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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

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  
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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)  
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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 /X/ 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 JUNE 30, 2000

Common Stock, \$.01 par value

20,000,342

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## IHOP CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	JUNE 30, 2000	DECEMBER 31, 1999
	-----	-----
	(UNAUDITED)	
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 164	\$ 4,176
Receivables.....	30,974	35,335
Reacquired franchises and equipment held for sale, net....	2,869	2,842
Inventories.....	790	1,223
Prepaid expenses.....	4,340	4,309
	-----	-----
Total current assets.....	39,137	47,885
	-----	-----
Long-term receivables.....	269,071	265,983
Property and equipment, net.....	197,517	177,743
Reacquired franchises and equipment held for sale, net.....	16,260	16,102
Excess of costs over net assets acquired, net.....	11,411	11,625
Other assets.....	1,026	1,064
	-----	-----
Total assets.....	\$534,422	\$520,402
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt.....	\$ 8,956	\$ 8,956
Accounts payable.....	16,400	18,016
Accrued employee compensation and benefits.....	5,842	7,804
Other accrued expenses.....	8,231	5,896
Deferred income taxes.....	3,609	3,833
Capital lease obligations.....	1,812	1,682
	-----	-----
Total current liabilities.....	44,850	46,187
	-----	-----
Long-term debt.....	40,935	41,218
Deferred income taxes.....	42,365	39,768
Capital lease obligations and other.....	166,667	166,749
Shareholders' equity		
Preferred stock, \$1 par value, 10,000,000 shares authorized; none issued.....	--	--
Common stock, \$.01 par value, 40,000,000 shares authorized (June 30, 2000, 20,167,314 shares issued and 20,000,342 shares outstanding; December 31, 1999, 20,117,314 shares issued and 20,117,314 shares outstanding).....	201	201
Additional paid-in capital.....	67,407	66,485
Retained earnings.....	173,817	158,294
Treasury stock, at cost (June 30, 2000, 166,972 shares; December 31, 1999, none).....	(2,580)	--
Contribution to ESOP.....	760	1,500
	-----	-----
Total shareholders' equity.....	239,605	226,480
	-----	-----

Total liabilities and shareholders' equity.....	\$534,422	\$520,402
	=====	=====

See the accompanying notes to the consolidated financial statements.

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IHOP CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
<b>Revenues</b>				
Franchise operations				
Rent.....	\$12,697	\$11,390	\$ 24,418	\$ 22,442
Service fees and other.....	32,525	28,877	65,461	57,429
	45,222	40,267	89,879	79,871
Sale of franchises and equipment.....	8,425	9,227	14,402	14,938
Company operations.....	16,657	18,020	34,429	34,027
Total revenues.....	70,304	67,514	138,710	128,836
<b>Costs and Expenses</b>				
Franchise operations				
Rent.....	6,814	5,922	13,105	11,594
Other direct costs.....	10,945	10,230	22,366	20,650
	17,759	16,152	35,471	32,244
Cost of sales of franchises and equipment.....	5,459	5,343	9,741	9,088
Company operations.....	15,938	17,024	32,858	32,207
Field, corporate and administrative.....	9,546	8,855	17,809	17,162
Depreciation and amortization.....	3,338	3,076	6,652	6,092
Interest.....	5,221	4,389	10,821	8,846
Other (income) and expense, net.....	(443)	(93)	117	(278)
Total costs and expenses.....	56,818	54,746	113,469	105,361
Income before income taxes.....	13,486	12,768	25,241	23,475
Provision for income taxes.....	5,192	4,916	9,718	9,038
Net income.....	\$ 8,294	\$ 7,852	\$ 15,523	\$ 14,437
<b>Net Income Per Share</b>				
Basic.....	\$ 0.41	\$ 0.39	\$ 0.78	\$ 0.73
Diluted.....	\$ 0.41	\$ 0.39	\$ 0.77	\$ 0.71
<b>Weighted Average Shares Outstanding</b>				
Basic.....	19,988	19,935	20,026	19,876
Diluted.....	20,202	20,385	20,223	20,297

See the accompanying notes to the consolidated financial statements.

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IHOP CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
Cash flows from operating activities		
Net income.....	\$ 15,523	\$ 14,437
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization.....	6,652	6,092
Deferred taxes.....	2,373	1,821
Contribution to ESOP.....	760	667
Change in current assets and liabilities		
Accounts receivable.....	4,095	3,766
Inventories.....	433	(6)
Prepaid expenses.....	(31)	(150)
Accounts payable.....	(1,616)	(4,203)
Accrued employee compensation and benefits.....	(1,962)	(136)
Other accrued expenses.....	2,335	33
Other, net.....	778	(184)
Cash provided by operating activities.....	29,340	22,075
Cash flows from investing activities		
Additions to property and equipment.....	(37,473)	(38,367)
Additions to notes.....	(4,344)	(5,377)
Principal receipts from notes and equipment contracts receivable.....	6,172	5,584
Additions to reacquired franchises held for sale.....	(698)	(850)
Cash used by investing activities.....	(36,343)	(39,010)
Cash flows from financing activities		
Proceeds from issuance of long-term debt, including revolving line of credit.....	4,700	3,372
Proceeds from sale and lease back arrangements.....	7,056	12,482
Repayment of long-term debt, including revolving line of credit.....	(4,983)	(3,151)
Principal payments on capital lease obligations.....	(624)	(543)
Treasury stock transactions.....	(4,041)	154
Exercise of stock options.....	883	2,327
Cash provided by financing activities.....	2,991	14,641
Net change in cash and cash equivalents.....	(4,012)	(2,294)
Cash and cash equivalents at beginning of period.....	4,176	2,294
Cash and cash equivalents at end of period.....	\$ 164	\$ 62
Supplemental disclosures		
Interest paid, net of capitalized amounts.....	\$ 10,711	\$ 8,740
Income taxes paid.....	7,052	5,785
Capital lease obligations incurred.....	461	21,945

See the accompanying notes to the consolidated financial statements.

1. GENERAL--The accompanying, unaudited, consolidated financial statements for the three months and six months ended June 30, 2000 and 1999, have been prepared in accordance with generally accepted accounting principles ("GAAP"). These financial statements have not been audited by independent public accountants but include all adjustments, consisting of normal, recurring accruals, which in the opinion of management of IHOP Corp. and Subsidiaries ("IHOP") are necessary for a fair statement of the financial position and the results of operations for the periods presented. The accompanying consolidated balance sheet as of December 31, 1999, has been derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for the three months and six months ended June 30, 2000, are not necessarily indicative of the results to be expected for the full year ending December 31, 2000.

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

3. SEGMENTS--IHOP identifies its operating segments based on the organizational units used by management to monitor performance and make operating decisions. The Franchise Operations segment includes restaurants operated by franchisees and area licensees in the United States, Canada and Japan. The Company Operations segment includes company-operated restaurants in the United States. We measure segment profit as operating income, which is defined as income before field, corporate and administrative expense, interest expense, and income taxes. Information on segments and a reconciliation to income before income taxes are as follows:

	FRANCHISE OPERATIONS	COMPANY OPERATIONS	SALES OF FRANCHISES AND EQUIPMENT	CONSOLIDATING ADJUSTMENTS AND OTHER	CONSOLIDATED TOTAL
	-----	-----	-----	-----	-----
	(IN THOUSANDS) (UNAUDITED)				
THREE MONTHS ENDED JUNE 30, 2000					
Revenues from external customers...	\$ 45,222	\$16,657	\$ 8,425	\$ --	\$ 70,304
Intercompany real estate charges (revenues).....	1,662	144	--	(1,806)	--
Depreciation and amortization.....	1,059	965	--	1,314	3,338
Operating income (loss).....	20,564	(948)	2,966	5,671	28,253
Field, corporate and administrative.....					9,546
Interest expense.....					5,221
Income before income taxes.....					13,486
Additions to long-lived assets.....	12,433	3,381	215	5,886	21,915
Total assets.....	393,427	47,221	19,129	74,645	534,422
THREE MONTHS ENDED JUNE 30, 1999					
Revenues from external customers...	\$ 40,267	\$18,020	\$ 9,227	\$ --	\$ 67,514
Intercompany real estate charges (revenues).....	1,393	144	--	(1,537)	--
Depreciation and amortization.....	932	1,013	--	1,131	3,076
Operating income (loss).....	18,524	(667)	3,884	4,271	26,012
Field, corporate and administrative.....					8,855
Interest expense.....					4,389
Income before income taxes.....					12,768
Additions to long-lived assets.....	20,181	1,002	195	4,709	26,087
Total assets.....	341,313	45,250	18,191	63,716	468,470

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	FRANCHISE OPERATIONS	COMPANY OPERATIONS	SALES OF FRANCHISES AND EQUIPMENT	CONSOLIDATING ADJUSTMENTS AND OTHER	CONSOLIDATED TOTAL
	-----	-----	-----	-----	-----
	(IN THOUSANDS) (UNAUDITED)				

SIX MONTHS ENDED JUNE 30, 2000

Revenues from external customers...	\$ 89,879	\$34,429	\$14,402	\$ --	\$138,710
Intercompany real estate charges (revenues).....	3,157	315	--	(3,472)	--
Depreciation and amortization.....	2,067	2,022	--	2,563	6,652
Operating income (loss).....	40,588	(1,901)	4,661	10,523	53,871
Field, corporate and administrative.....					17,809
Interest expense.....					10,821
Income before income taxes.....					25,241
Additions to long-lived assets.....	25,488	4,500	698	7,485	38,171
Total assets.....	393,427	47,221	19,129	74,645	534,422
SIX MONTHS ENDED JUNE 30, 1999					
Revenues from external customers...	\$ 79,871	\$34,027	\$14,938	\$ --	\$128,836
Intercompany real estate charges (revenues).....	2,818	255	--	(3,073)	--
Depreciation and amortization.....	1,891	1,929	--	2,272	6,092
Operating income (loss).....	36,393	(1,348)	5,850	8,588	49,483
Field, corporate and administrative.....					17,162
Interest expense.....					8,846
Income before income taxes.....					23,475
Additions to long-lived assets.....	26,691	2,282	850	9,394	39,217
Total assets.....	341,313	45,250	18,191	63,716	468,470

For management reporting purposes, we treat all restaurant lease revenues and expenses as operating lease revenues and expenses, although most of these leases are direct financing leases or capital lease obligations. The accounting adjustments required to bring lease revenues and expenses into conformance with GAAP are included in the Consolidating Adjustments and Other. All of IHOP's owned land and restaurant buildings are included in total assets in Consolidating Adjustments and Other.

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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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(IN THOUSANDS) (UNAUDITED)			
Restaurant Data				
Effective restaurants(a)				
Franchise.....	690	625	684	622
Company.....	71	75	74	72
Area license.....	150	146	149	145
	-----	-----	-----	-----
Total.....	911	846	907	839
	=====	=====	=====	=====
System-wide				
Sales(b).....	\$308,663	\$278,463	\$607,485	\$548,096
Percent increase.....	10.8 %	11.2 %	10.8 %	10.1 %
Average sales per effective restaurant.....	\$ 339	\$ 329	\$ 670	\$ 653
Percent increase.....	3.0 %	4.4 %	2.6 %	3.5 %
Comparable average sales per restaurant(c).....	\$ 355	\$ 344	\$ 699	\$ 679
Percent increase.....	0.6 %	1.7 %	0.2 %	0.8 %
Franchise				
Sales.....	\$255,459	\$227,277	\$499,556	\$447,073
Percent increase.....	12.4 %	14.4 %	11.7 %	13.7 %
Average sales per effective restaurant.....	\$ 370	\$ 364	\$ 730	\$ 719
Percent increase.....	1.6 %	4.9 %	1.5 %	4.1 %
Comparable average sales per restaurant(c).....	\$ 367	\$ 356	\$ 724	\$ 701
Percent increase.....	0.8 %	1.7 %	0.5 %	0.8 %
Company				
Sales.....	\$ 16,657	\$ 18,020	\$ 34,429	\$ 34,027
Percent change.....	(7.6) %	(1.8) %	1.2 %	(5.6) %
Average sales per effective restaurant.....	\$ 235	\$ 240	\$ 465	\$ 473

Percent change.....	(2.1)%	(0.4)%	(1.7)%	(1.5)%
Area License				
Sales.....	\$ 36,547	\$ 33,166	\$ 73,500	\$ 66,996
Percent change.....	10.2%	(0.4)%	9.7%	(2.2)%
Average sales per effective restaurant.....	\$ 244	\$ 227	\$ 493	\$ 462
Percent change.....	7.5%	(0.4)%	6.7%	(2.1)%

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- (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, area licensees and company-operated restaurants as reported to IHOP.
- (c) "Comparable average sales" reflects sales for restaurants that are operated for the entire fiscal period in which they are being compared. The restaurants included in the calculations typically will be different from period to period. Comparable average sales do not include data on restaurants located in Florida and Japan.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	-----			
	(UNAUDITED)			
RESTAURANT DEVELOPMENT ACTIVITY				
IHOP--beginning of period.....	909	844	903	835
New openings				
IHOP-developed.....	15	17	22	27
Investor and conversion programs.....	2	2	3	4
Area license.....	4	3	4	3
	---	---	---	---
Total new openings.....	21	22	29	34
Closings				
Company and franchise.....	(7)	(2)	(8)	(5)
Area license.....	--	--	(1)	--
	---	---	---	---
IHOP--end of period.....	923	864	923	864
	===	===	===	===
Summary--end of period				
Franchise.....	697	640	697	640
Company.....	74	76	74	76
Area license.....	152	148	152	148
	---	---	---	---
Total IHOP.....	923	864	923	864
	===	===	===	===
RESTAURANT FRANCHISING ACTIVITY				
IHOP-developed.....	12	15	20	24
Investor and conversion programs.....	2	2	3	4
Rehabilitated and refranchised.....	2	1	5	1
	---	---	---	---
Total restaurants franchised.....	16	18	28	29
Reacquired by IHOP.....	(3)	(2)	(6)	(8)
Closed.....	(2)	(2)	(3)	(5)
	---	---	---	---
Net addition.....	11	14	19	16
	===	===	===	===

#### GENERAL

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of IHOP's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto contained in IHOP's Annual Report on Form 10-K for the fiscal year ended December 31, 1999. Certain forward-looking statements are contained in this quarterly report. They use such words as "may," "will," "expect," "believe," "plan," or other similar terminology. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to be materially different than

those expressed or implied in such statements. These factors include, but are not limited to: availability of suitable locations and terms of the sites designated for development; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; conditions beyond IHOP's control such as weather or natural disasters; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the International House of Pancakes brand and concept by guests and franchisees; IHOP's overall marketing, operational and financial performance; economic and political conditions; adoption of new, or changes in, accounting policies and practices; and other factors discussed

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from time to time in our filings with the Securities and Exchange Commission. Forward-looking information is provided by us pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, we disclaim any intent or obligation to update these forward-looking statements.

Our quarterly results are subject to seasonal fluctuation. The mix and number of restaurants franchised affect revenues from sales of franchises and equipment and their associated costs of sales. We franchise four kinds of restaurants: restaurants newly developed by IHOP, restaurants developed by franchisees, restaurants developed by area licensees and restaurants that have been previously reacquired from franchisees. Franchise rights for restaurants newly developed by IHOP normally sell for a franchise fee of \$200,000 to \$350,000, and have little if any associated cost of sales. Equipment for newly developed IHOP restaurants generally sells for approximately \$300,000 and has little or no profit margin. Franchise rights for restaurants developed by franchisees normally sell for a franchise fee of \$50,000, have minor associated franchise cost of sales and do not include an equipment sale. Area license rights are occasionally granted in return for a one-time development fee that is recognized ratably as restaurants are developed in the area. Previously reacquired franchises normally sell for a franchise fee of \$100,000 to \$350,000, include an equipment sale, and may have substantial costs of sales associated with both the franchise and the equipment. The timing of sales of franchises is affected by the timing of new restaurant openings, the condition of reacquired franchise locations and the availability of qualified franchisees. The timing of new restaurant openings is affected by a variety of real estate construction issues including obtaining regulatory approvals and weather conditions. As a consequence of the foregoing factors, the results of operations for the six months ended June 30, 2000, are not necessarily indicative of the results to be expected for the full year ending December 31, 2000.

#### SYSTEM-WIDE RETAIL SALES

System-wide retail sales include the sales of all IHOP restaurants as reported to IHOP by its franchisees, area licensees and company-operated restaurants. System-wide retail sales grew \$30,200,000 or 10.8% in the second quarter of 2000 and \$59,389,000 or 10.8% in the first six months of 2000. Growth in the number of effective restaurants and increases in average sales per effective unit caused the growth in system-wide sales. "Effective restaurants" are the number of restaurants in operation in a given fiscal period adjusted to account for restaurants in operation for only a portion of the period. Effective restaurants grew by 65 or 7.7% in the second quarter of 2000 and by 68 or 8.1% in the first six months of 2000 due to new restaurant development. Newly developed restaurants generally have seating and sales above the system-wide averages. System-wide average sales per effective restaurant grew 3.0% in the second quarter of 2000 and 2.6% in the first six months of 2000. Management continues to pursue growth in sales through new restaurant development, advertising and marketing efforts, improvements in customer service and operations, and remodeling of existing restaurants.

#### FRANCHISE OPERATIONS

Franchise operations revenues are the revenues received by IHOP from its franchisees and include rent, royalties, sales of proprietary products, advertising fees and interest. Franchise operations revenues were 64.3% of total

revenues in the second quarter of 2000 and 64.8% of total revenues in the first six months of 2000. Franchise operations revenues grew \$4,955,000 or 12.3% in the second quarter of 2000 and \$10,008,000 or 12.5% in the first six months of 2000. An increase in the number of effective franchise restaurants coupled with higher average sales per franchise restaurant caused the growth in franchise operations revenues. Effective franchise restaurants grew 65 or 10.4% in the second quarter of 2000 and 62 or 10.0% in the first six months of 2000. Average sales per effective franchise restaurant grew 1.6% in the second quarter of 2000 and 1.5% in the first six months of 2000.

Franchise operations costs and expenses include rent, advertising, the cost of sales of proprietary products and other direct costs associated with franchise operations. Franchise operations costs and

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expenses increased \$1,607,000 or 9.9% in the second quarter of 2000 and \$3,227,000 or 10.0% in the first six months of 2000. Increases in franchise operations costs were generally in line with the growth in franchise operations revenue.

Franchise operations margin is equal to franchise operations revenues less franchise operations costs and expenses. Franchise operations margin increased \$3,348,000 to \$27,463,000 in the second quarter of 2000 and \$6,781,000 to \$54,408,000 in the first six months of 2000. Franchise operations margin was 60.7% and 60.5% of franchise operations revenues in the second quarter and first six months of 2000, respectively, compared with 59.9% and 59.6% in the same periods in the prior year. Increased royalty income and increased interest income associated with IHOP's financing of sales of franchises and equipment to its franchisees were primarily responsible for the improvement in franchise operations margin in 2000.

#### SALES OF FRANCHISES AND EQUIPMENT

Sales of franchises and equipment were 12.0% of total revenues in the second quarter of 2000 and 10.4% of total revenues in the first six months of 2000. Sales of franchises and equipment decreased \$802,000 or 8.7% in the second quarter of 2000 and \$536,000 or 3.6% in the first six months of 2000. A decrease in the number of restaurants franchised was the primary cause of the decrease in sales of franchises and equipment. IHOP franchised 16 and 28 restaurants in the second quarter and first six months of 2000, respectively, compared with 18 and 29 in the same periods in the prior year.

Cost of sales of franchises and equipment increased \$116,000 or 2.2% in the second quarter of 2000 and \$653,000 or 7.2% in the first six months of 2000. The increase was primarily due to the sale of more rehabilitated and refranchised restaurants in the second quarter and the first six months of 2000 compared with the same periods in the prior year.

Margin on sales of franchises and equipment is equal to sales of franchises and equipment less the cost of sales of franchises and equipment. Margin on sales of franchises and equipment decreased \$918,000 to \$2,966,000 in the second quarter of 2000 and decreased \$1,189,000 to \$4,661,000 in the first six months of 2000. Margin on sales of franchises and equipment was 35.2% and 32.4% in the second quarter and first six months of 2000, respectively, compared with 42.1% and 39.2% in the same periods in the prior year.

#### COMPANY OPERATIONS

Company operations revenues are sales to customers at restaurants operated by IHOP. Company operations revenues were 23.7% of total revenues in the second quarter of 2000 and 24.8% of total revenues in the first six months of 2000. Company operations revenues decreased \$1,363,000 or 7.6% in the second quarter of 2000 and increased \$402,000 or 1.2% in the first six months of 2000. Changes in the number of effective IHOP-operated restaurants in each period were primarily responsible for the changes in revenues. Effective IHOP-operated restaurants decreased by four or 5.3% in the second quarter of 2000 and increased by two or 2.8% in the first six months of 2000. Average sales per

effective IHOP-operated restaurant decreased 2.1% in the second quarter of 2000 and 1.7% in the first six months of 2000.

Company operations costs and expenses include food, labor and benefits, utilities and occupancy costs. Company operations costs decreased \$1,086,000 or 6.4% in the second quarter of 2000 and increased \$651,000 or 2.0% in the first six months of 2000. As certain costs are variable in nature, the decrease or increase in company operations costs were generally in line with the decrease or increase in company operations revenues.

Company operations margin is equal to company operations revenues less company operations costs and expenses. Company operations margin declined \$277,000 to \$719,000 in the second quarter of 2000 and \$249,000 to \$1,571,000 in the first six months of 2000. Company operations margin was 4.3% and 4.6% of company operations revenues in the second quarter and first six months of 2000, respectively, compared with 5.5% and 5.3% in the same periods in the prior year. Decreasing average sales per restaurant

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combined with the existence of certain fixed costs resulted in the decrease in margins of company operations.

#### OTHER COSTS AND EXPENSES

Field, corporate and administrative costs and expenses increased \$691,000 or 7.8% and \$647,000 or 3.8% in the second quarter and first six months of 2000, respectively, compared with the same periods in the prior year. The increase was primarily caused by higher compensation expenses in the second quarter and first six months of 2000 compared with the same periods in the prior year. Field, corporate and administrative costs were 3.1% and 2.9% of system-wide sales in the second quarter and first six months of 2000, respectively, compared with 3.2% and 3.1% in the same periods in the prior year.

Depreciation and amortization expense increased \$262,000 or 8.5% and \$560,000 or 9.2% in the second quarter and first six months of 2000, respectively. The increases were caused primarily by the addition of new restaurants to the IHOP chain from our ongoing restaurant development program.

Interest expense increased \$832,000 or 19.0% and \$1,975,000 or 22.3% in the second quarter and first six months of 2000, respectively. The increases were due to interest associated with new capital leases that were partially offset by reductions in interest on our senior notes due 2002 as the principal balance is paid down.

#### BALANCE SHEET ACCOUNTS

Balances of property and equipment, net at June 30, 2000, increased \$19,774,000 or 11.1% from December 31, 1999 primarily due to new restaurant development.

#### LIQUIDITY AND CAPITAL RESOURCES

We invest in our business primarily through the development of additional restaurants and, to a lesser extent, through the remodeling of older company-operated restaurants. Also, the company began repurchasing shares of its common stock in 2000.

In 2000 IHOP and its franchisees and area licensees forecast developing and opening approximately 75 to 85 restaurants. Included in that number are the development of 65 to 70 new restaurants by us and the development of 10 to 15 restaurants by our franchisees and area licensees. Capital expenditure projections for 2000, which include our portion of the above development program, are approximately \$80 to \$90 million. In November 2000 the fifth annual installment of \$4.6 million in principal becomes due on our senior notes due 2002 and the first annual installment of \$3.8 million in principal becomes due on our senior notes due 2008. We expect that funds from operations, sale and leaseback arrangements (estimated to be about \$30 to \$35 million) and our

\$20 million revolving line of credit will be sufficient to cover our operating requirements, our budgeted capital expenditures, our principal repayment on our senior notes and any further stock repurchases in 2000. At June 30, 2000, \$20 million was available to be borrowed under our unsecured bank revolving credit agreement.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The annual meeting of shareholders (the "Meeting") was held on May 16, 2000. Shareholders voted in person or by proxy for the following purposes.

(a) Shareholders voted to elect three Class II directors, each to serve for a term of three years, as follows:

NOMINEE -----	VOTES FOR -----	VOTES WITHHELD -----
H. Frederick Christie.....	18,489,713	64,600
Richard K. Herzer.....	18,491,717	62,596
Patrick W. Rose.....	18,490,843	63,470

There were no abstentions or broker non-votes. Directors whose terms of office continued after the meeting were Frank Edelstein, Michael S. Gordon, Neven C. Hulsey, Larry Alan Kay, Dennis M. Leifheit, and Caroline W. Nahas.

(b) Shareholders voted to approve and ratify the appointment of PricewaterhouseCoopers L.L.P as the Company's independent accountants for the year ending December 31, 2000. 18,529,896 shares were voted for this proposal, 18,787 were voted against, there were 5,540 abstentions and no broker non-votes.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

- 3.1 Certificate of Incorporation of IHOP Corp. (Exhibit 3.1 to IHOP Corp.'s Form 10-K for the fiscal year ended December 31, 1997 (the "1997 Form 10-K") is hereby incorporated by reference).
- 3.2 Bylaws of IHOP Corp. (Exhibit 3.2 to IHOP Corp.'s 1997 Form 10-K is hereby incorporated by reference).
- 10.1 Employment agreement between IHOP Corp. and Robin L. Elledge effective April 1, 2000.
- 11.0 Statement Regarding Computation of Per Share Earnings.
- 27.0 Financial Data Schedule.

(b) No reports on Form 8-K were filed during the quarter ended June 30, 2000.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

July 27, 2000  
-----  
(Date)

IHOP CORP.  
(Registrant)

BY: /s/ RICHARD K. HERZER  
-----  
CHAIRMAN OF THE BOARD, PRESIDENT AND  
CHIEF EXECUTIVE OFFICER (PRINCIPAL  
EXECUTIVE OFFICER)

July 27, 2000  
-----  
(Date)

BY: /s/ ALAN S. UNGER  
-----  
V.P.--FINANCE, TREASURER AND CHIEF  
FINANCIAL OFFICER (PRINCIPAL FINANCIAL  
OFFICER)

## EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of the 1st day of April, 2000 (the "Effective Date"), between IHOP CORP., a Delaware corporation (the "Company"), and Robin L. Elledge (the "Employee").

Whereas, the Board of Directors of the Company (the "Board") has approved and authorized the entry into this Agreement with the Employee; and

Whereas, the parties desire to enter into this Agreement setting forth the terms and conditions for the employment relationship of the Employee with the Company.

Now, Therefore, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and the Employee hereby agree as follows:

1. Employment. The Employee is employed as Vice President-Human Resources of the Company from the Effective Date through the Term of this Agreement (as defined in Section 2 hereof). In this capacity, the Employee shall have such duties and responsibilities as may be designated to her by the Board from time to time and as are not inconsistent with the Employee's position with the Company, including the performance of duties with respect to any subsidiaries of the Company, as may be designated by the Board. During the Employee's period of employment hereunder, the Employee shall be based in the principal offices of the Company in Southern California, and shall not be required to relocate outside of Southern California to perform services hereunder, except for travel as reasonably required in the performance of her duties hereunder.

2. Term. The "initial term" of this Agreement shall be for the period commencing on the Effective Date and ending on the second anniversary of the Effective Date; provided, however, that on the second anniversary of the Effective Date, and on each subsequent anniversary date thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than 90 days prior to such applicable anniversary date, the Company or the Employee shall give notice not to extend this Agreement; and provided further, however, that, if a Change in Control (as defined in Section 11(g)) occurs prior to the expiration of the Term of this Agreement, this Agreement shall remain in full force and effect and shall not expire prior to the last day of the 24th month following the date of such Change in Control. The "Term of this Agreement" or "Term" shall mean, for purposes of this Agreement, both the "initial term" (as hereinbefore described) and any additional term (created by extension, as described above), and the Term of this Agreement shall not be affected by the Employee's termination of employment.

3. Salary. Subject to the further provisions of this Agreement, the Company shall pay the Employee during the Term of this Agreement a salary at an annual rate equal to \$160,000, with such salary to be increased at such times, if any, and in such amounts as determined by the Board, which increases shall be consistent with the historical business practices of the Company and the salary adjustments for other senior executives of the Company. Such salary shall be payable by the Company to the Employee not less frequently than monthly and shall not be decreased at any time during the Term of this Agreement. Participation in deferred compensation, discretionary bonus, retirement, and other employee benefit plans and in fringe benefits shall not reduce the salary payable to the Employee under this Section.

4. Participation in Bonus, Retirement and Employee Benefit Plans. The Employee shall be entitled to participate equitably with other senior

executives in any plan of the Company relating to bonuses, stock options, stock purchases, pension, thrift, profit sharing, life insurance, medical coverage, education, or other retirement or employee benefits that the Company has adopted or may adopt for the benefit of its senior executives. For purposes of the Company's Executive Incentive Plan, Employee's target bonus will be 35% of her base pay.

5. Hiring Incentive. Upon the Effective Date, or as soon as practicable thereafter, Employee shall receive an option to purchase a total of 20,000 shares of IHOP Corp. common stock. Such stock option shall be subject to the terms of the IHOP Corp. 1991 Stock Incentive Plan, as amended, and a Stock Option Agreement setting forth, among other things, the option exercise vesting schedule and option exercise price.

6. Fringe Benefits; Automobile. The Employee shall be entitled to receive all other fringe benefits which are now or may be provided to the Company's senior executives. In addition, the Company shall provide the Employee during the Term of this Agreement with a car allowance of \$700 per month, plus reimbursement of all automobile expenses such as gasoline, maintenance, insurance and vehicle registration, in accordance with the Company's general policy on providing cars to senior executives. Notwithstanding the foregoing, the benefits provided under this Section 6 shall cease upon the Employee's Date of Termination (as defined in Section 11(d)).

7. Vacations. The Employee shall be entitled to an annual paid vacation as determined in accordance with the Company's general policy for senior executives.

8. Business Expenses. During such time as the Employee is rendering services hereunder, the Employee shall be entitled to incur and be reimbursed for all reasonable business expenses and be provided allowances as are furnished to the Company's most senior executives under the Company's then current policies. The Company agrees that it will reimburse the Employee for all such expenses upon the presentation by the Employee,

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from time to time, of an itemized account of such expenditures, setting forth the date, the purposes for which incurred, and the amounts thereof, together with such receipts showing payments in conformity with the Company's established policies. Reimbursement shall be made within a reasonable period after the Employee's submission of an itemized account.

9. Insurance and Indemnity. The Employee shall be added as an additional named insured under all appropriate insurance policies now in force or hereafter obtained covering any officers or directors of the Company. The Company shall indemnify and hold the Employee harmless from any cost, expense or liability arising out of or relating to any acts or decisions made by the Employee on behalf of or in the course of performing services for the Company to the same extent the Company indemnifies and holds harmless other senior executive officers and directors of the Company and in accordance with the Company's established policies.

10. Professional Services Allowance. The Employee shall be entitled to reimbursement by the Company for expenses incurred by her for personal legal, accounting, investment, estate planning services or other similar services as outlined in the Company's Professional Services Allowance policy, in an amount to be determined by the Board, but in no event greater than \$10,000 annually (or a pro rata portion of such amount for any period of employment less than a full year); provided, however, that no reimbursement shall be made for any such expenses incurred by the Employee after such Employee's Date of Termination.

11. Termination.

(a) Disability. If, as a result of the Employee's incapacity due to physical or mental illness, she shall have been absent from the full-time

performance of her duties with the Company for 90 consecutive days or 180 days within any 12-month period, her employment may be terminated by the Company for "Disability."

(b) Cause. Subject to the notice provisions set forth below, the Company may terminate the Employee's employment for "Cause" at any time. "Cause" shall mean termination upon: (1) the willful failure by the Employee to substantially perform her duties with the Company (other than any such failure resulting from her incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to her by the Board, which demand specifically identifies the manner in which the Board believes that she has not substantially performed her duties; (2) the Employee's willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or (3) the Employee's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of her duties. For purposes of this subsection (b), no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by her not in good faith and without the

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reasonable belief that her action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to her a copy of a resolution duly adopted by the affirmative vote of a majority of the non-employee members of the Board at a meeting of such members (after reasonable notice to her and an opportunity for her, together with her counsel, to be heard before such members of the Board), finding that she has engaged in the conduct set forth above in this subsection (b) and specifying the particulars thereof in detail.

(c) Notice of Termination. Any termination of the Employee's employment by the Company or by the Employee shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 15. "Notice of Termination" shall mean a notice that indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of the Employee's employment under the provision so indicated.

(d) Date of Termination. "Date of Termination" shall mean: (1) if the Employee's employment is terminated by her death, the date of her death; (2) if the Employee's employment is terminated for Disability, 30 days after Notice of Termination is given; and (3) if the Employee's employment is terminated for any other reason, the date specified in the Notice of Termination.

(e) Dispute Concerning Termination. If within the later of (i) fifteen (15) days after Notice of Termination is given, or (ii) fifteen (15) days prior to the Date of Termination (as determined without regard to this Section 11(e)), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning a termination by the Employee for Good Reason (as defined in Section 11(h)) following a Change in Control (as defined in Section 11(g)), the Date of Termination shall be the earlier of the expiration date of the Agreement, or the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

(f) Compensation During Dispute. If a purported termination by the Employee for Good Reason occurs following a Change in Control and during the Term of this Agreement, and such termination is disputed in accordance with Section 11(e) hereof, the Company shall continue to pay the Employee the full

compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Employee as a participant in all compensation, benefit and insurance plans in which

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the Employee was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with Section 11(e) hereof or, if earlier, the expiration date of the Agreement. Amounts paid under this Section 11(f) are in addition to all other amounts due under this Agreement (other than those due under Section 12(b) hereof) and shall not be offset against or reduce any other amounts payable under this Agreement.

(g) Change in Control. A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any "person" (as such term is used in Sections 14(d) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company; any trustee or other fiduciary holding securities under an employee benefit plan of the Company; or any Company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company) is or becomes after the Effective Date the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

(ii) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in subparagraph (i), (iii) or (iv) of this Section 11(g)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least 2/3 of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 75% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar

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transaction) in which no person acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

(h) Good Reason. At any time following a Change in Control, the Employee may terminate her employment hereunder for "Good Reason." "Good Reason" shall mean the occurrence (without the Employee's express written

consent) of any material breach of this Agreement, including, without limitation, any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in subsections (i), (iv), (v), (vi) or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Employee of any duties inconsistent with the Employee's status as a senior executive of the Company or a substantially adverse alteration in the nature or status of the Employee's responsibilities from those in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Employee's annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) the relocation of the Company's principal offices to a location outside Southern California (or, if different, the metropolitan area in which such offices are located immediately prior to the Change in Control) or the Company's requiring the Employee to be based anywhere other than the Company's principal executive offices, except for required travel on the Company's business to an extent substantially consistent with the Employee's present business travel obligations;

(iv) the failure by the Company to pay to the Employee any portion of the Employee's current compensation, or to pay to the Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due;

(v) the failure by the Company to continue in effect any compensation plan in which the Employee participates immediately prior to the Change in Control which is material to the Employee's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Employee's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the

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amount of benefits provided and the level of the Employee's participation relative to other participants, as existed immediately prior to the Change in Control;

(vi) the failure by the Company to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company's pension, life insurance, medical, health and accident, or disability plans in which the Employee was participating immediately prior to the Change in Control; or the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Employee of any material fringe benefit enjoyed by the Employee immediately prior to the Change in Control;

(vii) any purported termination of the Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; for purposes of this Agreement, no such purported termination shall be effective; or

(viii) any failure by the Company to comply with and satisfy Section 13(b) of this Agreement.

The Employee's right to terminate the Employee's employment for Good Reason shall not be affected by the Employee's incapacity due to physical or mental illness. The Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(i) Voluntary Termination. The Employee may terminate her employment hereunder ("Voluntary Termination") upon a material breach of this Agreement by the Company, unless the Company shall fully correct such breach within 30 days of the Employee's Notice of Termination given in respect thereof.

12. Compensation Upon Termination or During Disability. The Employee shall be entitled to the following benefits during a period of disability, or upon termination of her employment, as the case may be, provided that such period or termination occurs during the Term of this Agreement:

(a) During any period that the Employee fails to perform her full-time duties with the Company as a result of incapacity due to physical or mental illness, she shall continue to receive her base salary at the rate in effect at the commencement of any such period, together with all compensation payable to her under the Company's disability plan or program or other similar plan during such period, until her employment is terminated pursuant to Section 11 hereof. Thereafter, or in the event the Employee's employment shall be terminated by reason of her death, her benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

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(b) If at any time the Employee's employment shall be terminated: (i) by the Company for Cause or Disability or (ii) by her for any reason (other than in a Voluntary Termination or for Good Reason following the occurrence of a Change in Control), the Company shall pay the Employee her full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which she is entitled through the Date of Termination under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to her under this Agreement.

(c) If the Employee's employment should be terminated: (1) by reason of her death, (2) by the Company other than for Cause or Disability or (3) by the Employee in a Voluntary Termination, she shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 13(c)) (A) her full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B) (x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 12 months, assuming for the purpose of such payments that her salary for such remaining period is equal to her salary at the Date of Termination and that her annual bonus for such remaining Term is equal to the average of the annual bonuses paid to her by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which she is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 12-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and her covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 12-month period following the Employee's termination of employment (and the Employee agrees that she shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee

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with respect to all of her acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

(d) If the Employee's employment should be terminated by the Employee for Good Reason following a Change in Control, she shall be entitled to the benefits provided below:

(i) the Company shall pay to the Employee or the appropriate payee (as determined in accordance with Section 13(c)) (A) her full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given; plus (B) (x) in the case of death or a Voluntary Termination all salary and bonus payments that would have been payable to the Employee pursuant to this Agreement for the remaining Term of this Agreement, or (y) in all other cases, all salary and bonus payments that would have been payable to the Employee had the Employee continued to be employed for a period of 24 months, assuming for the purpose of such payments that her salary for such remaining period is equal to her salary at the Date of Termination and that her annual bonus for such remaining Term is equal to the average of the annual bonuses paid to her by the Company with respect to the three fiscal years ended immediately prior to the fiscal year in which the Date of termination occurs; plus (C) all other amounts to which she is entitled under any compensation plan of the Company, in cash in a lump sum no later than the 15th day following the Date of Termination;

(ii) for a 24-month period after the Date of Termination, the Company shall arrange to provide the Employee with life, disability, accident and health insurance benefits substantially similar to those which the Employee and her covered family members are receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control); provided, however, that such continued benefits shall be reduced to the extent comparable benefits are actually received by or made available to the Employee without cost during the 24-month period following the Employee's termination of employment (and the Employee agrees that she shall promptly report any such benefits actually received to the Company); and

(iii) the Company shall continue in effect for the benefit of the Employee all insurance or other provisions for indemnification and defense of officers or directors of the Company which are in effect on the date the Notice of Termination is sent to the Employee with respect to all of her acts and omissions while an officer or director as fully and completely as if such termination had not occurred, and until the final expiration or running of all periods of limitation against actions which may be applicable to such acts or omissions.

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(e) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Employee in connection with the termination of the Employee's employment (whether such benefit is pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, and all such payments and benefits being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company as a result of the application of Section 280G of the Internal Revenue Code of 1986, as amended ("Code"), then, to the extent necessary to make the nondeductible portion of the Total Payments deductible, (i) the cash payments under this Agreement shall first be reduced (if necessary,

to zero), and (ii) all other non-cash payments under this Agreement shall next be reduced (if necessary, to zero).

(f) If it is established as described in the preceding subsection (d) that the aggregate benefits paid to or for the Employee's benefit are in an amount that would result in any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code, then the Employee shall have an obligation to pay the Company upon demand an amount equal to the sum of: (i) the excess of the aggregate "parachute payments" paid to or for the Employee's benefit over the aggregate "parachute payments" that could have been paid to or for the Employee's benefit without any portion of such "parachute payments" not being deductible by reason of Section 280G of the Code; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in Section 1274(b)(2)(B) of the Code from the date of the Employee's receipt of such excess until the date of such payment.

(g) The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(h) If the employment of the Employee is terminated by the Company without Cause or the Employee's employment is terminated by the Employee under conditions entitling her to payment hereunder and the Company fails to make timely payment of the amounts then owed to the Employee under this Agreement, the Employee shall be entitled to interest on such amounts at the rate of 1% above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), compounded monthly, for the period from the date such amounts were otherwise due until payment is made to the Employee (which interest shall be in addition to all rights which the Employee is otherwise entitled to under this Agreement).

### 13. Assignment.

(a) This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto, except that this Agreement shall be binding upon and inure to the benefit of any successor corporation to the Company.

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(b) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes this Agreement by operation of law, or otherwise.

(c) This Agreement shall inure to the benefit of and be enforceable by the Employee and her personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amount would still be payable to her hereunder had she continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to her devisee, legatee or other designee or, if there is no such designee, to her estate.

14. (a) Confidential Information. During the Term of this Agreement and thereafter, the Employee shall not, except as may be required to perform her duties hereunder or as required by applicable law, disclose to others for use, whether directly or indirectly, any Confidential Information regarding the Company. "Confidential Information" shall mean information about the Company, its subsidiaries and affiliates, and their respective clients and customers that is not available to the general public and that was learned by the Employee in the course of her employment by the Company, including (without limitation) any data, formulae, information, proprietary knowledge, trade

secrets and client and customer lists and all papers, resumes, records and the documents containing such Confidential Information. The Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. Upon the termination of her employment, the Employee will promptly deliver to the Company all documents (and all copies thereof) containing any Confidential Information.

(b) Non-competition. The Employee agrees that during the Term of this Agreement, and for a period of one year thereafter, she will not, directly or indirectly, without the prior written consent of the Company, provide consultative service with or without pay, own, manage, operate, join, control, participate in, or be connected as a stockholder, partner, or otherwise with any business, individual, partner, firm, corporation, or other entity which is then in competition with the Company or any present affiliate of the Company; provided, however, that the "beneficial ownership" by the Employee, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Exchange Act, of not more than 1% of the voting stock of any publicly held corporation shall not be a violation of this Agreement. It is further expressly agreed that the Company will or would suffer irreparable injury if the

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Employee were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Employee further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Employee from competing with the Company or any subsidiary or affiliate of the Company in violation of this Agreement.

(c) Right to Company Materials. The Employee agrees that all styles, designs, recipes, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Material") used, prepared, or made available to the Employee, shall be and shall remain the property of the Company. Upon the termination of her employment or the expiration of this Agreement, all Company Materials shall be returned immediately to the Company, and Employee shall not make or retain any copies thereof.

(d) Antisolicitation. The Employee promises and agrees that during the Term of this Agreement, and for a period of one year thereafter, she will not influence or attempt to influence customers, franchisees, landlords, or suppliers of the Company or any of its present or future subsidiaries or affiliates, either directly or indirectly, to divert their business to any individual, partnership, firm, corporation or other entity then in competition with the business of the Company, or any subsidiary or affiliate of the Company.

15. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith, except that notice of a change of address shall be effective only upon actual receipt:

Company: IHOP Corp.  
525 North Brand Blvd.  
Glendale, California 91203-1903  
to the attention of the Board;  
with a copy to: the Secretary of the Company

Employee: Robin Elledge  
525 North Brand Boulevard  
Glendale California 91203.

16. Amendments or Additions. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties hereto.

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17. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

18. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together will constitute one and the same instrument.

20. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Los Angeles, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Employee shall be entitled to seek specific performance of her right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

21. Attorneys' Fees. The Company shall pay to the Employee all out-of-pocket expenses, including attorneys' fees, incurred by the Employee in connection with any claim, legal action or proceeding involving this Agreement in which the Employee prevails in whole or in part, whether brought by the Employee or by or on behalf of the Company or by another party. The Company shall pay prejudgment interest on any money judgment obtained by the Employee calculated at 3% above the prime rate (defined as the base rate on corporate loans at large U.S. money center commercial banks as published by the Wall Street Journal), from the date that payment(s) to the Employee should have been made under this Agreement.

22. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Employee and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this agreement shall supersede any prior understanding or agreement either written or oral, with respect to the subject matter hereto. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its

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conflicts of law principles. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 12 and Section 20 and the obligations of the Employee under Section 14 and Section 20 shall survive the expiration of the Term of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the date first indicated above.

ATTEST:

IHOP CORP.

\_\_\_\_\_  
Mark D. Weisberger  
Secretary

By: \_\_\_\_\_  
Richard K. Herzer  
President

EMPLOYEE:

\_\_\_\_\_  
Robin L. Elledge

EXHIBIT 11.0

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

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
NET INCOME PER COMMON SHARE BASIC				
Weighted average shares outstanding.....	19,988	19,935	20,026	19,876
Net income available to common shareholders.....	8,294	\$ 7,852	\$15,523	\$14,437
Net income per share-basic.....	\$ 0.41	\$ 0.39	\$ 0.78	\$ 0.73
NET INCOME PER COMMON SHARE DILUTED				
Weighted average shares outstanding.....	19,988	19,935	20,026	19,876
Net effect of dilutive stock options based on the treasury stock method using the average market price.....	214	450	197	421
Total.....	20,202	20,385	20,223	20,297
Net income available to common shareholders.....	\$ 8,294	\$ 7,852	\$15,523	\$14,437
Net income per share-diluted.....	\$ 0.41	\$ 0.39	\$ 0.77	\$ 0.71

<ARTICLE> 5

<LEGEND>

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

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