, or desirable in light of, the Acquisition); limitation on changes in fiscal year; limitation on use of proceeds in contravention of margin regulations; and limitation on capital expenditures per fiscal year (to be set at * cushion over forecast).

"Loan Year" means an annual period commencing on an anniversary of the Closing Date and ending on the day immediately preceding the next anniversary of the Closing Date.

*

Events of Default: Events of Default will apply to the Borrower and its subsidiaries (including, without limitation, the Acquired Business) and will be limited to: nonpayment, inaccuracy of representations and warranties, breach of covenants, cross defaults, loss of material lien on collateral, actual or asserted invalidity of any guarantee or security document provisions, bankruptcy and insolvency events, dissolution, ERISA events, material environmental events, material judgments and change of control (to be defined), in certain cases to be agreed

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subject to grace periods and materiality thresholds or exceptions to be agreed.

Assignments and Participations:

Each First Lien Securitization Bridge Lender may assign all or a portion of its loans and commitments under one or more of the First Lien Securitization Bridge Facilities. Assignments will require the consent of the Administrative Agent, the Letter of Credit Issuing Entity (with respect to Securitization Bridge Revolving Credit Loans and Securitization Bridge Revolving Credit Commitments), the Swing Line Lender (with respect to Securitization Bridge Revolving Credit Loans and Securitization Bridge Revolving Credit Commitments) and the Borrower, which consents shall not be unreasonably withheld; provided that no consent of the Borrower shall be required during the first twelve months following the Closing Date or during the occurrence and continuance of a payment or bankruptcy Event of Default, except for assignments to certain financial institutions identified in writing by the Borrower to the Sole Arranger prior to the commencement of syndication of the Securitization Bridge Facilities; and provided further, that no consents (except from the Letter of Credit Issuing Entity and the Swing Line Lender (with respect to Securitization Bridge Revolving Credit Loans and Securitization Bridge Revolving Credit Commitments)) shall be required for an assignment to an existing First Lien Securitization Bridge Lender or an affiliate of an existing First Lien Securitization Bridge Lender. Each assignment (except to other First Lien Securitization Bridge Lenders or their affiliates) will be in a minimum amount of (i) $5,000,000 in respect of Securitization Bridge Revolving Credit Loans and Securitization Bridge Revolving Credit Commitments and (ii) $1,000,000 in respect of First Lien Securitization Bridge Term Loans. In addition, each First Lien Securitization Bridge Lender may sell participations in all or a portion of its loans and commitments under one or more of the First Lien Securitization Bridge Facilities; provided that no purchaser of a participation shall have (a) the right to exercise or to cause the selling First Lien Securitization Bridge Lender to exercise voting rights in respect of the First Lien Securitization Bridge Facilities (except as to certain customary issues) or (b) the right to yield protection in an amount exceeding that available to the relevant First Lien Securitization Bridge Lender.

Release of Acquired <u>Business/Collateral</u>:	Concurrently with the consummation of the Applebee's Securitization, provided that (i) the aggregate principal amount of securities issued thereunder is not less than * (which for the avoidance of doubt, includes the amount of any variable funding note regardless of whether such note is funded) and the gross proceeds therefrom are applied directly to repay the Securitization Bridge Facilities in accordance with "Application of Prepayments" above and (ii) the commitments under the First Lien Securitization Bridge Revolving Credit Facility have been terminated, the Collateral Agent shall be authorized to release its lien on the assets of the Acquired Business that will be transferred into the Applebee's Securitization in connection therewith.
<u>Expenses and Indemnification</u>:	All reasonable out-of-pocket expenses (including but not limited to reasonable legal fees and expenses of counsel and expenses incurred in connection with due diligence and travel, courier, reproduction, printing and delivery expenses, but excluding any such legal fees and expenses of Paul, Weiss, Rifkind, Wharton & Garrison LLP in connection with its due diligence investigation of the assets and business of the Borrower and its existing subsidiaries (which, for the avoidance of doubt, excludes the Acquired Business)) of the Sole Arranger, the Administrative Agent and the Collateral Agent associated with the syndication of the First Lien Securitization Bridge Facilities and with the preparation, execution and delivery, administration, amendment, waiver or modification (including proposed amendments, waivers or modifications) of the documentation contemplated hereby are to be paid by the Borrower on demand whether or not the Closing Date shall occur. In addition, all out-of-pocket expenses (including but not limited to legal fees and expenses of counsel) of the Securitization Bridge Lenders, the Administrative Agent and the Collateral Agent for workout proceedings, enforcement costs and documentary taxes associated with the First Lien Securitization Bridge Facilities are to be paid by the Borrower on demand. The Borrower will indemnify the First Lien Securitization Bridge Lenders, the Sole Arranger, the Administrative Agent and the Collateral Agent and their respective affiliates, and hold them harmless from and against all documented reasonable out-of-pocket costs,

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expenses (including but not limited to documented reasonable legal fees and expenses of not more than one counsel plus, if necessary, one local counsel per jurisdiction) and liabilities arising out of or relating to the transactions contemplated hereby and any actual or proposed use of the proceeds of any loans made under the First Lien Securitization Bridge Facilities; provided, however, that no such person will be indemnified for costs, expenses or liabilities (i) to the extent determined by a court of competent jurisdiction to have been incurred by reason of the gross negligence, willful misconduct or bad faith of, or material breach of the Securitization Bridge Documentation by, such person or (ii) arising out of or in connection with any claim, litigation, investigation or proceeding that does not involve an act or omission of the Borrower or any of its affiliates and that is brought by an indemnified person against any other indemnified person.

Yield Protection, Taxes and Other Deductions:

The First Lien Securitization Bridge Documentation will contain yield protection provisions, customary for facilities of this nature, protecting the First Lien Securitization Bridge Lenders in the event of breakage losses, reserve and capital adequacy requirements.

All payments are to be free and clear of any present or future taxes, withholdings or other deductions whatsoever (other than income and franchise taxes in the jurisdiction of the First Lien Securitization Bridge Lender's applicable lending office). The First Lien Securitization Bridge Lenders will use reasonable efforts to minimize to the extent possible any applicable taxes and the Borrower will indemnify (subject to customary exceptions) the relevant First Lien Securitization Bridge Lenders and the Administrative Agent for such taxes paid by such First Lien Securitization Bridge Lenders or the Administrative Agent.

Requisite First Lien Securitization Bridge Lenders:

First Lien Securitization Bridge Lenders holding at least a majority of total loans and commitments under the First Lien Securitization Bridge Facilities (the "Requisite First Lien Securitization Bridge Lenders"), with certain amendments requiring the consent of First Lien Securitization Bridge Lenders holding a greater percentage (or each First Lien Securitization Bridge Lender affected) of the total loans and commitments under the First Lien Securitization

Bridge Facilities (subject to a customary "yank-a-bank" provision).

Certain Securitization Related Provisions:

If (1) the Applebee's Securitization will result in the repayment of * (less any undrawn commitment amounts under the Securitization Bridge Facilities at the time the Applebee's Securitization closes) in aggregate principal amount of the Securitization Bridge Facilities or (2) 100% of the Securitization Bridge Lenders shall have otherwise consented to the closing of the Applebee's Securitization, then and only then each First Lien Securitization Bridge Lender covenants, for itself and for the express benefit of the secured parties under the Applebee's Securitization:

(i) that it shall have no recourse whatsoever to any of the collateral underlying the Applebee's Securitization;

(ii) that it will not (and hereby waives any right to) contest or support any other person in contesting, in any proceeding (including any insolvency or liquidation proceeding), (x) the priority, validity, perfection or enforceability of the first priority perfected security interest held by or on behalf of the secured parties under the Applebee's Securitization, as the case may be, and/or (y) the validity or enforceability of the provisions of any of the transaction documents underlying the Applebee's Securitization; and

(iii) so long as any amounts are outstanding under the Applebee's Securitization, and for a period of one year plus one day (or, if longer, the applicable preference period then in effect) after payment in full of all amounts payable in connection with the transaction documents underlying the Applebee's Securitization, including but not limited to the notes issued under the Applebee's Securitization, such First Lien Securitization Bridge Lenders, agents and letter of credit issuers shall not institute against any of the subsidiaries of the Borrower that are bankruptcy remote securitization entities (or are intended to be bankruptcy remote securitization entities) under the Applebee's Securitization or their bankruptcy remote subsidiaries (such actual or intended bankruptcy remote entities and their bankruptcy remote subsidiaries, the "Applebee's Securitization Entities") , or join or assist any other person in instituting against any of the Applebee's Securitization Entities, any bankruptcy, reorganization, arrangement, insolvency or liquidation

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proceedings, or other proceedings under any applicable federal or state bankruptcy or similar law.

Each First Lien Securitization Bridge Lender covenants, for itself and for the express benefit of the secured parties under the IHOP Securitization (which for all purposes of this provision, includes the Additional IHOP Securitization Securities):

(i) that it shall have no recourse whatsoever to any of the collateral underlying the IHOP Securitization;

(ii) that it will not (and hereby waives any right to) contest or support any other person in contesting, in any proceeding (including any insolvency or liquidation proceeding), (x) the priority, validity, perfection or enforceability of the first priority perfected security interest held by or on behalf of the secured parties under the IHOP Securitization, as the case may be, and/or (y) the validity or enforceability of the provisions of any of the transaction documents underlying the IHOP Securitization; and

(iii) so long as any amounts are outstanding under the IHOP Securitization, and for a period of one year plus one day (or, if longer, the applicable preference period then in effect) after payment in full of all amounts payable in connection with the transaction documents underlying the IHOP Securitization, including but not limited to the notes issued under the IHOP Securitization, such First Lien Securitization Bridge Lenders, agents and letter of credit issuers shall not institute against any of the subsidiaries of the Borrower that are bankruptcy remote securitization entities (or are intended to be bankruptcy remote securitization entities) under the IHOP Securitization or their bankruptcy remote subsidiaries (such actual or intended bankruptcy remote entities and their bankruptcy remote subsidiaries, the "IHOP Securitization Entities") , or join or assist any other person in instituting against any of the IHOP Securitization Entities, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any applicable federal or state bankruptcy or similar law.

Governing Law and Forum: The laws of the State of New York. Each party to the First Lien Securitization Bridge Documentation will waive the right to trial by jury and will consent to jurisdiction of the state and federal courts located in The City of New York.

Counsel to the Sole Arranger and the Administrative Agent:	Paul, Weiss, Rifkind, Wharton & Garrison LLP.

ANNEX I

SUMMARY OF TERMS OF SECOND LIEN SECURITIZATION BRIDGE LOAN FACILITY

Borrower:	IHOP Corp.
Exclusive Structuring Advisor:	Lehman Brothers Inc. (“Lehman Brothers”).
Sole Arranger and Sole Bookrunner:	Lehman Brothers.
Second Lien Securitization Bridge Lenders:	The Initial Securitization Bridge Lender or a syndicate of banks, financial institutions and other entities arranged by the Sole Arranger (collectively, the “Second Lien Securitization Bridge Lenders”); provided that any such syndication shall comply with the terms and conditions set forth in the Commitment Letter.
Administrative Agent and Collateral Agent:	Lehman Brothers Commercial Bank (“LBCB”) or Lehman Commercial Paper Inc. (“LCPI”).
Syndication Agent:	LBCB, LCPI or one of their affiliates.
Type and Amount of Facilities:	Second Lien Securitization Bridge Loan Facility: A one-year term securitization bridge term loan facility to be made available to the Borrower in U.S. dollars in the manner provided herein (the “Second Lien Securitization Bridge Loan Facility”; and the loans made under the Second Lien Securitization Bridge Facility, the “Second Lien Securitization Bridge Loans”) in an aggregate principal amount of up to $189,000,000.
Purpose:	Proceeds of the Second Lien Securitization Bridge Loan Facility will be used on the Closing Date (as defined below) to finance a portion of the Acquisition, to effect the Refinancing and to pay fees and expenses in connection therewith.
Closing Date:	Same as the First Lien Securitization Bridge Facilities.

Definitive Documentation:	The terms of the definitive documentation governing the Second Lien Securitization Bridge Loan Facility (the "Second Lien Securitization Bridge Documentation") shall be consistent with the terms and conditions of the Commitment Letter.
Maturity Dates:	Second Lien Securitization Bridge Loan Facility: One year from the Closing Date. If any Second Lien Securitization Bridge Loans (the "Second Lien Initial Loans") have not been previously paid in full the date that is one year after the Closing Date (the "Conversion Date"), subject to the conditions outlined below under "Condition to Conversion of Second Lien Initial Loans," such Second Lien Initial Loans shall be converted into a second lien term loan (each, a "Second Lien Term Loan" and, together with the Senior Term Loans, the "Term Loans") maturing on the fourth anniversary of the Conversion Date (the "Second Lien Final Maturity Date"). Other than the maturity date, all terms and conditions set forth herein applicable to the Second Lien Securitization Bridge Loan Facility shall apply to the Second Lien Term Loan.
Conditions to Conversion of Second Lien Initial Loans:	On the Conversion Date, unless a payment or bankruptcy default has occurred and is continuing under the Second Lien Initial Loans, the Second Lien Initial Loans shall be converted into Second Lien Term Loans upon payment of the Conversion Fee (as defined in the Fee Letter).
Prepayment Premium on Converted Loans:	Any optional prepayment of the Second Lien Term Loans prior to the first anniversary of the Conversion Date shall be accompanied by a prepayment premium equal to 2% of the aggregate principal amount prepaid, and any optional prepayment occurring on or after the first anniversary and before the second anniversary of the Conversion Date shall be accompanied by a prepayment premium equal to 1% of the aggregate principal amount prepaid.
Availability:	A single drawing may be made on the Closing Date of up to the full amount of the Second Lien Securitization Bridge Facility; provided, that if the Applebee's Securitization is consummated on the Closing Date, the amount of the Second Lien Securitization Bridge Facility shall be reduced by the greater of (x) * and (y) the extent to which the aggregate principal amount of securities issued in the Applebee's Securitization exceeds * (which for the avoidance of doubt, includes the amount of any variable funding note regardless of whether such note is funded).
Amortization:	None.

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Interest on Second Lien <u>Securitization Bridge Loans:</u>	At the Borrower's option, Second Lien Securitization Bridge Term Loans will bear interest based on the Base Rate or LIBOR; <u>provided</u> that until the date that is 30 days following the Closing Date, the Second Lien Securitization Bridge Loans shall be made and maintained as Base Rate Loans or LIBOR Loans having an interest period of one month, as selected by the Borrower, as described below:

A. <u>Base Rate Option</u>

Interest will be at the Base Rate plus the applicable Interest Margin (as defined below), calculated on the basis of the actual number of days elapsed in a year of 365/66 days and payable quarterly in arrears. The Base Rate is defined as the higher of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1% and (ii) the prime commercial lending rate as set forth on Reuters' Telerate Page 5. Second Lien Securitization Bridge Loans bearing interest based on the Base Rate shall be referred to herein as "<u>Base Rate Loans</u>."

Base Rate borrowings will require one business day's prior notice and will be in minimum amounts to be agreed upon

B. <u>LIBOR Option</u>

Interest will be determined for periods ("<u>Interest Periods</u>") of one, two, three or six months (as selected by the Borrower) and will be at an annual rate equal to the London Interbank Offered Rate ("<u>LIBOR</u>") for the corresponding deposits of U.S. dollars, plus the applicable Interest Margin. LIBOR will be determined by the Administrative Agent at the start of each Interest Period and will be fixed through such period. Interest will be paid at the end of each Interest Period or, in the case of Interest Periods longer than three months, quarterly, and will be calculated on the basis of the actual number of days elapsed in a year of 360 days. LIBOR will be adjusted for maximum statutory reserve requirements (if any). Second Lien Securitization Bridge Loans bearing interest based on LIBOR shall be referred to herein as "<u>LIBOR Loans</u>."

LIBOR borrowings will require three business days' prior notice and will be in minimum amounts to be agreed upon.

<u>Default Interest</u>:	Same as the First Lien Securitization Bridge Facilities.
<u>Interest Margins</u>:	The Interest Margins applicable to the Second Lien Securitization Bridge Loans will be the percentages set forth in the following table *

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Mandatory Prepayments:	Same as the First Lien Securitization Bridge Facility, but subject to the Intercreditor Agreement.
Optional Prepayments:	Permitted in whole or in part only after the First Lien Securitization Bridge Facilities shall have been repaid in full and the commitments thereunder terminated, with one business day's prior notice in the case of Base Rate Loans and three business day's prior notice in the case of LIBOR Loans, but without premium or penalty (except LIBOR breakage costs in the case of a prepayment other than on the last day of the relevant interest period and except as set forth above under the heading "Prepayment Premium on Converted Loans"), and including accrued and unpaid interest, subject to limitations as to minimum amounts of prepayments to be agreed.
Application of Prepayments:	All mandatory prepayments will be applied, first, to the prepayment of the First Lien Securitization Bridge Term Loans, second, to the repayment of the First Lien Securitization Bridge Revolving Credit Facility (with no permanent reduction in the commitments thereof) and third, to the prepayment of the Second Lien Securitization Bridge Loans; provided, that a mandatory prepayment described in clause (b) of "Mandatory Prepayments" in Annex I to the Commitment Letter in connection with a release of the Collateral Agent's lien on the assets of the Acquired Business (as described in "Release of Acquired Business Collateral" in Annex I to the Commitment Letter) will be applied, first, to the prepayment of the First Lien Securitization Bridge Term Loans, second, to the repayment of the First Lien Securitization Bridge Revolving Credit Facility (with a corresponding permanent reduction in the commitments thereof) and third, to the prepayment of the Second Lien Securitization Bridge Term Loans. No optional prepayments may be applied to the Second Lien Securitization Bridge Term Loans until all extensions of credit under the First Lien Securitization Bridge Facilities shall have been paid in full and all commitments thereunder shall have been terminated. Prepayments of the Second Lien Securitization Bridge Loans may not be reborrowed. Subject to the foregoing, optional and mandatory prepayments shall be applied pursuant to usual and customary provisions for applications of prepayments.
Guarantees:	Same as First Lien Securitization Bridge Facilities, subject to the Intercreditor Agreement.

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Security:	Same as First Lien Securitization Bridge Facilities, provided that the Second Lien Securitization Bridge Loan Facility will be secured by a second-priority security interest in the Collateral. The priority of the security interests and the related creditor rights among the First Lien Securitization Bridge Facilities and the Second Lien Securitization Bridge Loan Facility will be set forth in the Intercreditor Agreement to be agreed upon.
Conditions to Initial Borrowings:	Same as the First Lien Securitization Bridge Facilities.
Conditions to Each Borrowing (other than the Initial Borrowings):	Same as the First Lien Securitization Bridge Facilities.
Representations and Warranties:	Same as the First Lien Securitization Bridge Facilities.
Affirmative Covenants:	Same as the First Lien Securitization Bridge Facilities.
Negative Covenants *:	Same as the First Lien Securitization Bridge Facilities, but less restrictive in certain respects to be agreed.
Events of Default:	Same as the First Lien Securitization Bridge Facilities.
Assignments and Participations:	Same as the First Lien Securitization Bridge Facilities.
Release of Securitization Collateral:	Same as the First Lien Securitization Bridge Facilities.
Expenses and Indemnification:	Same as the First Lien Securitization Bridge Facilities.
Yield Protection, Taxes and Other Deductions:	The Second Lien Securitization Bridge Documentation will contain yield protection provisions, customary for facilities of this nature, protecting the Second Lien Securitization Bridge Lenders in the event of breakage losses, reserve and capital adequacy requirements. All payments are to be free and clear of any present or future taxes, withholdings or other deductions whatsoever (other than income and franchise taxes in the jurisdiction of the Second Lien Securitization Bridge Lender's applicable lending office). The Second Lien Securitization Bridge Lenders will use reasonable efforts to minimize to the extent possible any applicable taxes and the Borrower will indemnify (subject to customary exceptions) the relevant Second Lien Securitization Bridge Lenders and the Administrative Agent for such taxes paid by such Second Lien Securitization Bridge Lenders or the

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	Administrative Agent.
Requisite Second Lien Securitization Bridge Lenders:	Second Lien Securitization Bridge Lenders holding at least a majority of total loans under the Second Lien Securitization Bridge Loan Facility (the "Requisite Second Lien Securitization Bridge Lenders"), with certain amendments requiring the consent of Second Lien Securitization Bridge Lenders holding a greater percentage (or each Second Lien Securitization Bridge Lender affected) of the total loans under the Second Lien Securitization Bridge Loan Facility (subject to a customary "yank-a-bank" provision).
Certain Securitization Related Provisions:	Same as the First Lien Securitization Bridge Facilities.
Governing Law and Forum:	Same as the First Lien Securitization Bridge Facilities.
Counsel to the Sole Arranger and the Administrative Agent:	Paul, Weiss, Rifkind, Wharton & Garrison LLP.

ANNEX III

CONDITIONS TO CLOSING

The commitments of the Initial Securitization Bridge Lender under the Commitment Letter and the agreement of the Sole Arranger to perform the services described in the Commitment Letter with respect to each of the Securitization Bridge Facilities are subject to the conditions described or referred to under the heading "Conditions" in the Commitment Letter, including the satisfaction or waiver of each of the conditions precedent set forth below, it being understood that there shall be no conditions to closing or the initial funding of the Securitization Bridge Facilities other than those expressly described or referred to under the heading "Conditions" in the Commitment Letter, including those set forth below.

1. As a condition to the availability of the Securitization Bridge Facilities (but subject to the second paragraph under the heading "Conditions" in the Commitment Letter), there shall have occurred the negotiation, execution and delivery of definitive documentation, including guarantees, security documents, customary opinions, certificates and other closing documentation and deliveries as the Sole Arranger shall reasonably request with respect to the Securitization Bridge Facilities, in each case, reflecting and consistent with the terms and conditions set forth herein and in Annex I and Annex II hereto, as applicable, and otherwise mutually agreed by the Sole Arranger and the Borrower (such documentation, together with the Commitment Letter and the Fee Letter, collectively, the "Securitization Bridge Documentation").

2. The Equity Financing shall have been completed. The Acquisition and the other Transactions shall be consummated concurrently with the initial funding of the Securitization Bridge Facilities in accordance with the Acquisition Agreement (and no provision of the Acquisition Agreement shall have been waived or amended in a manner that is material and adverse to the Sole Arranger or the Securitization Bridge Lenders unless consented to by the Sole Arranger, which consent shall not be unreasonably withheld, conditioned or delayed; it being agreed that (i) any amendment or waiver of Section 2.02, the provisions of the first two sentences of Section 6.09(a) and Section 6.09(b) of the Acquisition Agreement would be material and adverse to the Securitization Bridge Lenders, (ii) the Borrower shall not consent to a Closing Date under Section 2.02 of the Acquisition Agreement that would occur earlier than the second business day after the date of completion of the "Bridge Marketing Period" (as defined in the Acquisition Agreement) without the prior written consent of the Sole Arranger, such consent not to be unreasonably withheld, conditioned or delayed and (iii) the Borrower shall consult with the Sole Arranger prior to determining whether an early commencement of the Bridge Marketing Period is reasonably practicable in accordance with Section 6.09(b) of the Acquisition Agreement).

3. The Sole Arranger shall have received reasonably satisfactory evidence that all loans outstanding under, and all other amounts due in respect of, existing indebtedness of the Borrower and its subsidiaries shall have been repaid in full (or satisfactory arrangements shall have been made for such repayment) and the commitments under all such indebtedness shall have been permanently terminated and all liens and security interests related thereto have been permanently released (other than the indebtedness and related liens (if any) described in the next sentence). After giving effect to the Transactions, none of the Borrower or any of its subsidiaries shall have outstanding any indebtedness other than (a) the loans and other extensions of credit under the Securitization Bridge Facilities, (b) capital lease obligations of the Borrower and its subsidiaries to be agreed, (c) indebtedness in respect of the IHOP Securitization incurred in connection with Series 2007-1, Series 2007-2 and Series 2007-3 and (d) purchase money indebtedness, trade payables, capital leases or letters of credit issued to support insurance policies, in each case, in the ordinary course of business and other indebtedness permitted to be incurred by the Acquired Business pursuant to the Acquisition Agreement as in effect on the date hereof.

4. The Borrower shall have obtained all necessary consents and waivers in order for the Borrower and its subsidiaries to consummate the Securitization Bridge Facilities (including the

contemplated borrowings thereunder) and issue the Additional IHOP Securitization Securities, each in form and substance reasonably satisfactory to the Sole Arranger, and such consents and waivers shall be in full force and effect. The Sole Arranger acknowledges that if FGIC provides consent to the amendments and waivers to the IHOP Securitization on terms substantially consistent with the terms of the Commitment Letter dated July 15, 2007 between IHOP and FGIC as in effect on the date of the Commitment Letter (which letter has previously been provided to the Sole Arranger), then such FGIC consent shall be satisfactory to the Sole Arranger.

5. The Borrower shall have entered into one or more interest rate derivatives each with an expiration date of not less than 12 months from the Closing Date in form and substance acceptable to the Sole Arranger. The Sole Arranger acknowledges that the form of derivative attached as Exhibit I to this Commitment Letter is acceptable to the Sole Arranger.

6. [Reserved.]

7. The Borrower shall have delivered to the Sole Arranger (a) audited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of each of the Borrower and the Target for the three most recently completed fiscal years ended at least 90 days prior to the Closing Date, in each case, prepared in accordance with GAAP, (b) unaudited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of each of the Borrower and the Target for each subsequent fiscal quarter ended at least 45 days prior to the Closing Date (which shall have been reviewed by the independent registered public accountants of the Borrower or the Target, as applicable, as provided in Statement of Auditing Standards 100 and prepared in accordance with GAAP) and (c) a pro forma consolidated balance sheet and related pro forma consolidated statement of income of the Borrower as of and for the four fiscal quarter period ending on the last day of the most recently completed fiscal quarter ended at least 45 days prior to the Closing Date, prepared after giving effect to the Transactions as if the Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of the statement of income), in each case including such adjustments as the Borrower and the Sole Arranger mutually agree are appropriate.

8. [Reserved.]

9. The Sole Arranger shall have received a customary solvency certificate from the chief financial officer for the Borrower.

10. The Sole Arranger, the Administrative Agent and the Initial Securitization Bridge Lender shall have received all fees and expenses required to be paid on or before the Closing Date.

11. The Collateral Agent shall have (or shall substantially simultaneously with the Closing Date and the initial funding of the Securitization Bridge Facilities be granted) (i) a first priority (subject to permitted encumbrances) lien on and security interest in the Collateral with respect to the First Lien Securitization Bridge Facilities and (ii) a second priority (subject to permitted encumbrances, including the lien securing the First Lien Securitization Bridge Facilities) lien on and security interest in the Collateral with respect to the Second Lien Securitization Bridge Facility, in each case as required in the Securitization Bridge Term Sheets under the heading "Security", all documents and instruments required to perfect such security interests shall have been executed and be in proper form for filing; provided, however, that with respect to any collateral (other than (x) the pledge and perfection of the security interests in capital stock of U.S. subsidiaries held by the Borrower or any Guarantor, (y) other assets pursuant to which a lien may be perfected by the filing of a financing statement under the Uniform Commercial Code and (z) owned intellectual property registered in the U.S. Copyright Office or the U.S. Patent and Trademark Office pursuant to which a lien may be perfected by the filing of an appropriate

notice of security interest in such office) that is not provided on the Closing Date after the Borrower's use of commercially reasonable best efforts to do so, the delivery of such collateral shall not constitute a condition precedent to the availability of the Securitization Bridge Facilities on the Closing Date but shall be required to be delivered after the Closing Date in accordance with the Securitization Bridge Term Sheets or pursuant to other arrangements to be mutually agreed.

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Exhibit 11.0

IHOP CORP. AND SUBSIDIARIES

STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
NET (LOSS) INCOME PER COMMON SHARE BASIC				
Weighted average shares outstanding	16,935	17,921	17,310	18,168
Net (loss) income available to common shareholders	$ (11,616)	$ 11,323	$ 13,827	$ 34,223
Net (loss) income per share—basic	$ (0.69)	$ 0.63	$ 0.80	$ 1.88
NET (LOSS) INCOME PER COMMON SHARE DILUTED				
Weighted average shares outstanding	16,935	17,921	17,310	18,168
Net effect of dilutive stock options based on the treasury stock method using the average market price	—	202	41	213
Total	16,935	18,123	17,351	18,381
Net (loss) income available to common shareholders	$ (11,616)	$ 11,323	$ 13,827	$ 34,223
Net (loss) income per share—diluted	$ (0.69)	$ 0.62	$ 0.80	$ 1.86

QuickLinks

Exhibit 11.0

IHOP CORP. AND SUBSIDIARIES STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS (In thousands, except per share data) (Unaudited)

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Exhibit 31.1

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

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

1. I have reviewed this Quarterly Report on Form 10-Q of IHOP Corp.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2007

/s/ JULIA A. STEWART

Julia A. Stewart
Chairman and Chief Executive Officer

QuickLinks

Exhibit 31.1

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

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Exhibit 31.2

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

I, Thomas Conforti, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of IHOP Corp.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2007

/s/ THOMAS CONFORTI

Thomas Conforti
Chief Financial Officer
(Principal Financial Officer)

QuickLinks

Exhibit 31.2

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

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Exhibit 32.1

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 Quarterly Report on Form 10-Q of IHOP Corp. (the "Company") for the quarter ended September 30, 2007, as filed with the Securities and Exchange Commission on October 24, 2007, (the "Report"), Julia A. Stewart, as Chairman and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of her knowledge, that,:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2007

/s/ JULIA A. STEWART

Julia A. Stewart
Chairman and Chief Executive Officer

This certification accompanies the Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

QuickLinks

Exhibit 32.1

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

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Exhibit 32.2

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 Quarterly Report on Form 10-Q of IHOP Corp. (the "Company") for the quarter ended September 30, 2007, as filed with the Securities and Exchange Commission on October 24, 2007, (the "Report"), Thomas Conforti, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that,:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2007

/s/ THOMAS CONFORTI

Thomas Conforti
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

QuickLinks

Exhibit 32.2

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