IHOP CORP
Form DEF 14A
April 19, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

IHOP CORP
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

IHOP CORP.

April 19, 2005

Dear Fellow IHOP Shareholders:

Please join us at our annual meeting of shareholders on May 24, 2005, where we will ask you to vote on the election of three Class II directors and one Class I director, the ratification and approval of the IHOP Corp. 2005 Stock Incentive Plan for Non-Employee Directors, the ratification and approval of the amendment of the IHOP Corp. 2001 Stock Incentive Plan and the ratification of the selection of our independent registered public accounting firm, Ernst & Young, LLP.

In addition to the formal items of business at our Annual Meeting, we will review the major Company developments over the past year and share with you our plans for the future. You will have an opportunity to ask questions and express your views to the senior management of IHOP Corp. Members of the Board of Directors and representatives of Ernst & Young LLP, are expected to be present.

Whether or not you are able to attend the Annual Meeting in person, it is important that your shares be represented. You can vote your shares using the Internet or a toll-free telephone number, or by completing and returning the enclosed proxy card by mail. Instructions on each of these voting methods are outlined in the enclosed Proxy Statement. Please vote as soon as possible. The enclosed Proxy Statement is being first sent or given to shareholders on or about April 19, 2005.

We look forward to seeing you on May 24th.

Sincerely yours,

Larry Alan Kay
Chairman of the Board

Julia A. Stewart
President and Chief Executive Officer

450 N. Brand Boulevard 7th Floor Glendale, CA 91203-2306

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 24, 2005

To the Shareholders of IHOP Corp.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Meeting or the Annual Meeting) of IHOP Corp., a Delaware corporation (the Company), will be held at the Company s Offices located at 450 N. Brand Boulevard, Glendale, California, on Tuesday, May 24, 2005, at 10:00 a.m., Pacific Daylight Time, for the following purposes:

(1) To elect three Class II directors and one Class I director;

(2) To approve the adoption of the IHOP Corp. 2005 Stock Incentive Plan for Non-Employee Directors for the purpose of Section 303A(8) of the New York Stock Exchange Rules;

(3) To approve the amendment of the IHOP Corp. 2001 Stock Incentive Plan for the purposes of Section 162(m) and Section 422 of the Internal Revenue Code of 1986, as amended, and Section 303A(8) of the New York Stock Exchange Rules;

(4) To ratify the appointment of Ernst & Young LLP, as the Company s independent registered public accounting firm for the year ending December 31, 2005; and

(5) To transact such other business as may properly come before the Meeting or any adjournment thereof.

Only shareholders of record at the close of business on March 25, 2005, the record date for the Meeting, are entitled to notice of and to vote at the Meeting and any adjournment thereof. A list of such shareholders will be available for examination at the principal executive offices of the Company located at 450 N. Brand Boulevard, Glendale, California 91203, at least ten days prior to the Meeting.

To assure that your interests will be represented, whether or not you plan to attend the Meeting, please complete, sign and date the accompanying proxy card and promptly return it in the pre- addressed envelope provided, which requires no postage if mailed in the United States. All shareholders are cordially invited to attend the Meeting in person. If you attend the Meeting, you may vote in person if you wish, even if you have previously returned your proxy card.

By Order of the Board of Directors,
Mark D. Weisberger
Secretary
April 19, 2005
Glendale, California

Table of Contents

Voting on Matters before the Annual Meeting

Q: What am I voting on?

A: There are four items that shareholders are asked to vote on at the 2005 Annual Meeting:

Proposal 1: Election of three Class II directors and one Class I director.

Proposal 2: The approval of the adoption of the IHOP Corp. 2005 Stock Incentive Plan for Non-Employee Directors for the purpose of Section 303A(8) of the New York Stock Exchange Rules.

Proposal 3: The approval of the amendment of the IHOP Corp. 2001 Stock Incentive Plan for the purposes of Section 162(m) and Section 422 of the Internal Revenue Code of 1986, as amended, and Section 303A(8) of the New York Stock Exchange Rules.

Proposal 4: The ratification of the appointment of Ernst & Young LLP, as the Company s independent public accountants for the year ending December 31, 2005.

Q: Who is entitled to vote?

A: Only shareholders of record at the close of business on March 25, 2005 (the Record Date), will be entitled to receive notice of, and to vote at, the Meeting. As of the Record Date, there were outstanding 19,995,262 shares of Common Stock, par value $.01 per share (the Common Stock), of the Company. Each shareholder of record is entitled to one vote for each share of Common Stock held by such holder and may vote such shares either in person or by proxy. The presence in person or by proxy of 9,997,632 shares of common stock will constitute a quorum at the Meeting.

Q: How do I cast my vote?

A: If you hold your shares as a registered shareholder, you can vote in person at the Annual Meeting or you can vote by mail, telephone or on the Internet.

If your stock is held through a broker or bank you will receive voting instructions from your bank or broker describing how to vote your stock. The availability of telephone or Internet voting will depend upon the bank s or broker s voting processes.

Whichever method you use, each valid proxy received in time will be voted at the Annual Meeting by the persons named on the proxy card in accordance with your instructions. To ensure that your proxy is voted, it should be received by the close of business on May 20, 2005.

If you submit a proxy card without giving instructions, your shares will be voted as recommended by the Board of Directors.

Mellon Investor Services has been engaged as the independent inspector of election to tabulate shareholder votes at the Meeting.

Q: How does the Board of Directors recommend voting?

A: The Board of Directors recommends voting:

- **FOR** each nominee to the Board of Directors;
- **FOR** the approval of the adoption of the IHOP Corp. 2005 Stock Incentive Plan for Non-Employee Directors; and
- **FOR** the approval of the amendment of the IHOP Corp. 2001 Stock Incentive Plan.

The Audit Committee of the Board of Directors recommends voting:

- **FOR** ratification of Ernst & Young, LLP as the Company s independent registered public accounting firm.

Q: How will my stock be voted on other business brought up at the Annual Meeting?

A: By submitting your proxy card, you authorize the persons named on the proxy card to use their discretion in voting on any other matter brought before the Annual Meeting. The Company does not know of any other business to be considered at the Annual Meeting.

Q: Can I change my vote or revoke my proxy?

A: Yes. You can change your vote or revoke your proxy at any time before it is voted at the Annual Meeting by executing a later-voted proxy by telephone, mail or the Internet or by voting by ballot at the Meeting.

Q: Will abstentions or broker non-votes affect the voting results?

A: Assuming a quorum is present, directors shall be elected by a plurality of the votes cast in the election of directors. Other matters submitted for shareholder approval shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote at the Meeting. Abstentions and broker non-votes will be counted and will have the same effect as no votes.

Q: What is the date of distribution of this Proxy Statement and the proxies solicited hereby?

A: We are sending this Proxy Statement and the proxies to our shareholders beginning on or about April 19, 2005.

Q: What are the costs of this proxy solicitation?

A: The Board of Directors of the Company is soliciting your proxy for use at the Annual Meeting, and at any adjournment thereof. The Company will bear the cost of this proxy solicitation, including the reimbursement to banks and brokers for reasonable expenses of sending out proxy materials to the beneficial owners of our common stock. In addition, officers of the Company may solicit proxies in person or by mail, telephone, e-mail or fax.

Where to Find More Information on IHOP Corp.

Documents Filed with the Securities and Exchange Commission (SEC)

- This Proxy Statement is accompanied by the Company s 2004 Annual Report, which includes the Company s consolidated financial statements for the year ended December 31, 2004.

- You can obtain any of the documents that we file with the SEC (including an additional copy of our 2004 Annual Report on Form 10-K) by contacting us or the SEC (see below for information on contacting the SEC). To obtain documents from us, please direct requests in writing or by telephone to:

IHOP Corp.

450 N. Brand Boulevard

Glendale, California 91203-2306

Phone: (818) 240-6055

Attention: Corporate Secretary

- We will send you the requested documents without charge, excluding exhibits.

- If you would like to request documents from us, including any documents we may subsequently file with the SEC prior to the Meeting, please do so by May 1, 2004, so that you will receive them before the Meeting.

Additional Information

There are a number of other sources for additional information on IHOP Corp.

- The Securities and Exchange Commission. We file reports, proxy statements and other information with the SEC, much of which can be accessed through the SEC s Web site (http://www.sec.gov) or can be reviewed and copied at the SEC s Public Reference Room at 450 Fifth Street N.W., Washington, D.C. 20549. Please call 1-800-732-0330 for further information on the Public Reference Room.

- The New York Stock Exchange. Reports and other information on the Company can be reviewed at the office of the New York Stock Exchange at 20 Broad Street, New York, NY 10005.

- The IHOP Corp. Web site. Our Web site at http://www.ihop.com provides ongoing information about the Company and its performance along with copies of the charters of our board committees, and our corporate governance guidelines and ethics policies. Please note that information contained on our Web site does not constitute part of this Proxy Statement.

IMPORTANT NOTE:

You should rely only on the information contained in this Proxy Statement to vote on the proposals at the Annual Meeting. We have not authorized anyone to provide you with information that is different from what is contained in this Proxy Statement. This Proxy Statement is dated April 19, 2005. You should not assume that the information contained in this Proxy Statement is accurate as of any date other than such date, and the mailing of this Proxy Statement to shareholders shall not create any implication to the contrary.

Principal Holders of Common Stock

The following table sets forth the only persons who, to the knowledge of management, owned beneficially on February 28, 2005, more than 5% of the outstanding shares of the Company s Common Stock.

Name and Address	Shares Owned		Percent of Class	
Southeastern Asset Management, Inc., Longleaf Partners Small-Cap Fund, and O. Mason Hawkins Southeastern Asset Management, Inc. 6075 Poplar Avenue, Suite 900 Memphis, TN 38119	3,905,300	(1)	19.5	%
MSD Capital, L.P. MSD SBI, L.P(2) 645 Fifth Avenue, 21st Floor New York, New York 10022	2,100,100	(2)	10.5	%
Neuberger Berman, Inc. Neuberger Berman, LLC Neuberger Berman Management, Inc. Neuberger Berman Genesis Fund(3) 605 Third Avenue New York, New York 10158	1,661,792	(3)	8.3	%
Chilton Investment Company, Inc. 1266 East Main Street 7th Floor Stamford, CT 06902	2,010,532	(4)	10.1	%
Transamerica Investment Management, LLC 1150 S. Olive Street Los Angeles, CA 90015	2,349,818	(5)	11.8	%

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(1) In Amendment No. 2 to Schedule 13G, dated February 7, 2005, jointly filed by Southeastern Asset Management, Inc., Longleaf Partners Small-Cap Fund and Mr. O. Mason Hawkins, such persons report that, at December 31, 2004, Southeastern Asset Management, Inc. possessed sole power to vote or to direct the vote with respect to 809,200 of these shares, no power to vote or direct the vote for 118,000 of these shares, shared power to vote or to direct the vote with respect to 2,978,100 of these shares, sole power to dispose or direct the disposition of 972,200 of these shares and shared power to dispose or direct the disposition of 2,978,100 of these shares. Longleaf Partners Small-Cap Fund possessed shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of 2,978,100 of these shares. Mr. Hawkins possessed no power to vote or to direct the vote and no power to dispose or to direct the disposition of any of these shares.

(2) In Amendment No. 1 to Schedule 13G dated February 17, 2004, MSD Capital, L.P. and MSD SBI, L.P. jointly reported that as of December 31, 2003 they possessed shared power to vote or direct the vote and shared power to dispose or direct the disposition of these shares.

(3) In Amendment No. 2 to Schedule 13G dated February 13, 2004, Neuberger Berman, Inc., Neuberger Berman, LLC, Neuberger Berman Management, Inc. and Neuberger Berman Genesis Fund jointly reported that as of December 31, 2003, Neuberger Berman, Inc. and Neuberger Berman, LLC possessed sole power to vote or to direct the vote with respect to 32,500 of these

4

shares, shared power to vote or direct the vote with respect to 1,183,000 of these shares, and shared power to dispose or to direct the disposition of 1,661,792 of these shares. Neuberger Berman Genesis Fund possessed shared power to vote or direct the vote and shared power to dispose or to direct the disposition of 1,143,400 of these shares.

(4) In its Schedule 13G dated March 10, 2005, Chilton Investment Company, Inc. reported that at February 28, 2005, it possessed sole power to vote or to direct the vote and sole power to dispose or to direct the disposition of all of these shares.

(5) In Amendment No. 2 to Schedule 13G dated July 8, 2004, Transamerica Investment Management, LLC reported that it possessed shared power to vote or direct the vote and shared power to dispose or direct the disposition of all of these shares.

Stock Ownership of Management and Directors

The following table shows the beneficial ownership, reported to the Company as of February 28, 2005, including shares as to which a right to acquire ownership exists (by the exercise of stock options) within the meaning of Rule 13-d3(d)(1) under the Securities Exchange Act of 1934, as amended, of each director, each nominee for election as director, the chief executive officer and the four other most highly compensated executive officers of the company during 2004 and all directors and executive officers of the Company, as a group.

Name and Address(1)	**Shares Owned(2)(3)(4)**	**Percent of Class**
H. Frederick Christie	44,334	*
Richard J. Dahl	5,500	*
Frank Edelstein	21,000	*
Michael S. Gordon	68,334	*
Larry Alan Kay	35,978	*
Caroline W. Nahas	29,334	*
Gilbert T. Ray	0	*
Patrick W. Rose	37,434	*
Julia A. Stewart	197,015	1.0 %
Thomas G. Conforti	59,393	*
Richard C. Celio	31,667	*
Robin L. Elledge	8,542	*
Mark D. Weisberger	36,885	*
All directors and executive officers as a group (15 persons)	580,473	2.8 %

* Represents less than 1% of the outstanding Common Stock

(1) The address for each of the directors and named executive officers is:

IHOP Corp.

450 N. Brand Boulevard

Glendale, California 91203-2306

(2) Subject to applicable community property laws and similar statutes.

(3) Share amounts for each of the directors, named executive officers and for all directors and executive officers as a group include shares subject to options that are exercisable within 60 days of the date of this Proxy Statement, as follows:

Name	No. Shares
H. Frederick Christie	33,334
Richard J. Dahl	5,000
Frank Edelstein	10,000
Michael S. Gordon	33,334
Larry Alan Kay	18,334
Caroline W. Nahas	29,334
Gilbert T. Ray	0
Patrick W. Rose	33,334
Julia A. Stewart	196,668
Richard C. Celio	46,002
Thomas G. Conforti	31,667
Robin L. Elledge	5,000
Mark D. Weisberger	31,001
All directors and executive officers as a group (15 persons)	468,008

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(4) Each of the named executive officers participate in the International House of Pancakes Employee Stock Ownership Plan (the ESOP). Mr. Conforti, Ms. Elledge and Mr. Weisberger possess shared investment power over the shares held by the ESOP by virtue of their membership on the Administrative Committee of the ESOP. The share amounts for the named executive officers and all directors and executive officers as a group include shares held in the ESOP for the accounts of executive officers, as follows:

Name	No. Shares
Julia A. Stewart	562
Richard C. Celio	3,284
Thomas G. Conforti	215
Robin L. Elledge	3,757
Mark D. Weisberger	6,099
All directors and executive officers as a group (15 persons)	18,189

Compliance with Section 16(a) of the Securities Exchange Act

The Company s directors and executive officers and the beneficial holders of more than 10% of the Common Stock are required to file reports with the SEC of changes in their ownership of Company stock. Based on its review of such reports, the Company believes that all such filing requirements were met during 2004.

Proposal 1. Election of Three Class II Directors and One Class I Director

The Board of Directors of the Company is divided into three classes of directors. Class II directors currently serve until the Annual Meeting of Shareholders in 2005, Class III directors until the Annual Meeting of Shareholders in 2006, and Class I directors until the Annual Meeting in 2007 (in each case, until their respective successors are duly elected and qualified). At the Meeting, three Class II directors will be elected for three-year terms and one Class I director will be elected for a two year term. In December, 2004, Gilbert T. Ray was appointed to fill the vacant board seat in Class I left upon the retirement of former director Neven Hulsey. In accordance with the by-laws of the Company, Mr. Ray has been nominated to serve as a Class I director for a term coincident with the terms of the other Class I directors. Shares of Common Stock represented by the enclosed Proxy, if returned duly executed and unless instructions to the contrary are indicated thereon, will be voted for the nominees listed below.

The Board of Directors upon recommendation of the Nominating Committee has designated the four nominees listed below for election as directors of the Company for terms expiring in 2008 (in the case of the Class II directors) and 2007 (in the case of the Class I director). As indicated below, Ms. Stewart and Messrs. Gordon and Kay have been nominated in Class II and Mr. Ray has been nominated in Class I. The enclosed Proxy will be voted as specified thereon or, if no instructions are given, for the Board s nominees; however, the persons designated to vote Proxies reserve full discretion to vote the Common Stock represented by the Proxies for the election of the remaining nominees and any substitute nominee or nominees designated by the Board of Directors in the event the nominee who would otherwise receive the votes is unavailable or unable to serve as a candidate for election as a director. The Board of Directors has no reason to believe that any of the nominees will be unavailable or unable to serve if elected.

Information Concerning Nominees and Members of the Board of Directors

Nominees Terms to Expire 2008 (Class II)

Michael S. Gordon (age 69). Mr. Gordon has served on the Company s board of directors since 1987. He has served as Chairman of StoneCreek Capital, Inc. (formerly The Gordon+Morris Group, Inc.) since January 2002. He served as Chairman or Co-Chairman of StoneCreek Capital, Inc. from 1992 to 2001.

Larry Alan Kay (age 58). Mr. Kay was named Chairman of the Board of the Company s board of directors in January 2003. He has served on the board of directors since 1987. Mr. Kay is a private consultant and investor. He served as Publisher, Fi: The Magazine of Music & Sound, and President and Chief Executive Officer of Fi, L.L.C. from October 1995 until May 1998.

Julia A. Stewart (age 49). Ms. Stewart has served on the Company s board of directors since December 2001. She has served as the Company s Chief Executive Officer and President since May 2002 and had served as the Company s President and Chief Operating Officer from December 2001 until May 2002. Ms. Stewart served as President, Domestic Division, of Applebee s International, Inc. from October 1998 to August 2001. She served as National Vice President, Franchise and License of Taco Bell Corp. from January 1997 to October 1998 and as Western Region Vice President Operations of Taco Bell Corp. from October 1995 to January 1997. Ms. Stewart has served on the board of directors of Avery Dennison Corporation since January 2003.

Nominee Terms to Expire 2007 (Class I)

Gilbert T. Ray (age 60). Mr. Ray became a member of the Company s board of directors in December 2004. He was a partner of the law firm of O Melveny & Myers LLP until his retirement in 2000. Mr. Ray is a member of the boards of Advanced Auto Parts, Inc., Watson Wyatt & Company Holdings, DiamondRock Hospitality Company, Automobile Club of Southern California, and Sierra

Monolithics, Inc. Mr. Ray is also a trustee of SunAmerica Series Trust, Seasons Series Trust, The John Randolph Haynes and Dora Haynes Foundation, and St. John s Health Center Foundation.

Continuing Directors Terms to Expire 2006 (Class III)

H. Frederick Christie (age 71). Mr. Christie has served on the Company s board of directors since 1992. He is an independent consultant and has served on the boards of directors of Ducommun, Incorporated since 1985, Southwest Water Co. since 1995 and Valero L.P. since 2002. Beginning in 1972, he has served as a director or trustee of the following mutual funds operated by Capital Research and Management Company: American Mutual Fund, AMCAP Fund, U.S. Government Securities Fund, American High Income Trust, American High Income Municipal Bond Fund, American Variable Insurance Series, The Bond Fund of America, Capital Income Builder, Capital World Bond Fund, Capital World Growth and Income Fund, Cash Management Trust of America, Intermediate Bond Fund of America, Limited Term Tax Exempt Bond Fund of America, The New Economy Fund, SMALL CAP World Fund, The Tax Exempt Bond Fund of America, The Tax Exempt Fund of California, The Tax Exempt Money Fund of America, and The U.S. Treasury Money Fund of America.

Richard J. Dahl (age 53). Mr. Dahl has served on the Company s board of directors since February 2004. He currently serves on the Board of Directors and as President and Chief Operating Officer of Dole Food Company, Inc. From July of 2002 through July of 2004 Mr. Dahl served as Vice President, then Senior Vice President and Chief Financial Officer, of Dole Food Company, Inc. He was President and Chief Operating Officer of Pacific Century Financial Corporation (formerly known as Bancorp Hawaii, Inc.) from 1994 until 2002.

Patrick W. Rose (age 62). Mr. Rose has served on the Company s board of directors since 1992. He is currently a private investor. Mr. Rose served as Chairman of the Board, President and Chief Executive Officer of Van Camp Seafoods, Inc., from March 1995 to August 1997. He has served on the board of directors of Riviana Foods, Inc. since 1995.

Continuing Directors Terms to Expire 2007 (Class I)

Frank Edelstein (age 79). Mr. Edelstein has served on the Company s board of directors since 1987. He is an independent consultant and has served on the boards of directors of Ceradyne, Inc. since 1987 and Arkansas Best Corp. since 1988.

Caroline W. Nahas (age 56). Ms. Nahas has served on the Company s board of directors since 1992. She has held the position of Managing Director, Southern California, of Korn/Ferry International or similar positions since May 1998. She served as a member of the Executive Committee of Korn/Ferry International from December 1995 until August 1998. Ms. Nahas has served as a director of Whittier Holdings, Inc. since 2000.

Board of Directors and Corporate Governance

The Board of Directors is responsible for overseeing the direction, affairs and management of the Company.

The Company has implemented a number of changes to its corporate governance practices in response to the Sarbanes-Oxley Act of 2002 and the changes to the corporate governance listing standards of the New York Stock Exchange (NYSE).

The following highlights some of the corporate governance initiatives taken by the Board, in response to the Sarbanes-Oxley Act, the NYSE rules and otherwise:

Corporate Governance Principles. The NYSE rules require listed companies to adopt corporate **governance** principles. The current version of the Company s corporate governance principles can be found on the Corporate Governance portion of the Investor Information section of our website, http://www.ihop.com.

Director Attendance at Annual Meetings. All directors are expected to attend the Company s Annual Meeting of shareholders. All of the directors attended the Company s 2004 annual meeting of shareholders.

Independent Directors. The NYSE rules require listed companies to have a board of directors with at least a majority of independent directors. The Company has now, and has had for many years, a majority of independent directors.

Under the NYSE rules, a director qualifies as independent upon the Board affirmatively determining that he or she has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Based upon a review of the directors backgrounds and business activities, the Board has determined that each of the directors, other than Julia Stewart, has no material relationship with the Company and therefore that they qualify as independent.

Board Committees. Both the Sarbanes-Oxley Act and the NYSE rules require the Company to have an audit committee comprised solely of independent directors, and the NYSE rules also require the Company to have a compensation committee and a nominating and corporate governance committee, each of which is comprised solely of independent directors. The Company is in compliance with these requirements.

Under the Sarbanes-Oxley Act, members of an audit committee must have no affiliation with the Company, other than the Board seat, and receive no compensation in a capacity other than as a director/committee member. Each member of our Audit Committee meets this independence standard.

The current charters of all three of the Company s Board Committees can be found on the Corporate Governance portion of the Investor Information section of our website, http://www.ihop.com and are also available in print to shareholders upon written request to Corporate Secretary, IHOP Corp., 450 N. Brand Boulevard, Glendale, CA 91203-2306.

Audit Committee Financial Experts. Rules promulgated by the SEC under the Sarbanes-Oxley Act require the Company to disclose annually whether our Audit Committee has one or more audit committee financial experts, as defined by the SEC. The Board has determined that Mr. Dahl qualifies as an audit committee financial expert and is independent, as defined in the NYSE rules.

Code of Ethics for Chief Executive and Senior Financial Officers. The Board has adopted a code of ethics that applies to the Company s CEO and senior financial officers, as required by the SEC. The current version of such code of ethics can be found on the Corporate Governance portion of the Investor Information section of our website, http://www.ihop.com and are also available in print to shareholders upon written request to Corporate Secretary, IHOP Corp., 450 N. Brand Boulevard, Glendale, CA 91203-2306.

Non-Management Directors. The NYSE rules require that the non-management directors of a listed company meet periodically in executive sessions. The Company s non-management directors meet separately at the end of each regular meeting of the Board and most regular committee meetings. The Chairman of the Board is not a member of management and presides during executive sessions of the Board.

Interested parties may express their concerns to the Company s non-management directors by contacting the Chairman of the Nominating and Corporate Governance Committee, care of the Corporate Secretary, IHOP Corp., 450 North Brand Boulevard, Glendale, California 91203-2306. The

Corporate Secretary will relay all such correspondence to the Chairman of the Nominating and Corporate Governance Committee.

Communications with the Board. Shareholders may communicate with the Board of Directors care of the Corporate Secretary, IHOP Corp., 450 N. Brand Boulevard, Glendale, California 91203-2306. The Corporate Secretary will relay all such correspondence to the entire Board of Directors.

Senior Management Evaluation. In consultation with all non-management directors, the Compensation Committee annually evaluates the performance of the Company s CEO.

Corporate Financial Ethics Hotline. The Company has established a corporate financial ethics hotline to allow any employee to lodge a complaint, confidentially and anonymously, about any accounting, internal control or auditing matter that is of concern.

Board Retirement Policy. In 2004 the Board resolved that effective with the 2005 Annual Meeting of Shareholders, no director shall stand for election to serve as a member of the Company s Board of Directors if he or she shall have reached his or her 76th birthday. Notwithstanding the foregoing, under special circumstances, upon the recommendation of the Nominating and Corporate Governance Committee, and upon the consent and approval of a majority of the Board, a director who has reached his 76th birthday may be allowed to run for election to serve on the Board.

Board Meetings and Attendance

Board Meetings (including telephonic conference calls) in 2004: Seven.

Board Committees: Three standing committees: Audit, Compensation, and Nominating and Corporate Governance. See Board Committees for descriptions of the principal functions of the committees and their members.

Total Committee Meetings in 2004: 25.

2004 Attendance: Each director attended 75% or more of the total number of meetings held by the Board and all Committees on which he or she served.

Board Committees

Name of Committee and Membership	**Principal Functions of the Committee**	**Meetings in 2004**
Audit Committee Richard J. Dahl, Chairman Michael S. Gordon Larry Alan Kay	• Responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. • Reviews with management and the independent auditors the Company s quarterly and annual financial statements and other financial disclosures, the adequacy of internal controls and major issues regarding accounting principles and practices, including any changes resulting from amendments to SEC or Financial Accounting Standards Board (FASB) rules. • Meets at each meeting with the Company s director of internal audit and the independent auditors in separate executive sessions. • Reviews the performance of the Company s independent auditors. • Prepares a report to shareholders included in the Company s proxy statement for its annual meeting of shareholders.	12
Compensation Committee Frank Edelstein, Chairman Caroline W. Nahas Patrick W. Rose	• Oversees the Company s compensation and employee benefit plans and practices, including its executive compensation plans and its incentive-compensation and equity-based plans. • Reviews at least annually the goals and objectives of the Company s executive compensation plans, and amends, or recommends that the Board amend, these goals and objectives if the Committee deems it appropriate. • Evaluates annually the performance of the CEO and other executive officers in light of the goals and objectives of the Company s executive compensation plans, and either as a committee or, together with the other independent directors, determines and approves the CEO s compensation based on this evaluation and makes recommendations to the Board with respect to the compensation of the other executive officers. • Evaluates annually the appropriate level of compensation for Board and Committee service by non-employee members of the Board. • Prepares a report on executive compensation to be included in the Company s proxy statement for its annual meeting of shareholders or its annual report on Form 10-K.	5
Nominating and Corporate Governance Committee H. Frederick Christie, Chairman Michael S. Gordon Gilbert T. Ray Patrick W. Rose	• Identifies and recommends to the Board individuals qualified to serve as directors of the Company and on committees of the Board. • Advises the Board with respect to the Board composition, procedures and committees. • Develops and recommends to the Board a set of corporate governance principles applicable to the Company. • Oversees the evaluation of the Board and the Company s management.	8

Director s Compensation

Director s Compensation is paid only to non-employee Directors.

Annual Retainers:	
Chairman of the Board:	$80,000
Audit Committee Chair:	$42,500
Compensation and Nominating and Corporate Governance Committee Chairs:	$40,000
Regular Directors:	$35,000
Committee Meeting Fees:	$1,000 per Committee meeting attended, including telephonic meetings (with no additional payment when more than one meeting is attended on the same day).
Expenses:	Reasonable expenses are reimbursed for attendance at Board and Committee meetings and other Company events.
Stock Options:	Non-employee directors will be eligible to participate in the 2005 Stock Incentive Plan for Non-Employee Directors (the 2005 Plan) if approved by the shareholders at the Annual Meeting. Under the 2005 Plan, non-employee directors may receive periodic grants of stock options and restricted stock. See Proposal 2. Approval of the IHOP Corp. 2005 Stock Incentive Plan for Non-Employee Directors for a detailed description of the Non-Employee Directors Plan. If the 2005 Plan is approved by the Company s stockholders, the non-employee directors will be entitled to the awards set forth opposite their names in the New Plan Benefits Table set forth in Proposal 2.

Executive Officers of the Company

The following table sets forth certain information with respect to each person who is an executive officer of the Company:

Executive Officer	Age	Position and Offices with the Company
Julia A. Stewart	49	Director, Chief Executive Officer and President
Richard C. Celio	54	Vice President, Franchise Development
Thomas G. Conforti	46	Chief Financial Officer
Robin L. Elledge	46	Vice President, Human Resources
Rand M. Ferris	48	Vice President, Franchise Operations
Carolyn P. O Keefe	48	Chief Marketing Officer
Mark D. Weisberger	49	Vice President, Legal, Secretary and General Counsel

Executive officers of the Company are appointed by the Board of Directors and serve at the Board s discretion.

See Information about the Nominees and Continuing Directors above for additional information concerning Ms. Stewart.

Mr. Celio served as Vice President, Development from March 1997 until June 2003 at which point he assumed the position of Vice President, Franchise Development.

Mr. Conforti was elected Chief Financial Officer in December 2002. He served as Chief Financial Officer of KB Home from March 2001 to June 2001. He served as President and Chief Operating Officer of eMind.Com LLC from March 2000 to March 2001. Mr. Conforti has served and continues to serve as a member of the board of directors of eMind.Com LLC since March 2000. He served as Executive Vice President of Operations and Chief Financial Officer from April 1999 to March 2000, as Executive Vice President, Global Licensing from May 1998 to June 1999 and as Executive Vice President and Chief Financial Officer from July 1997 to April 1998 of the Consumer Products Division of The Walt Disney Company.

Ms. Elledge has served as Vice President, Human Resources since March 2000. She had served as the Company s Director of Training from October 1995 to March 2000.

Mr. Ferris has served as Vice President-Franchise Operations since July 2003. He had served as Division Vice President, Operations, West from May 1996 to July 2003.

Ms. O Keefe was named Chief Marketing Officer on September 1, 2004. From February, 1998 to May, 2003 she served as Vice President Retail Concept of Allied Domecq QSR/Baskin Robbins. From June, 2003 to August, 2004 she was self-employed as a marketing consultant.

Mr. Weisberger has served as Vice President, Legal, Secretary and General Counsel since January 1994.

Employment Agreements

Each of the executive officers are parties to employment agreements with the Company. The agreements provide for base salaries, participation in a bonus program, car allowances or a company car, and certain other perquisites and benefit programs available to other employees. In addition, the Board of Directors may, at its discretion, increase any executive officer s base salary during the term of such officer s employment agreement. The executive officers received upon hiring incentive grants of stock options, and in the case of Mr. Celio, stock options and an award of restricted stock. The employment agreements generally call for initial employment terms of two years (one year for Mr. Weisberger) and provide for automatic successive one-year extensions unless the Company or the officer gives notice to the contrary more than 90 days prior to the expiration of the then current term of the agreement.

In the event of a change in control of the Company, the employment periods of Ms. Stewart and the other executive officers will automatically be extended, for two years from the date of such change in control. For purposes of the employment agreements, a change in control will be deemed to have occurred if (i) any person acquires 25% or more of the combined voting power of the Company s then outstanding securities; (ii) in any two consecutive years individuals who at the beginning of the period constitute the board, plus any directors approved by a vote of at least two- thirds 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; (iii) the shareholders approve certain merger or consolidation transactions other than (a) a merger or consolidation which would result in the voting securities of the Company continuing to represent at least 75% of the combined voting power of the voting securities of the Company or surviving entity immediately after such merger or consolidation or (b) a merger or consolidation effected to implement a recapitalization of the Company in which no person acquires more than 50% of the combined voting power of the Company s then outstanding securities; or (iv) the shareholders 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 of the Company s assets.

Each executive officer is entitled to receive compensation through the date of termination if such officer s employment is terminated (i) by the Company for cause or disability or (ii) by the officer for any reason, other than a voluntary termination or for good reason following a change i control of the Company. For purposes of the employment agreements, cause means willful failure to substantially perform one s duties, willful misconduct or the commission of acts of dishonesty, fraud, misrepresentation or moral turpitude as would prevent the effective performance of the employee s duties. Disability is defined to mean the employee s absence from the full-time performance of his or her duties for 90 consecutive days or 180 days within any 12 month period as a result of incapacity due to physical or mental illness. Good reason includes, generally, a material breach of the agreement, an adverse change in the officer s duties or responsibilities from those in effect prior to such change in control, a reduction of the officer s salary or benefits, or relocation of the officer outside of Southern California or failure of the Company to pay the officer his or her compensation or to continue in effect any compensation plan or benefit plan as in effect immediately prior such change in control. A voluntary termination may occur upon an uncorrected material breach of the agreement by the Company.

Ms. Stewart s employment agreement provides that the Company extend to her an interest free personal loan in the amount of $600,000. The personal loan is forgiven in increments of $100,000 annually, commencing on December 31, 2002 and would automatically be forgiven upon a change in control or in the event of her termination by the Company for any reason other than for cause. The agreement further provides that if Ms. Stewart is terminated for cause or terminates her employment other than in a voluntary termination, she agrees to repay any amount outstanding on such loan within 60 days of such termination.

If an executive officer s employment is terminated (i) by the Company other than for cause or disability, (ii) by the officer in a voluntary termination or for good reason or (iii) by reason of the officer s death, then the officer (or, in the event of such officer s death, his or her designated payee) will be entitled to receive (i) a lump sum payment of the salary and bonus payments that would have been payable to such officer through (a) in the case of death or a voluntary termination, the term of the agreement, (b) in the case of termination by the employee for good reason following a change in control, a period of 24 months, and (c) in any other instance, a period of 12 months and (ii) continuing insurance benefits for the same period at no cost to the officer (or designated payee), subject to reduction under certain circumstances. In addition, if the Company does not elect to extend

Ms. Stewart s agreement, she will be entitled to the compensation and benefits described above for a period of 12 months and her options shall become vested and immediately exercisable. Payments and benefits under each employment agreement would be reduced to the extent they are not deductible under Section 280G of the Internal Revenue Code of 1986, as amended (the Code).

Nominating and Corporate Governance Committee

Our Nominating and Governance Committee is comprised of four non-employee, independent directors, H. Frederick Christie (Chairman), Michael S. Gordon, Gilbert T. Ray and Patrick W. Rose. The Committee operates under a written charter adopted by the Board of Directors, which can be found in the Corporate Governance portion of the Investor Relations section of our corporate Web site, http://www.ihop.com and is also available in print to shareholders upon written request to Corporate Secretary, IHOP Corp., 450 N. Brand Blvd., Glendale, CA 91401-2306. The chart set forth in Board Committees describes some of the principal functions of the Committee under its charter.

The Committee will consider director candidates recommended by shareholders. Shareholders wishing to recommend director candidates for consideration by the Committee may do so by writing to the Corporate Secretary, giving the recommended nominee s name, biographical data and qualifications, accompanied by the written consent of the recommended nominee.

Consistent with its charter, the Committee considers various criteria in Board candidates, including, among others, experience, interpersonal skills, expertise, diversity, personal and professional integrity, character, business judgment, business philosophy, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Committee considers appropriate in the context of the needs of the Board. The Committee also considers whether a potential nominee would satisfy the NYSE s criteria of director independence ; the NYSE s financial management expertise standard; and the SEC s definition of audit committee financial expert .

Whenever a vacancy exists on the Board due to expansion of the Board s size or the resignation or retirement of an existing director, the Committee begins its process of identifying and evaluating potential director nominees. The Committee considers recommendations of management, shareholders and others. The Committee has sole authority to retain and terminate any search firm to be used to identify director candidates, including approving its fees and other retention terms.

At the Meeting, Mr. Ray is the only director nominee who was not previously elected by our shareholders. He was brought to the attention of the Committee by the Committee s chairman, Mr. Christie. Mr. Ray met with the Committee and other members of the board of directors. After consulting with these directors and members of senior management, and upon the adoption of a resolution of the Committee, the Chairman of the Committee recommended the election of Mr. Ray to the Board of directors. Mr. Ray was unanimously elected to the Board in December 2004.

The Committee conducted an evaluation and assessment of all of the sitting directors including those whose term expires in 2005 for purposes of determining whether to recommend them for nomination for re-election to the Board of Directors. After reviewing the assessment results, the Committee determined to recommend to the Board that Ms. Stewart and Messrs. Gordon and Kay be nominated to run for re-election to the Board of Directors. The Board accepted the Committee s recommendation and has nominated Ms. Stewart and Messrs. Gordon and Kay for re-election.

The Committee did not receive any recommendations from stockholders proposing candidates for election to the Board at the 2005 Annual Meeting.

Compensation of Executive Officers

The following Summary Compensation Table sets forth information concerning compensation earned in the fiscal years ended December 31, 2004, 2003 and 2002 by the Company s Chief Executive Officer and its next four most highly compensated executive officers (the Named Executives).

SUMMARY COMPENSATION TABLE

	Annual Compensation				Long-Term Compensation Awards		
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compensation($)(1)**	**Restricted Stock Awards (Number)**	**Securities Underlying Options/ SARs (Number)**	**All Other Compensation ($)(2)**
Julia A. Stewart	2004	590,000	818,625	122,039 (3)		40,000	9,879
Chief Executive Officer and	2003	498,143	885,000	129,025 (3)		50,000	13,616
President	2002	441,667		244,309 (3)			242,997
Richard C. Celio	2004	273,950	171,451			13,000	11,330
Vice President, Franchise and	2003	265,850	178,890			20,000	14,735
Development	2002	256,250				15,000	14,425
Thomas G. Conforti	2004	342,438	275,138			15,000	39,098
Chief Financial Officer	2003	327,438	284,538				14,998
	2002	19,792				40,000	
Robin L. Elledge	2004	194,125	123,791			13,000	331,268
Vice President, Human Resources	2003	186,250	129,200			15,000	264,755
	2002	173,250				11,000	13,814
Mark D. Weisberger	2004	258,087	164,320			13,000	76,351
Vice President, Legal, Secretary	2003	250,512	171,598			17,500	573,765
and General Counsel	2002	241,250				15,000	14,089

(1) While each of the named individuals received perquisites or other personal benefits in the years shown, in accordance with applicable regulations, the value of these benefits is not indicated other than for Ms. Stewart, because they did not exceed in the aggregate the lesser of $50,000 or 10% of the individual s salary and bonus in 2004.

(2) Amounts include the value of shares contributed to the ESOP for 2004 on behalf of the Named Executives as well as the value of forfeitures allocated to their accounts from employees who withdrew from the ESOP prior to vesting, as follows: Ms. Stewart, $8,529; Mr. Celio, $8,525; Mr. Conforti, $8,527; Ms. Elledge, $8,525 and Mr. Weisberger, $8,523. It also includes the value of premiums for life insurance as follows for 2004: Ms. Stewart, $1,350; Mr. Celio, $2,805; Mr. Conforti, $1,214; Ms. Elledge, $1,014 and Mr. Weisberger, $2,489. The 2004 amounts also include value realized from the exercise of stock options by Ms. Elledge and Mr. Weisberger in the amounts of $321,729 and $65,339, respectively, and medical expense reimbursements for Mr. Conforti totaling $29,357.

(3) On December 26, 2001, the Company loaned $1.2 million to Ms. Stewart. A portion of the loan ($600,000) is a personal loan. Pursuant to her employment agreement, this personal loan is interest free and automatically forgiven in annual increments of $100,000. The other portion of the loan ($600,000) was an interest free bridge loan to be used as a portion of the down payment on a new home. In early 2002, $490,000 of this loan was repaid and $110,000, which represents the decline in value of her former residence, was forgiven by the Compensation Committee of the Board of Directors. The 2004 amount includes the forgiveness of $100,000 on her personal loan and imputed interest of $22,039. The 2003 amount includes the forgiveness of $100,000 on her personal loan and imputed interest of $29,025. The 2002 amount includes the forgiveness of $100,000 on her personal loan and $110,000 on the bridge loan, as described above, and $34,309 in imputed interest on these interest free loans.

Stock Options and Stock Appreciation Rights

The following table provides information with respect to the Named Executives concerning grants of stock options during the year ended December 31, 2004. No stock appreciation rights were granted to the named executives in 2004.

Option/SAR Grants in Last Fiscal Year

	Individual Grants					
Name	Number of Securities underlying options/SARs Granted(#)(1)	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/SH)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5%($)	10%($)
Julia A. Stewart	40,000	16.3 %	36.10	2/24/2014	908,124	2,301,364
Richard C. Celio	13,000	5.3 %	36.10	2/24/2014	295,140	747,943
Thomas G. Conforti	15,000	6.1 %	36.10	2/24/2014	340,546	863,012
Robin L. Elledge	13,000	5.3 %	36.10	2/24/2014	295,140	747,943
Mark D. Weisberger	13,000					