UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): April 26, 2006

IHOP CORP.

(Exact name of registrant as specified in its charter)

Delaware	**001-15283**	**95-3038279**
(State or other jurisdiction of incorporation or organization)	(Commision File Number)	(I.R.S. Employer Identification No.)

450 North Brand, Glendale, California	**91203**
(Address of principal executive offices)	(Zip Code)

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

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On April 26, 2006, IHOP Corp. issued a press release announcing its first quarter 2006 financial results. A copy of the press release is attached as Exhibit 99.1, and incorporated herein by reference.

Also on April 26, 2006, IHOP Corp. held a conference call to discuss its first quarter 2006 financial results. A copy of the prepared remarks of management is attached as Exhibit 99.2, and incorporated herein by reference.

The prepared remarks of management accompanying management's discussion during the conference call include references to the non-GAAP financial measures "free cash flow" and "net income excluding stock option and other stock compensation expense." The Company defines "free cash flow" for a given period as cash provided by operating activities for such period, less capital expenditures for such period. The Company defines "net income excluding stock option and other stock compensation expense" for given period as net income for such period, less any stock compensation expense incurred in such period. Management utilizes free cash flow as a measure of operating efficiency to determine the amount of cash remaining for general corporate and strategic purposes after funding operating activities and capital expenditures. Management believes this information is helpful to investors to determine the Company's cash available for these purposes. Management believes net income excluding stock option and other stock compensation expense and basic and diluted net income per share excluding stock option and other stock compensation expense is useful because it provides a more accurate period to period comparison. Free cash flow and net income excluding stock option and other stock compensation expense for any given period may be affected by a variety of factors, including but not limited to, changes in assets and liabilities and the timing of purchases and payments. Free cash flow and net income excluding stock option and other stock compensation expense are supplemental non-GAAP financial measures and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

The following table reconciles the Company's free cash flow to the Company's cash provided by operating activities for each of the three months ended March 31, 2006 and 2005:

	Three Months Ended March 31, 2006 (dollars in thousands)	Three Months Ended March 31, 2005 (dollars in thousands)
Cash flows from operating activities:	$ 21,502	$ 14,927
Capital expenditures	(241)	(1,163)
Free cash flow	$ 21,261	$ 13,764

The following table reconcilies net income to net income excluding the impact of stock option and other stock compensation expense, and basic and diluted net income per share to net income excluding stock option and other stock compensation expense per share, for each of the three months ended March 31, 2006 and 2005:

	Three Months Ended March 31, 2006	2005
	(dollars in thousands, except per share amounts)	
Net income as reported	$ 12,594	$ 10,075
Stock option expense	564	—
Restricted stock	245	29
Income tax benefit	(307)	(11)
Net income excluding stock option and other stock compensation expense	$ 13,096	$ 10,093
Basic net income per share:		
Net income as reported per share	$ 0.68	$ 0.50
Stock option expense per share	0.03	—
Restricted stock per share	0.01	—
Income tax benefit per share	(0.01)	—
Net income excluding stock option and other stock compensation expense per share	$ 0.71	$ 0.50
Diluted net income per share:		
Net income as reported per share	$ 0.68	$ 0.50
Stock option expense per share	0.03	—
Restricted stock per share	0.01	—
Income tax benefit per share	(0.01)	—
Net income excluding stock option and other stock compensation expense per share	$ 0.71	$ 0.50

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

Exhibit Number	Description
99.1	Press release of Registrant, dated April 26, 2006 (First Quarter 2006 Financial Results).
99.2	Prepared remarks of management of Registrant for conference call held on April 26, 2006.

SIGNATURE

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 hereunto duly authorized.

	IHOP CORP.
Date: April 27, 2006	By: /s/ THOMAS CONFORTI
	Thomas Conforti
	Chief Financial Officer(Principal Financial Officer)

EXHIBIT INDEX TO CURRENT REPORT ON FORM 8-K

Exhibit Number	Description
99.1	Press release of Registrant, dated April 26, 2006 (First Quarter 2006 Financial Results).
99.2	Prepared remarks of management of Registrant for conference call held on April 26, 2006.

Exhibit 99.1

FOR IMMEDIATE RELEASE

Stacy Roughan
Director, Investor Relations
IHOP Corp.
818-637-3632

IHOP CORP. REPORTS STRONG FIRST QUARTER 2006 RESULTS

GLENDALE, Calif., April 26, 2006 – IHOP Corp. (NYSE: IHP) today announced results for its first quarter ended March 31, 2006. Financial performance highlights for the quarter included:

- Diluted earnings per share growth of 36.0% to $0.68, including $0.03 per diluted share of stock option and other stock compensation expense
- Cash Flow from Operating Activities increased 44.0% to $21.5 million; also cash of $4.2 million was provided by the collection of the Company's long-term receivables
- Strong same-store sales growth of 5.1%, consisting of a healthy balance between increases in traffic and average guest check
- 4.5% year-over-year growth in the number of system-wide restaurants to a total of 1,252 IHOPs; 10 new restaurants were developed and opened by IHOP franchisees and Florida area licensee during the quarter
- 3.0% reduction in General & Administrative (G&A) expenses, including stock option and other stock compensation expense
- Repurchased 212,600 shares of IHOP stock, totaling $10.6 million, and reduced diluted weighted average shares outstanding by 7.7% year-over-year

Julia A. Stewart, IHOP's President and Chief Executive Officer, said, "Our first quarter 2006 financial performance was exceptionally strong due to a number of positive factors. Our same-store sales growth of 5.1% for the quarter drove revenue in our core Franchise Operations business substantially higher while expenses in this segment grew at a lower rate. Additionally, we benefited from lower G&A spending as well as the continued reduction in shares outstanding as the result of share repurchase activities over the past year. We are able to deliver outstanding results by focusing on driving top line growth, producing operating leverage through expense control and utilizing our capital in ways that create value for our shareholders through share repurchase and dividend payments. Taken together, these dynamics demonstrated the power and attractiveness of our franchise business model during the first quarter of 2006."

First Quarter 2006 Performance

IHOP reported an increase of 25.0% in net income to $12.6 million, and an increase of 36.0% in diluted net income per share to $0.68 in the first quarter 2006. Excluding pre-tax stock option and other stock compensation expense of $809,000, net income would have increased 29.8% to $13.1 million, and diluted net income per share would have increased 42.0% to $0.71 in the first quarter 2006. The increases in IHOP's net income and diluted net income per share resulted primarily from a 15.5% increase in Franchise Operations segment profit due to higher same-store sales performance, which effectively leveraged against modest expense growth in this segment. Additionally, reduced G&A expenses and the reduction in diluted weighted average shares outstanding, due to share repurchase, also contributed to the Company's strong earnings performance for the first quarter 2006.

Cash Flow from Operating Activities increased in the three months ended March 31, 2006 to $21.5 million compared with $14.9 million in the same period in 2005. This increase is due partly to increases in net income and accounts payables in the first quarter of 2006 compared to the same period in 2005. Principal receipts from notes and equipment contracts receivable, which are an additional source of annual cash generation for the Company, amounted to $4.2 million in the first quarter 2006. Capital expenditures were reduced from $1.2 million in the first quarter 2005 to $241,000 in the first quarter 2006, primarily reflecting the Company's business model change as well as reduced spending associated with Information Technology initiatives and the timing of restaurant development in IHOP's Company market of Cincinnati.

Strategic Highlights

The following are key business highlights for the first quarter 2006 based on IHOP's three strategic objectives: Energize the Brand, Improve Operations Performance and Maximize Franchise Development.

- **Energize the Brand:** IHOP's sales performance was fueled by programs that were successfully built upon IHOP's core brand equities, including two appealing limited-time offers featured during the quarter – All You Can Eat Pancakes and Cinn-A-Stacks – as well as extensive efforts supporting the celebration of National Pancake Day. During the quarter, IHOP experienced a healthy balance of traffic and guest check increases, which were the result of effective promotions that motivated guests to visit IHOP restaurants more often and continued pricing moderation by franchisees that further solidified the important price/value relationship IHOP has with its guests.

- **Improve Operations:** The Company evaluates each franchise operator on an "A" through "F" scale based on a range of objective criteria including Mystery Shop reports, operational assessments, participation in training programs, and the maintenance of required management infrastructure. At the end of the first quarter 2006, 87% of IHOP's franchisees were rated an "A" or a "B" based on this rating system. This reflects an improvement from 77% of IHOP's franchisees rated as "A" or "B" operators in the first quarter 2005.

- **Maximize Franchise Development:** During the first quarter 2006, IHOP franchisees and its Florida area licensee opened 10 new IHOP restaurants, compared to 12 restaurants in the same quarter last year. IHOP also continued to build its U.S. pipeline of franchise development commitments with additional Multi-Store and Single-Store Development Agreements secured in the first quarter 2006 for its franchisees to build 23 new IHOP restaurants over the next several years. As of the end of the first quarter 2006, the Company's U.S. franchise pipeline included signed, optioned and pending commitments to develop a total of 445 new IHOP restaurants. Additionally, IHOP signed a Multi-Store Development Agreement for international expansion in Nuevo Leon, Mexico, which includes signed and optioned commitments for the development of as many as 21 new IHOP restaurants.

2006 Guidance Reiterated

IHOP reiterated its performance guidance for the full year 2006, which takes into account its strong financial results in the first quarter 2006. IHOP expects its 2006 earnings performance to range between $2.25 and $2.35 per diluted share, including estimated stock option and other stock compensation expense ranging between $2.5 million and $3.5 million for the year. The Company's earnings performance expectations are primarily based on revenue drivers including positive same-store sales growth of between 2% and 4% and the addition of 64 to 69 new restaurants to the IHOP system in 2006, careful G&A management with expenses expected to range between $65 million to $67 million in 2006 including estimated stock option and other stock compensation expense, as well as continued share repurchases.

Cash from Operations is expected to range between $55 million and $60 million in 2006, and principal receipts from notes and equipment contract receivable are expected to be within the range of $18 million to $20 million. Capital expenditures are expected to range between $12 million to $14 million in 2006, which primarily reflects investment in the development of four IHOP restaurants in its Company market in Cincinnati, Ohio, as well as supporting and optimizing the Company's Information Technology infrastructure. Cash commitments in 2006 are expected to be approximately $24 million, which includes the first principal repayment of the Company's private placement debt, other scheduled principal payments on long-term debt and capital lease obligations.

Investor Conference Call Today

IHOP will host an investor conference call to discuss its first quarter 2006 results today, Wednesday, April 26, 2006 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific Time). To participate on the call, please dial 800-659-2056 and reference pass code 78147334. A live webcast of the call will be available on IHOP's Web site at www.ihop.com, and may be accessed by visiting Conference Calls & Presentations under the site's Investor Information section. Participants should allow approximately ten minutes prior to the call's start time to visit the site and download any streaming media software needed to listen to the webcast. A telephonic replay of the call may be accessed through May 3, 2006 by dialing 888-286-8010 and referencing pass code 25138462. An online archive of the webcast will also be available on the Investor Information section of IHOP's Web site.

About IHOP Corp.

The IHOP family restaurant chain has been serving a wide variety of breakfast, lunch and dinner selections for more than 45 years. Offering 14 types of pancakes as well as omelettes, breakfast specialties, burgers, sandwiches, chicken and steaks, IHOP's diverse menu appeals to people of all ages. IHOP restaurants are franchised and operated by Glendale, California based IHOP Corp. As of March 31, 2006, the end of IHOP's first quarter, there were 1,252 IHOP restaurants in 48 states and Canada. IHOP Corp. common stock is listed and traded on the NYSE under the symbol "IHP." For more information, call the Company's headquarters at
(818) 240-6055 or visit the Company's Web site located at www.ihop.com.

Forward-Looking Statements

There are forward-looking statements contained in this news release. They use such words as "may," "will," "expect," "believe," "anticipate," "plan," or other similar terminology. 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 of 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; the ability of the Company to franchise its remaining Company-operated restaurants; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; conditions beyond the Company's control such as weather, natural disasters or acts of war or terrorism; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the International House of Pancakes brand and concepts by guests and franchisees; the Company'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 filings with the Securities and Exchange Commission. Forward-looking information is provided by IHOP pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, the Company disclaims any intent or obligation to update these forward-looking statements.

[Financial Tables to Follow]

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenues		
Franchise revenues	$ 45,255	$ 40,897
Rental income	33,350	33,038
Company restaurant sales	3,372	3,986
Financing revenues	6,540	7,902
Total revenues	88,517	85,823
Costs and Expenses		
Franchise expenses	20,498	19,455
Rental expenses	24,648	24,683
Company restaurant expenses	3,756	4,806
Financing expenses	3,040	3,361
General and administrative expenses	15,090	15,563
Other expense, net	1,172	1,625
Total costs and expenses	68,204	69,493
Income before income taxes	20,313	16,330
Provision for income taxes	7,719	6,255
Net income	$ 12,594	$ 10,075
Net Income Per Share		
Basic	$ 0.68	$ 0.50
Diluted	$ 0.68	$ 0.50
Weighted Average Shares Outstanding		
Basic	18,421	19,991
Diluted	18,650	20,213
Dividends Declared Per Share	$ 0.25	$ 0.25
Dividends Paid Per Share	$ 0.25	$ 0.25

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DATA
(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Restaurant Data		
Effective restaurants(a)		
Franchise	1,079	1,034
Company	7	8
Area license	155	148
Total	1,241	1,190
System-wide(b)		
Sales percentage change(c)	9.4%	4.9%
Same-store sales percentage change(d)	5.1%	0.6%
Franchise		
Sales percentage change(c)	10.0%	5.9%
Same-store sales percentage change(d)	5.2%	0.6%
Company		
Sales percentage change(c)	(15.4)%	(62.2)%
Area License		
Sales percentage change(c)	6.1%	11.4%

(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 of IHOP restaurants operated by franchisees, area licensees and the Company, as reported to the Company. Franchise restaurant sales were $479.3 million for the first quarter ended March 31, 2006, and sales at area license restaurants were $52.9 million for the first quarter ended March 31, 2006. 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.

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DEVELOPMENT AND FRANCHISING ACTIVITY
(Unaudited)

	Three Months Ended March 31,	
	2006	**2005**
Restaurant Development Activity		
Beginning of period	1,242	1,186
New openings		
Company-developed	—	2
Franchisee-developed	7	11
Area license	3	1
Total new openings	10	14
Closings		
Company and franchise	—	(2)
Area license	—	—
End of period	1,252	1,198
Summary-end of period		
Franchise	1,090	1,041
Company	6	8
Area license	156	149
Total	1,252	1,198
Restaurant Franchising Activity		
Company-developed	—	3
Franchisee-developed	7	11
Rehabilitated and refranchised	3	3
Total restaurants franchised	10	17
Reacquired by the Company	(2)	(2)
Closed	—	(2)
Net addition	8	13

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	$ 34,919	$ 23,111
Receivables, net	42,816	43,690
Reacquired franchises and equipment held for sale, net	—	273
Inventories	696	537
Prepaid expenses	1,458	2,899
Total current assets	79,889	70,510
Long-term receivables	315,500	319,335
Property and equipment, net	313,205	317,959
Excess of costs over net assets acquired	10,767	10,767
Other assets	55,629	52,509
Total assets	$ 774,990	$ 771,080
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 19,606	$ 19,564
Accounts payable	21,498	15,083
Accrued employee compensation and benefits	7,348	10,745
Other accrued expenses	9,828	9,030
Deferred income taxes	3,091	2,882
Capital lease obligations	4,597	4,491
Total current liabilities	65,968	61,795
Long-term debt, less current maturities	113,654	114,210
Deferred income taxes	59,300	61,414
Capital lease obligations	171,529	172,681
Other liabilities	71,190	67,134
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; March 31, 2006: 22,630,009 shares issued and 18,362,236 shares outstanding; December 31, 2005: 22,464,760 shares issued and 18,409,587 shares outstanding	225	225
Additional paid-in capital	122,237	120,922
Retained earnings	340,551	332,560
Deferred compensation	—	(747)
Accumulated other comprehensive loss	(127)	(205)
Treasury stock, at cost (4,267,773 shares and 4,055,173 shares at March 31, 2006 and December 31, 2005, respectively)	(169,537)	(158,909)
Total stockholders' equity	293,349	293,846
Total liabilities and stockholders' equity	$ 774,990	$ 771,080

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cash flows from operating activities		
Net income	$ 12,594	$ 10,075
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation and amortization	5,025	4,885
Impairment and closure charges	11	54
Deferred income taxes	(1,905)	217
Contribution to ESOP	—	225
Stock-based compensation expense	809	29
Excess tax benefit from stock-based compensation	(269)	—
Tax benefit from stock options exercised	—	622
Changes in operating assets and liabilities		
Receivables	725	163
Inventories	(159)	44
Prepaid expenses	1,441	1,027
Accounts payable	6,415	1,387
Accrued employee compensation and benefits	(3,397)	(2,650)
Other accrued expenses	798	(91)
Other	(586)	(1,060)
Cash flows provided by operating activities	21,502	14,927
Cash flows from investing activities		
Additions to property and equipment	(241)	(1,163)
Additions to long-term receivables	(144)	(847)
Purchase and redemption of marketable securities, net	—	8,192
Proceeds from sale of land and building	—	890
Principal receipts from notes and equipment contracts receivable	4,242	4,878
Additions to reacquired franchises and equipment held for sale	(239)	(381)
Property insurance proceeds	2,226	—
Cash flows provided by investing activities	5,844	11,569
Cash flows from financing activities		
Repayment of long-term debt	(514)	(479)
Principal payments on capital lease obligations	(1,046)	(894)
Dividends paid	(4,603)	(4,992)
Purchase of treasury stock	(10,628)	(2,193)
Proceeds from stock options exercised	984	2,170
Excess tax benefit from stock-based compensation	269	—
Cash flows used in financing activities	(15,538)	(6,388)
Net change in cash and cash equivalents	11,808	20,108
Cash and cash equivalents at beginning of period	23,111	44,031
Cash and cash equivalents at end of period	$ 34,919	$ 64,139

Exhibit 99.2

IHOP Corp.
First Quarter 2006 Call Script

Stacy Roughan – Welcome and Safe Harbor

Good morning and thank you for participating on IHOP's first quarter 2006 conference call. Today, with us from management are Julia Stewart, President and CEO, and Tom Conforti, CFO.

Before I turn the call over to Julia and Tom, let me remind you of our Safe Harbor regarding forward-looking information. Today, management may discuss information that is forward-looking, and involves 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. We caution you to evaluate such forward-looking information in the context of these factors, which are detailed in today's news release, as well as in our most recent Form 10-K filing with the Securities and Exchange Commission. In addition, IHOP disclaims any intent or obligation to update these forward-looking statements.

Now, I'd like to turn the call over to Julia Stewart.

Julia Stewart – First Quarter 2006 Performance Overview

Thanks, Stacy.

We kicked off the year with an incredible financial performance in the first quarter 2006 that truly showcased the strength of our core franchise business when all the drivers of our model are at work. EPS for the quarter was $0.68 [cents], including stock option expense, which represents a 36% [percent] increase versus last year. Our bottom line performance primarily reflects the benefit of continued same-store sales growth and modest expense growth in our core Franchise Operations business segment. Additionally, lower G&A spending coupled with share repurchases contributed to our quarterly performance.

We experienced strong same-store sales growth of 5.1% [percent] for the first quarter 2006 as a result of our strategic efforts focused on Energizing the Brand. And, it was the sixth quarter in which we exceeded 5% [percent] same-store sales growth since changing our business model at the beginning of 2003. Our product promotions featured during the quarter – All You Can Eat Pancakes and Cinn-A-Stacks – demonstrated the power of limited-time offers that take advantage of IHOP's core brand equities, including breakfast.

Additionally, we coordinated an unprecedented effort around IHOP's first system-wide National Pancake Day event. IHOP "owned" the day with significant national media coverage and advertising as we gave away nearly one million pancakes to our guests and raised $340,000 [dollars] for charity. In celebration of National Pancake Day, we were able to bring together our guests in support of worthy causes, and, at the same time, create a powerful event uniquely identifiable with IHOP. It doesn't get much better.

The combination of our successful limited-time offers and National Pancake Day event generated a healthy increase in traffic for the quarter. This built upon the traffic momentum we established in the second half of last year, adding a third consecutive quarter of positive traffic growth. We are encouraged by continued pricing moderation by franchisees as we reinforce the strong price/value relationship IHOP has with our guests.

We also benefited from favorable year-over-year comparison against a modest sales performance in the first quarter of 2005. Due to the 53^{rd} operating week in fiscal 2004, the three-day New Year's holiday weekend was not included in our first quarter 2005 same-store sales results. This year, one day of the three-day holiday was included in the first quarter 2006, which bolstered our results by approximately 0.4% [percent]. Additionally, the Easter holiday landed in the first quarter 2005, which created a timing mismatch that worked against us – costing us approximately 0.8% [percent] of same-store sales growth during the quarter. However, we anticipate picking up a similar sized benefit from the Easter holiday, which will be reflected in the second quarter this year.

With our enhanced media strategy for 2006 – which now includes network syndication – we have effectively broadened our reach by more than 20% [percent], reaching 85% [percent] of our target audience while spending at the same levels as last year. We are seeing indications of the benefit this is having, and are very encouraged.

Clearly, we couldn't be more pleased with our same-store sales performance for the quarter. And, we remain confident in the sales drivers lined up for the balance of 2006.

We have a terrific pipeline of limited-time offer promotions. Our third offering of the year – Stuffed French Toast Delights offered in three varieties – just rolled out on Monday and is a promising performer.

As we get closer to the upcoming Mother's Day, Father's Day and Graduation celebrations, we expect to benefit from plans for further enhancement of IHOP's gift card program to drive greater sales and redemptions throughout the system. This will include new in-store marketing of gift cards, as well as mentions of gift cards in our T.V. commercials.

We will roll out a system-wide menu update next month, and a second menu update is planned for November of this year.

We are also focused on additional initiatives designed to sustain the health and vitality of our brand. Restaurant remodels continue at a strong pace with approximately 150 restaurants due to be completed this year. 20 remodels were underway, substantially completed or finished as of the end of the first quarter.

Finally, we are testing a new “IHOP ‘n’ Go” carry out program this year, and – assuming a positive outcome – we expect to see the sales benefit of this initiative sometime in 2007 as we roll the platform out nationwide.

Our strategic focus on Improving Operations Performance continued during the first quarter 2006. Our A/B operator ratings remained stable with 87% [percent] of IHOP franchisees rated as “A” or “B” operators and the remaining 13% [percent] now rated as “C” operators as of the end of the quarter. This is an improvement from 77% [percent] in the first quarter 2005. Notably, there were more than twice the number of “A” operators this year, versus the same quarter last year.

Service is a key area in which IHOP can make meaningful improvements at the restaurant level. By improving service to our guests, we can create a powerful advantage in the marketplace and build a sustainable differentiation from our competition. Service is the “burning platform” for our Operations organization and our franchisees in 2006. It was the focus of our National Operations meeting with our field organization in January, and, more recently, was a key topic at our Regional Business Conferences with all of our franchisees.

There are several operational initiatives aimed at driving significant service improvement this year. Our goal is to meaningfully increase our scores in the service aspect of our Mystery Shop program. First, we have refined the Mystery Shop report to identify the components of guest service, so that the Mystery Shop reports will provide deeper insight into the areas where we can improve. Secondly, we are in the process of conducting consumer research to guide further service initiatives going forward.

Other operations goals for 2006 include:

- Flawlessly introducing and executing each product promotion, as well as the core menu updates currently planned for May and November;
- Successfully executing approximately 150 restaurant remodels due in 2006;
- Supporting new restaurant openings throughout the year;
- Implementing programs to further enhance IHOP's gift card program; and
- Driving incremental adoption of 24-hour operations at selected IHOP restaurants.

Our organization has a clear understanding of what we need to do to move the needle this year from an operations perspective, and we are executing against these goals every day.

Turning to Training, the IHOP Training Team is at work developing an upgraded version of our Restaurant Training Program, which provides training for new-hires and existing restaurant employees. The program is scheduled for pilot in the third quarter of this year, with the expectation of rolling it out by year-end. Our goal is to produce a simpler, more accessible program with improved functionality and effectiveness at the restaurant level. A benefit should be greater standardization and usage of the training materials and information resources across the system. The modular design of the materials will also reduce costs for IHOP and our franchisees, as well as put us in a position to take advantage of computer-based, and ultimately, Internet-based training tools in the future.

Our strategic efforts to further maximize franchise development continued with franchisees and our Florida area licensee developing and opening 10 new IHOP restaurants during the quarter. We added commitments for franchisees to develop as many as 23 new IHOP restaurants over the next several years. This includes further expansion in one of our primary strategic growth markets – Chicago, Illinois. This is an important step in building IHOP's presence in under-penetrated U.S. markets. Agreements currently pending final approval also provide for meaningful strategic growth – notably in Columbus and Dayton, Ohio, as well as an agreement for our first franchisee to develop IHOPs in the state of Vermont.

Our efforts now bring IHOP's current franchise pipeline, as of the end of the first quarter 2006, to as many as 445 restaurants signed, optioned or pending for development in the U.S. Franchisees and our Florida area licensee are set to develop and open 60 to 65 new IHOP restaurants in 2006. This pace of development is nearly three times the number of our closest national competitor.

Additionally, we recently finalized our first Multi-Store Development Agreement for international expansion within the state of Nuevo Leon, Mexico, which includes the city of Monterrey. Our new franchisee, Junior Foods, currently operates Carl's Jr. restaurants throughout this region and has agreed to develop six new IHOP restaurants over the next four years. Junior Foods also acquired two options that would allow it to develop as many as 15 additional IHOP restaurants within the same area.

We also continue to make progress in our Company market of Cincinnati. To date, Cincinnati has been an excellent testing ground to do the "heavy lifting" for new initiatives before introducing them to our franchise system. As a result of our efforts in Cincinnati, we have introduced a new building prototype for the system, supported core menu enhancements, tested a "To Go" program, and are in the process of new touch points trials, including flatware, dishware, glassware, and new uniforms, among other initiatives.

We've made terrific progress. We have learned, however, that constant testing can have an impact on the guest experience and we believe that there is a need to step back and refocus on day-to-day operations in our Cincinnati restaurants. This means returning to the basics, with a temporary halt on significant testing, to allow for improved execution within our Company restaurants – which is particularly important as we get ready to open four new IHOPs in Cincinnati before year-end.

With that, I'd like to turn the call over to Tom Conforti, our CFO, to provide you with a more detailed discussion of our business segments and cash flow performance for the first quarter 2006.

Tom Conforti – First Quarter 2006 Performance Detail

Thanks, Julia, and good morning everyone. Today, I'll walk you through key factors that contributed to our strong financial performance in the first quarter 2006.

Let's start with earnings. Our EPS performance of $0.68 [cents] for the quarter was exceptional, and demonstrates the power and attractiveness of our franchise business model as we remain focused on driving top line growth, producing operating leverage through expense control and utilizing our capital in ways that create value for our shareholders through share repurchase and dividend payments.

The primary contributor to our strong EPS results was the performance of our Franchise Operations segment – where revenue grew 10.7% [percent] while expenses were held to lower growth of 5.4% [percent]. Our revenue growth is a function of dynamics you are well acquainted with — higher retail sales as a result of a 4.3% [percent] growth in the number of effective units, and our 5.1% [percent] growth in same-store sales for the quarter. In addition, we benefited from increased dry mix sales to our franchisees associated with our All You Can Eat Pancakes promotion during the quarter. Our ability to manage relatively flat Franchise Operations expense growth was primarily due to the elimination of MICROS Point-of-sale subsidies, as well as a reduction in the amount of financial relief granted to franchisees at certain underperforming restaurants. Simply put, we grew expenses at a lower rate and leveraged our strong top line performance in this segment to produce a 15.5% [percent] increase in Franchise Operation profit for the quarter.

Turning to the Rental Operations segment, revenue increased 0.9% [percent], primarily due to strong same-store sales performance and successful refranchising efforts. 40% [percent] of our lease agreements provide for rent payments which are tied to sales performance. Rental expenses decreased 0.1% [percent]. Rental Operations segment profit grew 4.2% [percent] due to this dynamic – the benefit of higher revenue on a lower expense base. We refranchised three restaurants during the quarter, bringing the number of locations for which we maintain the position between landlord and franchisee to 777 restaurants as of the end of the first quarter 2006.

Company Operations performance for the quarter resulted in a bigger loss than anticipated. We lost $384,000 in this segment during the first three months of the year, which represents an improvement of $436,000 versus the same period in 2005. You will see that, while sales decreased 15.4% [percent] in the quarter, primarily due to successful refranchising and repositioning efforts, we are experiencing softer sales in our six Company-operated restaurants in Cincinnati as some of these restaurants mature and development continues. While Company Operations expense decreased 21.8% [percent] in total, labor expense in Cincinnati is running at a higher level than we would like to see. As we look to optimize the performance of our Company market, as Julia mentioned, managing labor more effectively is a primary concern – particularly as we prepare for new unit openings later this year.

Turning to Financing Operations, profit in this segment declined 22.9% [percent], as expected, as we continue to exit “Old Model” sources of revenue. Long-term note balances continued to decline, decreasing interest income recognized in this segment as a result of our receivables run-off. In addition, 2005’s first quarter performance benefited from successful profitable refranchising efforts, which added approximately $703,000 [dollars] in profit to this segment.

Moving to G&A expenses, we experienced a reduction in G&A expenses in the first quarter 2006 primarily due to one-time legal fees associated with a lawsuit settled in the first quarter last year. G&A for the first quarter 2006 also included pre-tax stock option and other stock compensation expense of $809,000 [dollars], or $0.03 [cents] per diluted share. So, our comparisons without this expense would have been more favorable.

With regard to G&A for the full year, I wanted to caution you about modeling this run rate forward for the balance of the year. As same-store sales momentum continues, we have resumed investment spending for 2006. We also expect to incur additional expenses during the year associated with, among other things, potential refinancing activities. While we always seek out opportunities to manage and control spending closely, there are planned, incremental projects throughout the year, and it would be premature to revise our current G&A expense guidance for the full year at this point.

Cash from Operations was also a key highlight, increasing 44.0% [percent] to $21.5 million [dollars] in the quarter. This increase was primarily due to a 25.0% [percent] increase in net income – that includes a non-cash charge for stock option expensing – as well as an increase in accounts payables. It is important to note here that we are not updating our Cash from Operations guidance of $55 million to $60 million [dollars] for 2006 as the payables benefit is partly a timing issue.

CAPEX was a modest $241,000 [dollars], a decrease of 79.3% [percent], primarily due to the timing of spending on Cincinnati restaurant construction, which is back-loaded later in the year.

As a result, Free Cash Flow – defined as Cash from Operations less CAPEX – increased 54.5% [percent] to $21.3 million [dollars] for the quarter.

Our cash position was augmented by $4.2 million [dollars] during the quarter from the structural run-off of our franchise and equipment notes receivables. This brought our total cash position – Cash from Operations plus the receivables run-off – to $25.7 million [dollars].

Moving to balance sheet highlights, cash and cash equivalents increased to $34.9 million [dollars]. Long-term asset categories continued to show a gradual decline, as expected, due to our business model change.

I wanted to update you on an opportunity we are evaluating, which would potentially drive Cash from Operations improvements in 2006 and beyond.

We are implementing a process improvement that would result in electronic sales reporting, as well as electronic invoicing to our franchisees and cash collection from our franchisees. We are particularly excited about the opportunity this project presents to improve speed and quality of data and cash collection, while also reducing cost for us and our franchisees in the payment process. We will begin testing this system in the summer – with the expectations of rolling it out to our franchise system by year-end.

Turning to an update on our IRS situation… both the IRS and the Company have appeared before the appeals officer to present our respective positions. The appeals officer has taken the matter under submission, but we do not have a definitive timeframe for resolution. Just as a reminder, we expect the net federal tax obligation to be approximately $10 million [dollars]. The worst case federal tax obligation is approximately $19 million [dollars] – excluding interest, penalties and any related state tax liability –

and the net obligation of $10 million [dollars] reflects our expectations of receiving a refund for taxes we have already paid.

As indicated in our prior calls, we have begun evaluating the Company's current debt structure in light of restrictive financial covenants and our plans for continued share repurchases, dividends, and the possibility of a strategic event. We expect to have more to say on this soon.

With that, I'll turn the call back to Julia.

Julia Stewart – Wrap Up to Q&A

Thanks, Tom.

As a final note, we are pleased to report that our commitment to maximizing shareholder value to date has resulted in more than $230 million [dollars] being returned to shareholders through our dividend program and share repurchase activities over the past three years.

We are truly off to a great start in 2006, and we expect to continue this momentum by remaining dedicated to our three-fold strategy of Energizing the Brand, Improving Operational Performance and Maximizing Franchise Development.

We are reiterating our fiscal 2006 performance guidance, which is detailed in today's news release. While our performance in the first quarter 2006 may be ahead of expectations, we want to keep our full year guidance unchanged for a few key reasons.

As I mentioned earlier, we benefited from favorable year-over-year comparisons to a modest sales performance in the first quarter of 2005. We expect this to also be the case for the second quarter this year. However, same-store sales comparisons will become more difficult in the second half of 2006 as we comp against our stronger performance in the third and fourth quarters of 2005.

Additionally, as Tom just mentioned, we are in the process of evaluating our debt structure, and this activity could result in additional costs this year, which are currently not included in our G&A guidance for 2006. Until certain decisions are made, it will be hard to quantify this additional, unplanned expense.

Finally, we are reiterating our Cash from Operations expectations for the full year, as our stronger cash performance for the quarter is partly a timing issue that will play itself out in subsequent quarters this year.

We had a fantastic first quarter, and, obviously, if this level of performance were to continue, we would revisit our full year guidance – but believe it is prudent to reiterate our expectations at this time given the factors I just mentioned.

With that, I would now like to open the call to answer any questions you might have.

Operator?

Julia Stewart – Closing Comments

Thank you for joining today's call. Should you have additional questions, Tom and I are available after the call. Otherwise, we look forward to speaking to you on our next conference call to discuss second quarter 2006 results, which is scheduled for Wednesday, July 26th. Thank you.