

## 11. FRANCHISOR'S OBLIGATIONS

If you become an IHOP franchisee, IHOP is only required to provide you with the assistance and services noted below. Unless otherwise noted, all cited section references are to the Franchise Agreement. As noted in Item 1, it is expected that IHOP Services will perform all of our obligations to you. In addition, Our Affiliates may delegate its (or their) obligations owed to you to us or one or more other Affiliates (including IHOP Services). IHOP and the applicable Affiliate will, however, remain responsible to you for the full and faithful performance of all its obligations under the applicable agreements, and we and Our Affiliates, may resume providing services to you directly at any time (subject to our continuing right to subsequently delegate our duties owed to you to others).

Pre-Opening. If you become an IHOP franchisee, we will have the following obligations to you before you open your Restaurant. We (or IHOP Services on our behalf) will:

1. If you are participating in the Single Store Development or Multi-Store Development Program, furnish to you, at no additional cost, information concerning the written materials that we require that you submit to us for us to consider proposed locations for a Restaurant. We call this the "Development Approval Procedures", and it includes procedures for the preliminary site review, the site review and the real estate package. If you are participating in the Multi-Store Development Program, we will also provide you with training to familiarize you with our site selection process and site selection guidelines.

2. If you are participating in the Single Store Development or Multi-Store Development Programs, we will also provide you with IHOP's standard prototypical plans and specifications for the erection of a Restaurant and for equipment and signs and/or remodel specifications for the conversion of a restaurant to an "IHOP" or "International House of Pancakes" restaurant. (Section 4.01)

3. Provide, at no additional cost, 6 weeks of training in the operation of an IHOP Restaurant, if you and the proposed manager of the Restaurant have not previously undergone IHOP training. This training is conducted at an IHOP Restaurant or a training center designated by IHOP. IHOP, in its sole discretion, may extend your training period up to 14 additional days, to be completed at a location of IHOP's choosing, the purpose of which will be to (a) re-enforce skills with which you may be having difficulty, (b) have the franchisee/trainee "shadow" a manager to observe, learn and re-enforce the formal training previously completed, or (c) attend a new IHOP opening to prepare you for your opening. Training typically is offered no later than two months before opening or take-over of the Restaurant. IHOP pays no compensation for any services performed by the trainee during the training period, and all expenses incurred by you or your trainee during training, including airfare and other transportation costs, meals and other lodging expenses, are at your sole expense. You must satisfactorily pursue and complete training, unless waived by IHOP in its sole subjective judgment, exercised in good faith, by reason of your prior training and experience in which case the proposed manager of the Restaurant must satisfactorily pursue and complete training, unless waived by IHOP. If the manager of the Restaurant is replaced by a new manager, the new manager must also complete training (unless waived by IHOP). IHOP will provide Initial Training to up to 2 persons (typically yourself and your manager) during the first year of the term of the franchise at no additional charge; thereafter, you will be charged a fee for training at IHOP's then current rate. As of the date of this Offering Circular, the fee is \$5,000. At the date of this offering circular, IHOP's training staff consists of 20 full time persons with a combined experience of over 153 years with IHOP and/or IHOP Services, ranging from 19 years to less than one year of training experience. (Section 9.01(a))

4. Furnish to you, at no cost to you, on-location assistance for as long as IHOP shall deem necessary, but not more than 30 days allocated at IHOP's discretion between the time immediately before and after the opening of the Restaurant. (Section 9.02(a))

5. Furnish to you promotional assistance at the time the Restaurant opens to the public. (Section 9.02(b))

6. Provide you with one set of Operations Bulletins for the Franchised Location. (Section 10.05). The table of contents of the Operations Manual in effect as of March 1, 2007 is attached as Exhibit "M".

7. If you are participating in the Single Store Development or Multi-Store Development Programs, you will be evaluated to determine if you will need training support and/or operational assistance to open your restaurant and, if so, how many trainers will be required. In making this decision, IHOP will consider such factors as your overall restaurant industry and IHOP specific experience as well as whether you have other training resources available to you (e.g. if you are already a franchisee and have one or two trained employees and managers acceptable to IHOP who can assist in training the crew of your new restaurant), and if and when you last opened an IHOP restaurant. If IHOP deems that the full number of trainers (7) is required, you will pay to IHOP, upon execution of the Franchise

Agreement, a Training Support Fee of up to \$16,500. The amount of the fee will be based upon the number of trainers deemed necessary by IHOP, in its sole discretion. The opening training support team is typically made up of 7 trainers, of which 4 are provided by IHOP at no additional cost to you. A fifth trainer will be provided by IHOP, at a cost to you of \$5,500, unless waived by IHOP. The additional 2 trainers may be supplied by you, with the understanding that these trainers must be committed to work on the opening training for the entire duration of the opening training, and provided they meet IHOP's requirements, as they may be specified from time to time. These requirements include being a certified trainer in their current IHOP Restaurant, and successfully passing an SOP test administered by IHOP prior to and at the opening. There will be no additional charge for these 2 trainers supplied by you unless your trainers fail to meet the above commitments and qualifications, in which case you will be required to pay \$5,500 per additional trainer supplied by IHOP. If you do not have any qualified opening trainers, you will be required to pay to IHOP the sum of \$16,500 upon execution of your franchise agreement. The training team will provide training assistance for a period of 2 to 3 weeks allocated at IHOP's discretion between 1 week prior to opening and up to 2 weeks after the opening of the restaurant (Section 9.02(f)). The scheduling of the training team will generally be done 30 days prior to the anticipated opening date of the Franchised Restaurant, based on the schedule provided by you. If training must be rescheduled for any reason other than an act of God, you shall pay to IHOP any increase in costs that are incurred by IHOP due to the scheduling changes, which costs may include but are not limited to increases in airfare, hotel expenses, salaries, car rental, and training material shipping and storage. We estimate this cost to be between \$500 and \$6,000. You shall pay these charges to IHOP within 30 days after billing therefor.

8. If you are participating in the Single Store Development, Purchase or Multi-Store Development Programs and you are utilizing IHOP's training support and/or on-location assistance to open your restaurant as specified in 3 or 7 above, if you request that IHOP personnel spend more than 60 hours per week in your restaurant, you shall pay to IHOP any costs which it may incur, including without limitation, overtime, salaries, for the additional hours. You shall pay these charges to IHOP within 30 days after billing therefor.

9. If you are purchasing from an Affiliate (or taking an assignment of a purchase agreement previously signed by an Affiliate) real estate on which you will build a Restaurant, then Our Affiliate will have previously identified the site as meeting IHOP's minimum criteria for Restaurant locations. You may not construe any assistance we may provide, or our acceptance as a guarantee or other assurance that the site will necessarily be successful.

IHOP's Obligations After Opening. IHOP (or IHOP Services on our behalf) will provide the following assistance and other services during the operation of your Restaurant:

1. Furnish you supervision and assistance from field representatives, who shall periodically visit the Restaurant.(Section 9.02(c))

2. Be available at its home office on an ongoing basis to you for guidance concerning the operation and management of the Restaurant. (Section 9.02(d))

3. Furnish to you, if available, additional staff assistance at your request, or if you do not have an IHOP approved manager, IHOP shall have the right to provide same. You must pay the then prevailing price per person per day as shall be specified by the Operations Bulletins, which price was \$350 per day as of the date of this Offering Circular, plus any reasonable transportation and living expenses that are incurred by that person traveling to the Restaurant. (Section 9.02(e))

4. Develop advertising, public relations, and promotional campaigns, and consult with you on an ongoing basis concerning the type, content, frequency and nature of proposed national advertising programs. (Section 7.01)

5. Administratively segregate on its books and records an Advertising Fund (described below).

National Advertising Fund. The Advertising Fund contains all Table Allowances (as defined in Section 1.02), together with all National Advertising Fees paid by all franchisees and Our Affiliates, in an amount equal to 1% of their respective gross sales (Section 7.01). IHOP administratively segregates the Advertising Fund on its books and records and furnishes you with annual information with respect to the receipts and expenditures of monies by and from the Advertising Fund. IHOP may disburse funds from the Advertising Fund for one or more of the following purposes: (a) advertising, public relations and promotional campaigns designed to promote and enhance the value of all "IHOP" restaurants; (b) reimbursing IHOP for its actual expenses incurred in administering the National Advertising Fund, as well as the costs incurred in the operation of IHOP's Marketing Department (some or all of these costs and expenses may be incurred by an Affiliate which may perform the services); and (c) providing contributions to Regional Advertising Cooperatives in an amount we determine in our discretion, for local advertising, as described below. No funds from the Advertising Fund are used for advertising that is principally a solicitation for the sale of franchises.

If IHOP's Advertising Fund expenditures in any one calendar year exceed the total amount contributed to said fund during that year, IHOP shall have the right to be reimbursed from funds contributed to that fund in a succeeding year. If there is any excess remaining in the fund at the end of any calendar year, the excess shall be retained in the fund for future uses as described above.

Advertising may be disseminated in various media, including television, radio, print, point of sale, outdoor banners, and billboards, on a national, regional or local level, though most advertising is local. Advertising is generated primarily by a national advertising agency under the direction of IHOP's Marketing Department. Occasionally, Affiliates may receive payments from the Advertising Fund as reimbursement of costs incurred to provide or purchase services or premiums for use by a substantial number of Regional Advertising Cooperatives. As a newly organized entity, we did not begin to operate the Advertising Fund until March 16, 2007. During its fiscal year ended December 31, 2006, IHOP Services spent the following percentages of total Advertising and Marketing Fund revenues on:

Production of commercials and other advertisements	16.4%
Media placement	63.1%
Administrative expenses	11.0%
Public Relations	1.5%
Market Research	2.3%
Matching Contributions to Regional Ad Cooperatives	0%
Advertising Agency Fees	2.9%
Restaurant Advertising	2.8%

Local Advertising. In addition to the National Advertising Fund, you must pay to IHOP a Local Advertising Fee equal to 2% of Gross Sales (Section 7.02). A portion of the Local Advertising Fee may be utilized to fund national network media. You will be reimbursed, or will receive credits against your obligation to pay the Local Advertising Fee, up to the amount of the Local Advertising Fee required to be paid by you, for your expenditures for local advertising, or for your contributions to a regional advertising cooperative of which you are a member. Reimbursement or credit is subject to you providing IHOP with suitable proof of the expenditures and to IHOP's right to offset the costs or expenses which IHOP incurs on account of local advertising. All advertising by you locally, whether on television, radio, in print advertising, on banners, in any electronic or computer medium, or otherwise, must be approved by our Marketing Department.

Regional Advertising Cooperatives. IHOP or its Affiliates may develop or assist in the development of Regional Advertising Cooperatives designed to promote and enhance the value of all IHOP restaurants in each region. IHOP (or its Affiliate) is responsible for administration of the Regional Advertising Cooperatives. Regional Advertising Cooperatives operate pursuant to written Advertising Cooperative Operating Procedures established by IHOP, which are subject to revision from time to time and are available for review by you. The geographical area for each Regional Advertising Cooperative shall be designated by IHOP in our sole subjective judgment, presently based on Nielson's defined "Designated Marketing Areas (DMA)". If a majority of franchisees in the advertising region in which the Franchise is located establish a Regional Advertising Cooperative, you and all Affiliate-operated IHOP Restaurants must participate on an equal basis. The amount you will contribute to your Regional Advertising Cooperative, if any, has been or will be determined by vote of the franchisees who are members of that region. Provided that the

cooperative adheres to IHOP's established Advertising Cooperative Operating Procedures, Restaurants owned by IHOP or one of Our Affiliates within an advertising cooperative region will participate in and vote on the same basis as franchised Restaurants in the Region, except that they will not vote on the formation of the advertising cooperative or on the amount to be contributed by members. IHOP does not have the power to require Regional Advertising Cooperatives to be formed, changed, dissolved or merged. IHOP may in its discretion contribute a portion of the National Advertising Fees paid by franchisees to the advertising cooperatives; as of the date of this Offering Circular, IHOP is not making any contribution to the advertising cooperatives. IHOP may decide to contribute to the advertising cooperatives at any time in its sole subjective discretion.

Typical Length of Time Before Opening. IHOP estimates that the typical length of time between the signing of the Franchise Agreement and the opening of the Restaurant is (1) between 1 to 18 months if you are participating in the Single Store Development or Multi-Store Development Programs, and (2) between one hour and 16 weeks if you are participating in the Purchase Program. If you are participating in the Novation Program, you will already be operating your Restaurant at the time you sign the Franchise Agreement. If you are participating in the Single Store Development or Multi-Store Development Programs, factors which may affect these time periods include the obtaining of the necessary financing and completion of necessary construction and/or remodeling, as applicable. If you are participating in the Purchase Program, factors which may affect this time period include you obtaining necessary funds, through financing or otherwise, and your successful completion of the Training Program.

POS Systems. Subject to some exceptions, you will be required to purchase or lease, depending on the program, an IHOP-approved point of sale computer system. All newly developed IHOP restaurants under the Single Store Development, Purchase and Multi-Store Development programs are required to have a MICROS point of sale computer system, unless another IHOP approved system is agreed to by IHOP in its sole discretion. As of December 31, 2007, all IHOP Restaurants must have a MICROS point of sale computer system that meets IHOP's specifications. The following point of sale ("POS") computer systems are currently approved by IHOP:

MICROS 3700 Series Touch Screen point of sale system, which consists of hardware and software for a touch screen Windows 2000-based point of sale system, through which all server orders are input into the server terminals and guest checks are tendered at the cashier terminal, with orders printed in the kitchen via kitchen printers. The MICROS system also generates various reports, including financial, menu mix, hourly sales, open and closed guest check reports and labor reporting information. IHOP began using the MICROS System in February, 2002. The MICROS System is supplied by MICROS Systems, Inc. ("MICROS"), 7031 Columbia Gateway Drive, Columbia, Maryland 21046, (800) 937-2211, which includes 1 year of maintenance with purchase. The back office server/computer is supplied by Dell Computer Systems ("Dell"), One Dell Way, Round Rock, Texas 78682, (888)264-7778 which includes a 3 year warranty. Annual software maintenance contracts are

available through MICROS at a cost of approximately \$1,200.00 per year and hardware maintenance contracts are available by MICROS at a cost of from \$2,500 to \$5,300 per year depends on the level of service requested and the distance of your restaurant to the nearest MICROS Servicing Center, \$1,200.00 per year for help desk support, and \$400.00 per year for software enhancement. You must also maintain an active Software Enhancements License at a cost of \$400 per year. The costs may increase based on the distance of the restaurant from the nearest MICROS Service Center. Additionally, at your request and your sole cost and expense, MICROS will provide additional training, assistance and support on the first weekend (Friday, Saturday and Sunday) after the opening of the restaurant, at a cost, payable to MICROS, from \$650.00 to \$820.00 per day, plus \$38.00 per diem and travel expenses (i.e. airfare, hotel, car rental).

Sable 100 NT System, which consists of hardware and software for a Windows NT-based point of sale system through which all server orders are input into the server terminals and guest checks are tendered at the cashier terminal, with orders printed in the kitchen via kitchen printers. The Sable system also generates various reports, including financial, menu mix, hourly sales, open and closed guest check reports, and labor reporting information. The Sable System has been used by IHOP since October, 2000 and was supplied by Sable Technologies, Inc. ("Sable"), 21216 Cabot Boulevard, Hayward, California 94545, (800) 722-5390. Sable suspended its business operations and on August 20, 2001, it filed a petition under Chapter 11 of the Bankruptcy Code. Upon the suspension of its business operations, Sable ceased honoring its maintenance contracts. San Diego Cash Register Business System ("SDCR"), 8929 Terman Court, San Diego, California 92121, (858) 790-7327, will provide Sable systems software help desk contracts at a cost of approximately \$1,200.00 per year and hardware maintenance contracts at a cost of approximately \$2,585.00 per year, which costs may be subject to change. SDCR will also provide hardware maintenance on a time and materials basis which is currently \$130.00 per hour, plus the cost of the parts. In addition, NuSable, 5835 Doyle Street, Suite 103, Emeryville, California 94608, (800) 437-0189, will provide Sable support at a cost ranging from \$1,990.00 to \$2,590.00 per year depending on the level of support requested.

CTC Solution System, which consists of hardware and software for a touch screen UNIX-based point of sale system, through which all server orders are input into server terminals and guest checks are tendered at a cashier terminal with orders printed in the kitchen via kitchen printers. The CTC system also generates various reports, including financial, menu mix, hourly sales, open and closed guest check reports, and labor reporting information. The CTC System has been used by IHOP since September, 1991 and is supplied by GEAC/CTC ("CTC"), 175 Ledge Street, Nashua, New Hampshire 03060, (603) 889-5152. CTC provides annual maintenance contracts for the system at an annual cost that presently ranges from \$2,200.00 to \$3,800.00 for hardware maintenance and \$1,600.00 to \$2,000.00 for software help desk, depending on the number of terminals and configuration of your system. San Diego Cash Register Business System ("SDCR"), 8929 Terman Court, San Diego, California 92121, (858) 790-7327, will also provide, for CTC Systems, software help desk contracts at a cost of approximately \$1,845.00 per year and hardware maintenance

contracts at a cost that presently ranges from \$880.00 to \$2,240.00 per year, depending on the number of terminals and the configuration of your system. SDCR will also provide hardware maintenance on a time and materials basis, which is currently \$130.00 per hour, plus the cost of the parts.

On an ongoing basis, we evaluate other point of sale systems. We may, in our discretion, consent to your use of another type or brand of point of sale system, for example, if you buy under the Purchase Program and there is a functionally existing system in place at the restaurant which meets our requirements or if you have a previously-approved system in another IHOP franchise you own. IHOP will have the right to access all the information and sales and financial data for marketing, audit and sales verification purposes and to retrieve transaction information including sales mix, usage and other operations data both in person and electronically through the internet via a broadband connection, to be obtained and maintained at your cost and expense, or if not available in your area, a separate dedicated telephone line and modem or such alternative electronic means of gathering this information, at your cost and expense, as IHOP may specify from time to time.

None of the systems are the proprietary property of IHOP. Except as described above, as of the date of this offering circular, there are no other systems approved for your use. You may be required in the future to upgrade or change your system at IHOP's request.

Methods Used to Select Location . You are solely responsible for selecting the site for your Franchised Restaurant. If you are a Single Store Development or Multi-Store Development Program franchisee, you must obtain our approval of the site. IHOP estimates that it takes between ten days to one month to obtain preliminary site approval and an additional two to six months to obtain final site approval. These time frames may vary depending on whether you provide the required information to IHOP in a timely manner. The matters considered by us in approving the location for the proposed site may include the following: (1) proximity to existing IHOP Restaurants; (2) traffic patterns, parking, access and visibility; (3) weekend/weekday retail and commercial traffic generation; (4) existence of legal restrictions such as on signage and IHOP identity features, such as our signature blue roof, awning, building height and other architectural elements; (5) proximity to specialty attractions (such as race tracks, sports complexes); (6) population and demographic characteristics of the surrounding area; (7) rent and associated costs; (7) lease and term provisions; (8) estimated cost of tenant improvements, (9) physical characteristics of the premises if already in existence, (10) quality, vitality and growth trends or potential of the surrounding area, (11) effect on future development in the surrounding trade area, and (12) other factors particular to the proposed location or trade area.

Training Programs. As of the date of this Offering Circular, the training for new franchisees entering the IHOP system is comprised of a 6 week program in which they train

approximately 60 hours per week. The training program is divided into two separate sections: craft training and management training. Craft training includes training at each of the four craft positions: cook, server, host/hostess/cashier and dishwasher/busser (combo). The franchisee will receive instruction before performing the various duties of each position. Craft training consists of approximately 6½ hours a day on-the-job training with the remaining time devoted to administrative duties, management duties, food sanitation, review and/or self-paced study. Management training called "Leading Our Brand" consists of classroom instruction and job simulation exercises on various topics including basic management skills (such as managing the crew, preventing sexual harassment, managing diversity, employment law, interviewing, situational leadership, training others, communication skills and time management); restaurant management skills (such as restaurant safety, OSHA requirements, Red Cross first aid/CPR, marketing, equipment knowledge, inspections, paper work, crew meeting management, emergency procedures, and guest service) and business finance (including franchisee responsibilities). The program will include interactive exercises and a restaurant simulation game designed to both introduce and reinforce learning activities. Trainees (including franchisees and any designated managers) must pass numerous written and practical tests which include observing and testing on the job performance to demonstrate knowledge and skill level to advance from the craft training program to the management training program, and to graduate from management training. Passing grades must be achieved in both the craft and management training programs. Depending on the level of knowledge and experience of a new franchisee, IHOP reserves the right to increase or reduce the number of hours spent in training, or to change the location of the training to accommodate the needs of the new franchisee and IHOP or its Affiliate.

Instructional material supplied for trainee use during training presently includes a training plan, Operations Manuals, craft videos, recipe cards, food preparation cards, a safety booklet, a National Restaurant Association food sanitation book, management training videos and course materials, and various other materials as needed.

<u>Subject</u>	<u>Hours Classroom</u>	<u>Hours On the Job Training</u>	<u>Location</u>	<u>How Often Held</u>
<b>CRAFT TRAINING</b>				
Craft Orientation & Evaluations	20	0	Regional Training Stores:* Phoenix, AZ Tucson, AZ Belmont, CA Irvine, CA LaVerne, CA San Diego, CA Dover, DE Conyers, GA Fayetteville, GA Glenview, IL Clinton, MD Bloomington, MN Florissant, MO Kenvil, NJ Keyport, NJ	up to 11 times per year

<u>Subject</u>	<u>Hours Classroom</u>	<u>Hours On the Job Training</u>	<u>Location</u>	<u>How Often Held</u>
			Albuquerque, NM Matthews, NC Oklahoma City, OK Philadelphia, PA Austin, TX Brownsville, TX Conroe, TX Dallas, TX Frisco, TX Garland, TX Grand Prairie, TX Houston, TX Lewisville, TX Plano, TX Round Rock, TX San Antonio, TX Spring, TX Falls Church, VA Mechanicsville, VA Spokane, WA  *As of the date of this Offering Circular, or at other location(s) to be determined periodically throughout the year	

Subject	Hours Classroom	Hours On the Job Training	Location	How Often Held
Dish Washer/Busser (Combo)	1	6.5	Regional Training Stores:* Phoenix, AZ Tuscon, AZ Belmont, CA Irvine, CA LaVerne, CA San Diego, CA Dover, DE Conyers, GA Fayetteville, GA Glenview, IL Clinton, MD Bloomington, MN Florissant, MO Keavil, NJ Keyport, NJ Albuquerque, NM Matthews, NC Oklahoma City, OK Philadelphia, PA Austin, TX Brownsville, TX Conroe, TX Dallas, TX Frisco, TX Garland, TX Grand Prairie, TX Houston, TX Lewisville, TX Plano, TX Round Rock, TX San Antonio, TX Spring, TX Falls Church, VA Mechanicsville, VA Spokane, WA  *As of the date of this Offering Circular, or at other location(s) to be determined periodically throughout the year	up to 11 times per year

Subject	Hours Classroom	Hours On the Job Training	Location	How Often Held
Cook (Food Preparation & Cooking)	7	98	Regional Training Stores:* Phoenix, AZ Tucson, AZ Belmont, CA Irvine, CA LaVerne, CA San Diego, CA Dover, DE Conyers, GA Fayetteville, GA Glenview, IL Clinton, MD Bloomington, MN Florissant, MO Kenvil, NJ Keyport, NJ Albuquerque, NM Matthews, NC Oklahoma City, OK Philadelphia, PA Austin, TX Brownsville, TX Conroe, TX Dallas, TX Frisco, TX Garland, TX Grand Prairie, TX Houston, TX Lewisville, TX Plano, TX Round Rock, TX San Antonio, TX Spring, TX Falls Church, VA Mechanicsville, VA Spokane, WA  *As of the date of this Offering Circular, or at other location(s) to be determined periodically throughout the year	up to 11 times per year

<u>Subject</u>	<u>Hours Classroom</u>	<u>Hours On the Job Training</u>	<u>Location</u>	<u>How Often Held</u>
Host/Hostess and Server	1	28	Regional Training Stores:* Phoenix, AZ Tucson, AZ Belmont, CA Irvine, CA LaVerne, CA San Diego, CA Dover, DE Conyers, GA Fayetteville, GA Glenview, IL Clinton, MD Bloomington, MN Florissant, MO Kenvil, NJ Keyport, NJ Albuquerque, NM Matthews, NC Oklahoma City, OK Philadelphia, PA Austin, TX Brownsville, TX Conroe, TX Dallas, TX Frisco, TX Garland, TX Grand Prairie, TX Houston, TX Lewisville, TX Plano, TX Round Rock, TX San Antonio, TX Spring, TX Falls Church, VA Mechanicsville, VA Spokane, WA  *As of the date of this Offering Circular, or at other location(s) to be determined periodically throughout the year	up to 11 times per year

<u>Subject</u>	<u>Hours Classroom</u>	<u>Hours On the Job Training</u>	<u>Location</u>	<u>How Often Held</u>
Management Duties	33	14	Regional Training Stores:* Phoenix, AZ Tucson, AZ Belmont, CA Irvine, CA La Verne, CA San Diego, CA Dover, DE Conyers, GA Fayetteville, GA Glenview, IL Clinton, MD Bloomington, MN Florissant, MO Kenil, NJ Keyport, NJ Albuquerque, NM Matthews, NC Oklahoma City, OK Philadelphia, PA Austin, TX Brownsville, TX Conroe, TX Dallas, TX Frisco, TX Garland, TX Grand Prairie, TX Houston, TX Lewisville, TX Plano, TX Round Rock, TX San Antonio, TX Spring, TX Falls Church, VA Mechanicsville, VA Spokane, WA  *As of the date of this Offering Circular, or at other location(s) to be determined periodically throughout the year	up to 11 times per year
<b>CRAFT SUBTOTAL:</b>	62	147		

<u>Subject</u>	<u>Hours Classroom</u>	<u>Hours - Job Simulation Training or Self-Study</u>	<u>Location</u>	<u>How Often Held</u>
<b>MANAGEMENT TRAINING</b>				
Management Training Orientation	3	0	Restaurant Support Center, Glendale, CA*	up to 11 times per year
Restaurant Management Skills	14	5	Restaurant Support Center, Glendale, CA*	up to 11 times per year

Subject	Hours Classroom	Hours Job Simulation Training or Self Study	Location	How Often Held
Basic Management Skills	25	5	Restaurant Support Center, Glendale, CA*	up to 11 times per year
Business Finance	4	1	Restaurant Support Center, Glendale, CA*	up to 11 times per year
Testing	4	4	Restaurant Support Center, Glendale, CA*	up to 11 times per year
<b>MANAGEMENT SUBTOTAL:</b>	50	15	*or at a regional location (to be determined) offered periodically throughout the year.	

CRAFT SUBTOTAL	62	147
MANAGEMENT SUBTOTAL:	50	15
<b>TOTAL TRAINING:</b>	112	162

You will bear the costs and living expenses for you and your employees to attend training. While additional training and refresher courses are offered by IHOP from time to time, you are not required to attend unless attendance is deemed essential by IHOP.

## 12. TERRITORY

Single Store Development Agreement. If you sign a Single Store Development Agreement in connection with the Single Store Development Program, we will assign you a trade area (which may be limited to a single address) in which you will find a single location and then seek our approval of that location for development of a Restaurant in accordance with our Development Approval Procedures. During the 180 days after we sign the Single Store Development Agreement, you will have the exclusive right to propose a "traditional" Restaurant (i.e., not a Restaurant that is located within another primary business or in conjunction with other businesses or at institutional settings such as schools, colleges, and universities, military and other governmental facilities, hospitals, airports, highway rest stops and toll roads, office or in-plant food facilities, supermarkets, grocery stores or convenience stores, casinos, stadiums, arenas, shopping malls, hotels and motels and any other site, venue or location operated by a master concessionaire or contract food service provider in the assigned trade area) and enter into a Franchise Agreement if the site is approved by us.

Franchised Area. If you sign a Franchise Agreement under the Single Store Development, Multi-Store Development, Purchase and Novation Programs, you are granted a franchise to operate one Restaurant at a specific Franchised Location in the Franchised

Area (“Franchised Area”) which is agreed upon at the time of the execution of the Franchise Agreement. Effective April 7, 1997, it is IHOP’s policy to grant franchisees a territory which is typically defined as a circular area with the Restaurant at the center and a radius of two (2) miles. IHOP reserves the right to change this policy at its sole discretion. In addition, in certain circumstances, including in urban areas with a dense population, the territory granted to you may be less than two (2) miles. During the term of the Franchise Agreement, IHOP may not own, operate, franchise or license another “International House of Pancakes” restaurant within that area, but IHOP reserves the right to own, operate, franchise and license restaurants or other business concepts operating under names other than International House of Pancakes or IHOP, to own, operate, franchise and license International House of Pancakes and IHOP Restaurants in non-traditional venues, and to produce, franchise, license, distribute and market products at or through any outlet, regardless of the proximity to your Restaurant or location within the Franchised Area. A map or description of the Franchised Area will be attached to the Franchise Agreement as Exhibit “A” before its execution. You are free to advertise for customers, wherever located. You have no option, right of first refusal or similar right to acquire additional franchises within the Franchised Area or contiguous areas. You will not have a right to relocate the Restaurant to any other location. If the Restaurant is closed due to governmental action, your death or disability, or force majeure, as provided for in Section 12.01(d) of the Franchise Agreement, and unrelated to a breach by you, you may continue business at the Franchised Location once the Restaurant is again operational.

Continuation of your territorial rights just described above is not dependent upon achievement of any particular sales volume, market penetration or other contingency and those rights may not be altered except by mutual written agreement as long as you faithfully perform and observe all of the obligations and conditions to be performed and observed by you under the Franchise Agreement.

Multi-Store Development Program. Under the Multi-Store Development Program, you are granted the right to develop and operate “International House of Pancakes” restaurants in a specified Exclusive Territory which may be one or more cities, counties, states, or some other defined area. Except for non-traditional venues, during the term of the Multi-Store Development Agreement, IHOP may not own, operate, franchise or license any other “International House of Pancakes” restaurants in the Exclusive Territory unless the restaurant was already in existence at the time the Multi-Store Development Agreement was entered into. Until the termination or expiration of the Multi-Store Development Agreement, you shall retain your right of exclusivity as long as you comply with your development and other obligations under the Multi-Store Development Agreement. If you fail to meet any of your obligations under the Multi-Store Development Agreement, including the development obligations, or breach any Franchise Agreement executed by you pursuant to the Multi-Store Development Agreement, or any other Multi-Store Development Agreement or Single Store Development Agreement with IHOP, IHOP may terminate your right to develop, open and operate new “International House of Pancakes” restaurants in the Exclusive Territory, but the termination of the right to develop the Exclusive Territory will not terminate any territorial rights relating to the Franchised Area granted under the Franchise Agreements then in effect between you and IHOP.

Under the Multi-Store Development Program only, the continuation of your territorial exclusivity is dependent upon your compliance with your development and other obligations under the Multi-Store Development Agreement, and all other agreements with IHOP, as described above.

**Impact Policy.** In addition to the rights described above, IHOP presently has an internal policy (the "Impact Policy") which applies whenever a new Restaurant is opened by IHOP (or an IHOP Affiliate) or by a franchisee at a site which is (i) within five miles of an existing IHOP restaurant or, (ii) if a proposed site and existing IHOP restaurant are located adjacent to an interstate highway or freeway, within 10 minutes driving time at the posted speed limit from the existing IHOP Restaurant. For purposes of the current version of the Impact Policy, an existing IHOP restaurant located within 5 miles or 10 minutes driving time of a new restaurant's site, as described above, is referred to as an "Affected Restaurant". Under the current version of the Impact Policy, IHOP will provide certain compensation to the owner of the Affected Restaurant, for a maximum of 3 years, if the new Restaurant adversely affects the sales of the Affected Restaurant by more than a defined amount. A portion of this compensation represents reimbursement by IHOP of costs associated with approved marketing activities or remodeling to try to increase the sales of the Affected Restaurant. If you are participating in the Single Store Development or Multi-Store Development Program and your site adversely affects the sales of an Affected Restaurant by more than a defined amount, you will be required to reimburse IHOP for any compensation it pays to the owner of the Affected Restaurant. An owner of an affected Restaurant may in its sole discretion waive the benefits of the Impact Policy which must be evidenced by a written agreement with IHOP and you.

The Impact Policy does not apply with respect to any IHOP restaurant which is in existence when you sign your franchise agreement or acquire your franchise (e.g. if you buy a restaurant and there is already an existing restaurant which is within five (5) miles of your restaurant). The current Impact Policy has been in effect since September 2000 and replaces previous policies which were in effect in various forms since April 1997, some of which have not provided for compensation to the franchisee. The current Impact Policy, like the previous policies, is a program unilaterally accorded by IHOP to its franchisees as it may be in effect from time to time but it does not grant you any contractual rights or entitlements, nor does it amend your Franchise Agreement, and it is subject to revision or withdrawal by IHOP in its absolute discretion at any time or times, without notice. A copy of our current policy is attached as Exhibit "Q".

IHOP or its Affiliate has in the past and may in the future, establish other franchises or company-owned outlets selling similar products or services under a different trade name or trademark.