

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, 1996

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 0-8360

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.)

525 North Brand Boulevard, Glendale, California 91203-1903
(Address of principal executive offices) (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 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 September 30, 1996
Common Stock, \$.01 par value	9,467,294

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

	September 30, 1996	December 31, 1995
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,185	\$ 3,860
Receivables	26,640	21,476
Reacquired franchises and equipment held for sale, net	1,613	1,157
Inventories	1,064	792
Prepaid expenses	427	233
	-----	-----
Total current assets	31,929	27,518
	-----	-----
Long-term receivables	129,349	115,800
Property and equipment, net	115,166	87,795
Reacquired franchises and equipment held for sale, net	10,113	6,553
Excess of costs over net assets acquired, net	13,015	13,336
Other assets	906	1,055
	-----	-----
Total assets	\$300,478	\$252,057
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 4,622	\$ 4,672
Accounts payable	16,770	15,979
Accrued employee compensation and benefits	3,010	1,562
Other accrued expenses	5,045	2,349
Deferred income taxes	3,271	3,436
Capital lease obligations and other	829	719
	-----	-----
Total current liabilities	33,547	28,717
	-----	-----
Long-term debt	43,844	30,584
Deferred income taxes	24,086	21,495
Capital lease obligations and other	76,228	62,964
Shareholders' equity		
Preferred stock, \$1 par value, 10,000,000 shares authorized; shares issued and outstanding: no shares	-	-
Common stock, \$.01 par value, 40,000,000 shares authorized; shares issued and outstanding: September 30, 1996, 9,467,294 shares; December 31, 1995, 9,375,515 shares	95	94
Additional paid-in capital	48,478	46,363
Retained earnings	73,460	60,640
Contribution to ESOP	740	1,200
	-----	-----
Total shareholders' equity	122,773	108,297
	-----	-----
Total liabilities and shareholders' equity	\$300,478	\$252,057
	=====	=====

See the accompanying notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS IHOP CORP. AND SUBSIDIARIES
(Unaudited and in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
Revenues				
Franchise operations				
Rent	\$ 7,459	\$ 7,178	\$ 21,832	\$ 20,854
Service fees and other	18,267	16,790	53,593	47,904
	-----	-----	-----	-----
	25,726	23,968	75,425	68,758
Company operations	14,342	10,484	38,778	30,216
Other	11,501	8,118	22,123	16,897
	-----	-----	-----	-----
Total revenues	51,569	42,570	136,326	115,871

Costs and expenses				
Franchise operations				
Rent	4,190	3,811	12,109	11,303
Other direct costs	7,735	7,302	22,843	20,846
	11,925	11,113	34,952	32,149
Company operations	13,541	10,384	36,448	29,282
Field, corporate and administrative	6,745	5,282	19,647	16,580
Depreciation and amortization	2,095	1,703	5,965	5,070
Interest	2,842	2,217	8,231	6,378
Other	5,513	4,028	9,893	8,114
Severance charges	-	-	-	800
	42,661	34,727	115,136	98,373
Income before income taxes	8,908	7,843	21,190	17,498
Provision for income taxes	3,519	3,102	8,370	6,912
	\$ 5,389	\$ 4,741	\$ 12,820	\$ 10,586
Net income per common and common equivalent share	\$.56	\$.50	\$ 1.34	\$ 1.12
Weighted average common and common equivalent shares outstanding	9,600	9,521	9,584	9,478

See the accompanying notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

IHOP CORP. AND SUBSIDIARIES

	Nine Months Ended September 30,	
	1996	1995
Cash flows from operating activities		
Net income	\$ 12,820	\$ 10,586
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	5,965	5,070
Deferred taxes	2,426	3,911
Contribution to ESOP	740	665
Changes in current assets and liabilities		
Accounts receivable	(4,685)	(2,320)
Inventories	(272)	(40)
Prepaid expenses	(194)	403
Accounts payable	791	2,121
Accrued employee compensation and benefits	1,448	(402)
Other accrued expenses	2,696	477
Other, net	(195)	(40)
	21,540	20,431
Cash flows from investing activities		
Additions to property and equipment	(41,007)	(31,455)
Proceeds from sale and leaseback arrangements	5,200	10,079
Additions to notes, equipment contracts and direct financing leases receivable	(6,112)	(4,959)
Principal receipts from notes, equipment contracts and direct financing leases receivable	5,146	4,341
Additions to reacquired franchises held for sale	(405)	(721)
	(37,178)	(22,715)

Cash flows from financing activities		
Proceeds from issuance of long-term debt	17,800	5,900
Repayment of long-term debt	(4,437)	(5,400)
Principal payments on capital lease obligations	(316)	(381)
Exercise of stock options	916	2,508
	-----	-----
Cash provided by financing activities	13,963	2,627
	-----	-----
Net change in cash and cash equivalents	(1,675)	343
Cash and cash equivalents at beginning of period	3,860	2,036
	-----	-----
Cash and cash equivalents at end of period	\$ 2,185	\$ 2,379
	=====	=====
Supplemental disclosures		
Interest paid, net of capitalized amounts	\$ 7,343	\$ 5,958
Income taxes paid	6,371	1,667
Capital lease obligations incurred	14,377	12,356

See the accompanying notes to the consolidated financial statements.

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IHOP CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- The accompanying unaudited consolidated financial statements include all adjustments, consisting of normal, recurring accruals, which in the opinion of the management of IHOP Corp. and Subsidiaries ("IHOP" or the "Company") are necessary for a fair presentation of the financial position and the results of operations for the periods presented. The results of operations for the nine months ended September 30, 1996, are not necessarily indicative of the results to be expected for the full year ending December 31, 1996.
 - In the first quarter of 1995, the Company recognized severance charges of \$800,000 associated with a realignment of responsibilities in its restaurant operations, restaurant development and purchasing functions. The effect of the charges was \$484,000, net of income tax benefit, or \$.05 per share.

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

Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
	(Unaudited and dollars in thousands)			

Restaurant Data

Effective restaurants (a)

Franchise	505	468	498	458
Company	59	48	56	47
Area license	132	127	132	126
	-----	-----	-----	-----
Total	696	643	686	631
	=====	=====	=====	=====

System-wide

Sales (b)	\$208,512	\$185,440	\$591,504	\$530,857
Percent increase	12.4%	12.1%	11.4%	13.1%
Average sales per effective restaurant	\$ 299	\$ 288	\$ 862	\$ 841
Percent increase	3.8%	2.9%	2.5%	4.6%
Comparable average sales per restaurant (c)	\$ 306	\$ 289	\$ 882	\$ 840
Percent change	2.7%	(0.4%)	1.3%	1.0%
Franchise				
Sales	\$163,061	\$142,173	\$460,309	\$406,416
Percent increase	14.7%	12.2%	13.3%	13.7%
Average sales per effective restaurant	\$ 323	\$ 304	\$ 924	\$ 887
Percent increase	6.3%	2.4%	4.2%	3.5%
Comparable average sales per restaurant (c)	\$ 314	\$ 298	\$ 906	\$ 867
Percent change	2.8%	(0.6%)	1.3%	1.1%
Company				
Sales	\$ 14,342	\$ 10,484	\$ 38,778	\$ 30,216
Percent change	36.8%	5.4%	28.3%	(2.4%)
Average sales per effective restaurant	\$ 243	\$ 218	\$ 692	\$ 643
Percent change	11.5%	(1.4%)	7.6%	(0.3%)
Area License				
Sales	\$ 31,109	\$ 32,783	\$ 92,417	\$ 94,225
Percent change	(5.1%)	14.4%	(1.9%)	16.0%
Average sales per effective restaurant	\$ 235	\$ 258	\$ 700	\$ 748
Percent change	(8.9%)	7.1%	(6.4%)	9.5%

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

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

(c) "Comparable average sales" reflects sales for restaurants that are operated for the entire fiscal period indicated as well as the entire prior fiscal period. Comparable average sales do not include data on area license restaurants located in Florida and Japan.

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The following table summarizes IHOP restaurant development and franchising activity:

Three Months Ended September 30,		Nine Months Ended September 30,	
1996	1995	1996	1995
-----	-----	-----	-----
(Unaudited)			

RESTAURANT DEVELOPMENT ACTIVITY (a)

IHOP - beginning of period	697	639	678	620
New openings				
IHOP-developed	17	12	29	21
Investor program	1	5	10	14
Area license	1	1	3	5
	----	----	----	----
Total new openings	19	18	42	40
Closings				

Company and franchised	(3)	(3)	(7)	(6)
Area license	(2)	-	(2)	-
	----	----	----	----
IHOP - end of period	711	654	711	654
	=====	=====	=====	=====
Summary - end of period				
Franchise	518	478	518	478
Company	61	48	61	48
Area license	132	128	132	128
	----	----	----	----
Total - IHOP	711	654	711	654
	=====	=====	=====	=====

RESTAURANT FRANCHISING ACTIVITY (a)

IHOP-developed	16	10	27	20
Investor program	1	5	10	14
Rehabilitated and refranchised	-	2	-	2
	----	----	----	----
Total restaurants franchised	17	17	37	36
Reacquired by Company	(4)	(1)	(11)	(6)
Closed	(2)	(1)	(4)	(2)
	----	----	----	----
Net addition	11	15	22	28
	=====	=====	=====	=====

(a) The Company reports restaurants in Canada as franchise restaurants although nine of the ten restaurants are operated under an area license agreement.

IHOP's quarterly results are subject to seasonal fluctuation. Revenues from sales of franchises are affected by the timing of new restaurant openings and the restaurants in the Company's "inventory" of restaurants available from time to time for franchising; the impact of such factors is not evenly distributed throughout the year. As a consequence, the results of operations for the nine months ended September 30, 1996, are not necessarily indicative of the results to be expected for the full year ending December 31, 1996.

System-wide retail sales for the third quarter and first nine months of 1996 increased 12.4% and 11.4%, respectively, over system-wide retail sales for the comparable 1995 periods. This was due to increases in the number of effective restaurants of 8.2% and 8.7% and increases in average per unit revenues of 3.8% and 2.5% over the respective prior year periods. The above increases were mitigated by unfavorable exchange fluctuations in the Japanese yen. If the Japanese sales were excluded from the comparison, system-wide sales would have increased by 14.5% in the third quarter and 13.4% in the first nine months of 1996. System-wide comparable average sales per restaurant (exclusive of area license restaurants) for the third quarter and first nine

months of 1996 increased 2.7% and 1.3%, respectively, over those in the comparable 1995 periods. Management continues to pursue sales increases through the Company's restaurant development program, improved marketing efforts, improvements in customer service and operations, and the Company's remodeling program.

Franchise operations revenues for the third quarter and first nine months of 1996 increased 7.3% and 9.7%, respectively, over revenues for the comparable 1995 periods. This was primarily due to increases in the number of effective franchise restaurants of 7.9% and 8.7% coupled with increases in average per unit revenues of 6.3% and 4.2% in the third quarter and the first nine months of 1996, respectively, in comparison with the same periods in 1995. Franchise operations costs and expenses for the third quarter and first nine months of 1996 increased 7.3% and 8.7%, respectively, over costs and expenses for the comparable 1995 periods. As a result of franchise revenues increasing in excess

of franchise expenses, the margin from franchise operations improved to 53.7% in both the third quarter and first nine months of 1996 versus 53.6% and 53.2% in the comparable 1995 periods. The improvements in margin were primarily because of increases in interest income associated with IHOP's financing of sales of franchises and equipment to its franchisees.

Company-operated restaurant revenues for the third quarter and first nine months of 1996 increased 36.8% and 28.3%, respectively, over revenues for the comparable periods in 1995. This was primarily due to increases in the number of effective Company-operated restaurants of 22.9% and 19.1% coupled with increases in the revenues per effective Company operated restaurant of 11.5% and 7.6%, respectively, in the third quarter and the first nine months of 1996 over the comparable 1995 periods. Company-operated restaurant costs and expenses for the third quarter and first nine months of 1996 increased 30.4% and 24.5%, respectively, from those in the comparable 1995 periods. Margin from Company-operated restaurants increased to 5.6% and 6.0% in the third quarter and first nine months of 1996, respectively, from margins of 1.0% and 3.1% in the comparable 1995 periods. The improvements in margin were primarily due to operating reductions in food costs, salaries and wages as a percentage of revenues.

Other revenues for the third quarter and first nine months of 1996 increased 41.7% and 30.9%, respectively, from other revenues for the comparable 1995 periods. The primary reason for the increases were sales of franchises and equipment which increased to \$9,333,000 and \$15,911,000 in the third quarter and first nine months of 1996, respectively, from \$6,566,000 and \$12,407,000 in the comparable 1995 periods. Augmenting the increased sales of franchises and equipment were gains in interest income from direct financing leases. The Company franchised 17 and 37 restaurants in the third quarter and first nine months of 1996, respectively, compared to 17 and 36 restaurants in the comparable 1995 periods. Other costs and expenses for the third quarter and first nine months of 1996 increased 36.9% and 21.9%, respectively, over the 1995 periods. The increases were primarily due to franchise and equipment costs of sales which increased to \$5,091,000 and \$8,387,000, respectively, from \$3,436,000 and \$6,327,000 in the comparable 1995 periods. Revenues from sales of franchises and equipment and their associated costs of sales are affected by the mix and number of restaurants franchised, as follows: (i) restaurants newly developed by IHOP normally franchise for \$200,000 to \$350,000, have little if any franchise cost of sales and have equipment in excess of \$300,000 that is usually sold at about break-even, (ii) restaurants developed by franchisees normally franchise for \$50,000, have minor associated franchise cost of sales and do not include an equipment sale; and (iii) previously reacquired franchises normally relicense for \$100,000 to \$300,000, include an

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equipment sale, and may have substantial costs of sales associated with both the franchise and the equipment. As noted earlier, sales of franchises are also affected by the timing of new restaurant openings and the restaurants in the Company's "inventory" of restaurants available from time to time for franchising.

Field, corporate and administrative expenses for the third quarter and first nine months of 1996 increased 27.7% and 18.5%, respectively, over the comparable 1995 periods. In general, field, corporate and administrative expenses have been increasing as a result of normal increases in salaries and wages, inflation and increases in headcount to support higher workloads as the Company grows. Field, corporate and administrative expenses were 3.2% and 3.3% of system-wide sales in the third quarter and first nine months of 1996, respectively, compared with 2.9% and 3.1% in the comparable 1995 periods.

Depreciation and amortization expense increased 23.0% and 17.7% in the third quarter and first nine months of 1996, respectively, over the comparable 1995 periods primarily reflecting the addition of new, larger restaurants.

Interest expense increased 28.2% and 29.1% in the third quarter and first nine months of 1996, respectively, over the comparable 1995 periods primarily due to

interest associated with increased capital lease obligations.

Severance charges of \$800,000, or \$484,000 net of income tax benefit, or \$.05 per share, were recognized in the first quarter of 1995. The charges were associated with a realignment of responsibilities in the Company's restaurant operations, restaurant development and purchasing functions. (See Note 2 to the Consolidated Financial Statements.)

Provision for income taxes was 39.5% of income before income taxes in the third quarter and first nine months of 1996 and in the comparable 1995 periods.

Liquidity and Capital Resources

The Company invests available funds into its business through the development of additional restaurants and the remodeling of older Company-operated restaurants.

In 1996, IHOP and its franchisees and area licensees plan to develop and open approximately 65 to 70 restaurants. Included in that number are the development of 45 to 50 restaurants by the Company and approximately 20 by IHOP franchisees and area licensees. This is an adjustment from the previous forecast of 50 to 55 new restaurants to be developed by the Company and 25 by franchisees and area licensees. Intense competition for the limited number of restaurant locations which are available at fair value is the primary reason for the change in forecast. Projected capital expenditures in 1996 for IHOP's portion of the above development program are approximately \$55 million. In November 1996, the first annual installment of \$4.6 million in principal becomes due on the Company's senior notes due 2002.

The Company is currently finalizing the placement of \$35 million in unsecured senior notes due 2008 at a favorable fixed interest rate. Principal payments on these notes will commence in the year 2000. Management projects that the sale of the notes will be completed in November 1996. The proceeds will be used to fund capital expenditures, refinance existing debt and for

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general corporate purposes. The Company expects that funds from operations, sale and leaseback arrangements (estimated to be about \$8 million), its revolving line of credit and the senior notes will be sufficient to cover its operating requirements and its projected capital expenditures in 1996. At September 30, 1996, \$16.0 million had been borrowed under the Company's unsecured bank revolving credit agreement. These borrowings are expected to be repaid with a portion of the proceeds from the senior notes.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibits not incorporated by reference are filed herewith. The remainder of the exhibits have heretofore been filed with the Commission and are incorporated herein by reference.

3.1 Certificate of Incorporation of IHOP Corp. Exhibit 3.1 to Form 10-K for the fiscal year ended December 31, 1991, Commission file number 0-8360, (the "1991 Form 10-K") is hereby incorporated by reference.

3.2 Bylaws of IHOP Corp. Exhibit 3.2 to Registration Statement on Form S-1 No. 33-40431 is hereby incorporated by reference.

10 Amendment No. 3 to the Amended and Restated International House of Pancakes Employee Stock Ownership Plan.

11 Statement Regarding Computation of Per Share Earnings.

27 Financial Data Schedule.

(b) No reports on Form 8-K were filed during the quarter ended September 30, 1996.

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, 1996

(Date)

BY: /s/ Richard K. Herzer

Richard K. Herzer
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

October 24, 1996

(Date)

BY: /s/ Frederick G. Silny

Frederick G. Silny
Vice President-Finance and Treasurer
(Principal Financial Officer)

INTERNATIONAL HOUSE OF PANCAKES

EMPLOYEE STOCK OWNERSHIP PLAN

Amendment No. 3 to Amended and Restated Plan

WHEREAS, IHOP Corp. (the "Company") has adopted the International House of Pancakes Employee Stock Ownership Plan (the "Plan") for the benefit of its employees;

WHEREAS, it is desirable to amend the Plan to accelerate the vesting schedule and to clarify certain other Plan provisions;

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 2 is amended by restating the definition of "Compensation" to read as follows, effective as of December 30, 1996:

Compensation The compensation of a Participant received from IHOP during the calendar year ending on or about the end of the Plan Year, as reported on the Participant's Wage and Tax Statement (Form W-2), including amounts paid in cash as salary, wages, bonuses, overtime pay, tips and taxable fringe benefits, but excluding any amount in excess of \$222,220 (as adjusted after 1991 for increases in the cost of living pursuant to Section 401(a)(17) of the Code) and excluding any amount in excess of \$150,000 (as adjusted after 1994 for increases in the cost of living) for Plan Years beginning after January 1, 1995.

For Plan Years beginning prior to December 30, 1996, for purposes of applying these limitations, the Compensation of a 5% owner or of a Highly Compensated Employee who is one of the ten most highly compensated Highly Compensated Employees shall be aggregated with the Compensation of his spouse and his lineal descendants who are under age 19.

2. Section 2 is further amended by restating the definition of "Highly Compensated Employee" to read as follows, effective as of December 30, 1996:

Highly Compensated Employee An Employee who (1) is a 5% owner, (2) has Compensation in excess of \$90,803, (3) has Compensation in excess of \$60,535 and is in the top-paid 20% group of Employees, or (4) is an officer of IHOP and has Compensation in excess of 50% of the dollar amount in effect under Section 415(b)(1)(A) of the Code for the Plan Year, as determined in accordance with Section 414(q) of the Code. The \$90,803 and \$60,535 amounts shall be adjusted after 1991

for increases in the cost of living pursuant to Section 414(q)(1) of the Code.

For Plan Years beginning after December 29, 1996, a Highly Compensated Employee shall mean an Employee who (1) was a 5% owner at any time during the year or the preceding year, (2) had Compensation in excess of \$80,000 and was in the top-paid 20% group of Employees in the preceding year. The \$80,000 amount shall be adjusted after 1997 for increases in the cost of living pursuant to Section 414(q)(1) of the Code.

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3. Section 4(b) is amended by inserting the following sentence after the second sentence thereof to read as follows, effective as of December 30, 1996:

Employer Contributions paid in shares of IHOP Stock shall be valued based upon the Fair Market Value as of the date the shares are issued to the Trustee.

4. Section 10(a) is amended to read as follows, effective as of December 30, 1996, for Participants who are Employees on or after December 30, 1996:

(a) Vesting -

(1) A Participant's interest in his Accounts shall become 100% vested and nonforfeitable if he (1) is employed by IHOP or an Affiliate on or after his 65th birthday, (2) incurs a Disability while employed by IHOP or an Affiliate, or (3) dies while employed by IHOP or an Affiliate.

(2) Except as otherwise provided in Section 10(a)(1), for Plan Years beginning prior to December 30, 1996, a Participant's interest in his Accounts shall become 100% vested and nonforfeitable if he completes five years of Credited Service (after 1986). Effective as of December 30, 1996, for a Participant who is an Employee on or after December 30, 1996, the interest of such Participant in his Accounts shall become vested and nonforfeitable in accordance with the following schedule:

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Credited Service Under Section 11 -----	Nonforfeitable Percentage -----
Less than Two Years	0%
Two Years	25%
Three Years	50%
Four Years	75%
Five Years or More	100%

5. Section 11(b) is amended to read as follows, effective as of August 5, 1993:

(b) Break in Service - A one-year Break in Service shall occur one

year after the date of an Employee's termination of Service. A five-year Break in Service shall occur five years after the date of an Employee's termination of Service. A Break in Service shall end in the event of an Employee's reemployment. For purposes of determining the period of an Employee's Break in Service, the date of termination of Service for an Employee who is absent by reason of a maternity/paternity absence, as described in Section 411(a)(6)(E)(i) of the Code, or an unpaid leave covered by the Family and Medical Leave Act of 1993, shall be the second anniversary of such termination. The period between the first and second anniversaries of the first day of such absence shall be neither a year of Credited Service or a Break in Service. An Approved Absence shall not be a Break in Service.

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6. Section 12(c) is amended by restating the second sentence thereof to read as follows, effective for calendar years beginning after 1996:

Prior to 1997, the distribution of the Capital Accumulation of any Participant who attains age 70 1/2 in a calendar year must commence not later than April 1st of the next calendar year (even if he has not terminated Service) and must be made in accordance with the regulations under Section 401(a)(9) of the Code, including Section 1.401(a)(9)-2. After 1996, the distribution of the Capital Accumulation of any Participant who is a "5% owner" (as defined in Section 416(i)(1)(B)(i) of the Code) and who attains age 70 1/2 in a calendar year must commence not later than April 1st of the next calendar year (even if he has not terminated Service) and must be made in accordance with the regulations under Section 401(a)(9) of the Code, including Section 1.401(a)(9)-2.

7. Section 13(b) is amended by restating the first paragraph thereof to read as follows, effective as of December 30, 1996:

(b) Diversification - Effective as of December 30, 1996, a Participant

who has attained age 55 and completed at least ten Years of Participation in the Plan shall be notified of his right to elect to receive a distribution of a portion of the balance in his IHOP Stock Account in the form

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of cash or IHOP Stock, as provided in Section 401(a)(28)(B) of the Code, as determined at the discretion of the Committee. An election must be made on the prescribed form and filed with the Committee within the 90-day period immediately following the Allocation Date of a Plan Year in the Election Period. For purposes of this Section 13(b), "Years of Participation" includes only those Plan Years in which the Participant is entitled to receive an allocation of Employer Contributions or Forfeitures under Section 3(b), and the "Election Period" means the period of six consecutive Plan Years beginning with the Plan Year in which the Participant first becomes eligible to make an election.

8. Section 13(b) is amended by deleting the final sentence of the second paragraph thereof, effective as of September 1, 1996.

9. Section 13(b) is further amended by restating the third paragraph thereof to read as follows, effective as of December 30, 1996:

Any distribution of IHOP Stock under this Section 13(b) shall occur within 90 days after the 90-day period in which the election may be made and shall be subject to the provisions of Sections 14(c) and 14(e).

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10. Section 15(f) is amended by inserting the following paragraph after the first paragraph thereof to read as follows, effective as of December 30, 1996:

The Annual Additions under Section 7 with respect to Financed Shares released from the Loan Suspense Account (by reason of Employer Contributions used for payments on an Acquisition Loan) and allocated to Participants' IHOP Stock Accounts shall be the lesser of (A) the amount of such Employer Contributions (as determined after application of the preceding paragraph); or (B) the Fair Market Value of IHOP Stock as of the Allocation Date. Annual Additions shall not include any allocation attributable to any proceeds from the sale of Financed Shares by the Trust or to appreciation (realized or unrealized) in the Fair Market Value of IHOP Stock.

11. Section 15(g) is amended to read as follows, effective as of December 30, 1996:

(g) Distributions - For purposes of Section 12(b) and except as

otherwise provided in Section 12(c), if a Participant's Capital Accumulation includes Financed Shares, the Committee may elect to defer the distribution of that portion of his Capital Accumulation attributable to such Financed Shares until the Allocation Date of the Plan Year following the Plan Year in which the Acquisition Loan

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(incurred to acquire such Financed Shares) has been fully repaid.

12. Section 17(c) is amended by inserting the following sentences after the second sentence in the third paragraph thereof to read as follows, effective as of December 30, 1996:

The Committee shall have sole and exclusive discretionary authority to construe and interpret the terms of the Plan and Trust. All decisions and interpretations of the Committee under this Section 17 shall be conclusive and binding upon all persons with an interest in the Plan and shall be given the greatest deference permitted by law.

13. Section 18 is amended by inserting the following sentence after the fifth sentence in the second paragraph thereof to read as follows, effective as of December 30, 1996:

All decisions and interpretations of the Committee under this Section 18 shall be conclusive and binding upon all persons with an interest in the Plan and shall be given the greatest deference permitted by law.

14. The first sentence of Section 20 is amended by deleting the proviso contained therein, in its entirety.

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To record the adoption of this Amendment No. 3 to the Plan, the Company has caused it to be executed this 16th day of October, 1996.

IHOP CORP.

/s/ Richard K. Herzer
By _____

RICHARD K. HERZER
PRESIDENT

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
NET INCOME PER COMMON SHARE - PRIMARY				
Weighted average shares outstanding	9,436	9,350	9,466	9,303
Net effect of dilutive stock options based on the treasury stock method using average market price	148	171	134	175
Total	9,584	9,521	9,600	9,478
Net income available to common shareholders	\$5,389	\$4,741	\$12,820	\$10,586
Net income per share - primary	\$.56	\$.50	\$ 1.34	\$ 1.12
NET INCOME PER COMMON SHARE - FULLY DILUTED				
Weighted average shares outstanding	9,436	9,350	9,466	9,303
Net effect of dilutive stock options based on the treasury stock method using the period-end market price, if higher than the average market price	148	171	134	175
Total	9,584	9,521	9,600	9,478
Net income available to common shareholders	\$5,389	\$4,741	\$12,820	\$10,586
Net income per share - fully diluted	\$.56	\$.50	\$ 1.34	\$ 1.12

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF IHOP CORP. AND SUBSIDIARIES AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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